

**Masterton Community Trust  
Financial statements  
for the year ended 31 March 2018**

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**Masterton Community Trust**  
**Income statement**  
**For the year ended 31 March 2018**

**Income statement**

**FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	Group 2018 \$	Group 2017 \$
<b>Continuing operations</b>			
Revenue	5	27,648,017	25,046,261
Less cost of sales		<u>3,981,702</u>	<u>3,642,916</u>
Gross profit		<u>23,666,315</u>	<u>21,403,345</u>
Operating expenses	7	17,748,168	14,408,279
Results from operating activities		5,918,147	6,995,066
Finance costs		988,038	1,062,523
Finance income		<u>52,899</u>	<u>8,376</u>
Net finance costs		935,139	1,054,147
<b>Net operating profit</b>		<b>4,983,008</b>	<b>5,940,919</b>
Non operating items	6	5,828,500	2,984,278
Discontinued operation items	30	<u>324,025</u>	<u>614,614</u>
<b>Net profit before charitable donations</b>		<b>11,135,533</b>	<b>9,539,811</b>
Income tax expense	29	-	-
Charitable donations	27	<u>(3,848,511)</u>	<u>(3,482,295)</u>
<b>Net profit for year</b>		<b><u>7,287,022</u></b>	<b><u>6,057,516</u></b>
Attributable to:			
Equity holders of Masterton Community Trust		<b>6,868,879</b>	5,709,924
Non-controlling interest		<u>418,143</u>	<u>347,592</u>
		<u>7,287,022</u>	<u>6,057,516</u>

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

**Masterton Community Trust**  
**Statement of comprehensive income**  
**For the year ended 31 March 2018**

**Statement of comprehensive income**

**FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	Group 2018 \$	Group 2017 \$
Net profit / (loss)		7,287,022	6,057,516
<b>Other comprehensive income:</b>			
Land & building revaluation		<u>186,161</u>	<u>103,294</u>
<b>Total other comprehensive income / (expense)</b>		<u><b>186,161</b></u>	<u>103,294</u>
<b>Total comprehensive income for the year</b>		<u><b>7,473,183</b></u>	<u><b>6,160,810</b></u>
<b>Attributable to:</b>			
Owners of Masterton Community Trust		<u><b>7,044,358</b></u>	5,807,291
Non-controlling interest		<u><b>428,825</b></u>	<u>353,519</u>
		<u><b>7,473,183</b></u>	<u><b>6,160,810</b></u>

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

**Trust House Limited**  
**Statement of changes in equity**  
**For the year ended 31 March 2018**

**Statement of changes in equity**  
**FOR THE YEAR ENDED 31 MARCH 2018**

<b>Group</b>	<b>2018</b>
	<b>\$</b>
<b>Equity at the start of the year</b>	59,775,578
Total comprehensive income / (expense)	7,473,183
Attributable to:	
Masterton Community Trust	7,044,358
Minority interests	<u>428,825</u>
	7,473,183
<b>Equity at the end of the year</b>	<u>67,248,761</u>
<b>Group</b>	<b>2017</b>
	<b>\$</b>
<b>Equity at the start of the year</b>	53,614,768
Total comprehensive income / (expense)	6,160,810
Attributable to:	
Masterton Community Trust	5,807,291
Minority interests	<u>353,519</u>
	6,160,810
<b>Equity at the end of the year</b>	<u>59,775,578</u>

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

**Masterton Community Trust**  
**Statement of financial position**  
**As at 31 March 2018**

**Statement of financial position**

**AS AT 31 MARCH 2018**

	Notes	Group 2018 \$	Group 2017 \$
<b>Current assets</b>			
Cash and cash equivalents	8	687,232	1,498,095
Trade and other receivables	9	350,025	1,306,033
Prepayments		270,624	325,639
Inventories	10	398,869	370,245
Other investments	11	53,005	53,005
Assets held for sale	30	-	399,479
<b>Total current assets</b>		<b><u>1,759,755</u></b>	<b><u>3,952,496</u></b>
<b>Non-current assets</b>			
Other investments	11	697,348	742,706
Investment properties	12	69,257,000	61,341,228
Property, plant and equipment	13	19,131,837	17,926,321
Intangible assets	14	917,953	967,040
<b>Total non-current assets</b>		<b><u>90,004,138</u></b>	<b><u>80,977,295</u></b>
<b>Total assets</b>		<b><u>91,763,893</u></b>	<b><u>84,929,791</u></b>
<b>Current liabilities</b>			
Trade and other payables	15	2,083,803	3,024,030
Employee entitlements	16	740,890	715,318
Borrowings	17	760,849	166,000
Charitable donations allocated		619,915	804,685
<b>Total current liabilities</b>		<b><u>4,205,457</u></b>	<b><u>4,710,033</u></b>
<b>Non-current liabilities</b>			
Employee entitlements	16	78,522	80,382
Borrowings	17	20,189,584	20,254,584
Provisions	24	41,569	109,214
<b>Total non-current liabilities</b>		<b><u>20,309,675</u></b>	<b><u>20,444,180</u></b>
<b>Equity</b>			
Retained earnings	18	63,117,055	56,248,176
Asset revaluation reserve	18	272,846	97,367
Non-controlling interest	18	3,858,860	3,430,035
<b>Total equity</b>		<b><u>67,248,761</u></b>	<b><u>59,775,578</u></b>
<b>Total liabilities &amp; equity</b>		<b><u>91,763,893</u></b>	<b><u>84,929,791</u></b>

Signed on behalf of Masterton Community Trust



**J W KERSHAW**  
**CHAIRMAN**



**L GRIFFITHS**  
**TRUSTEE**

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

**Masterton Community Trust**  
**Statement of cash flows**  
**For the year ended 31 March 2018**

**Statement of cash flows**

**FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	Group 2018 \$	Group 2017 \$
<b>Cash flows from operating activities</b>			
Cash was provided from:			
Receipts from customers		29,302,406	35,288,737
Interest received		<u>52,899</u>	<u>25,027</u>
		29,355,305	35,313,764
Cash was applied to:			
Payments to suppliers and employees		21,612,226	29,082,296
Charitable donations		4,033,281	3,936,444
Interest paid		<u>984,951</u>	<u>1,062,504</u>
		<u>(26,630,458)</u>	<u>(34,081,244)</u>
<b>Net cash flows from operating activities</b>	22	<b><u>2,724,847</u></b>	<b><u>1,232,520</u></b>
Cash flows from investing activities			
Cash was provided from:			
Sale of plant, property and equipment		41,879	440,385
Sale of intangibles		8,751	1,671
Sale of business		509,944	3,433,435
Cash acquired as part of business acquisition		-	33,904
Sale of investment property		<u>-</u>	<u>1,648,810</u>
		560,574	<b>5,558,205</b>
Cash was applied to:			
Purchase of plant, property and equipment		2,468,539	1,186,934
Purchase of intangible assets		69,322	139,612
Acquisition of business	30	-	2,879,787
Cash sold with business		1,000	309
Upgrading of investment property		<u>2,087,272</u>	<u>823,950</u>
		<u>(4,626,133)</u>	<u>(5,030,592)</u>
<b>Net cash flows from investing activities</b>		<b><u>(4,065,559)</u></b>	<b><u>527,613</u></b>
Cash was provided from:			
Proceeds from borrowings		<u>-</u>	<u>-</u>
Cash was applied to:			
Repayment of borrowings		<u>166,000</u>	<u>1,190,999</u>
		<u>(166,000)</u>	<u>(1,190,999)</u>
<b>Net cash flows from financing activities</b>		<b><u>(166,000)</u></b>	<b><u>(1,190,999)</u></b>
Net (decrease) / increase in cash held		(1,506,712)	569,134
Opening cash balance		<u>1,498,095</u>	<u>928,961</u>
<b>Closing cash balance</b>	8	<b><u>(8,617)</u></b>	<b><u>1,498,095</u></b>
Closing cash is made up of			
Cash and cash equivalents		<u>(8,617)</u>	<u>1,498,095</u>
		<b><u>(8,617)</u></b>	<b><u>1,498,095</u></b>

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

## **Notes to the Financial Statements**

### **1 REPORTING ENTITY**

These financial statements have been prepared in accordance with the Sale and Supply of Alcohol Act 2012. The consolidated financial statements of Masterton Community Trust as at and for the year ended 31 March 2018 comprise of Masterton Community Trust, Masterton Licensing (Charitable) Trust, Trust House Limited (94.3% owned), Trust House Foundation (a controlled entity) and Tararua Foundation (a controlled entity). Tararua Foundation was wound up on 27 March 2017. Masterton Licensing (Charitable) Trust was wound up on 6 April 2016.

The Masterton Community Trust is a community 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, a bottle store, two hotels and a large rental housing portfolio.

The Masterton Licensing Trust was changed to Masterton Community Trust by an order in council, under the provisions of the Sale and Supply of Alcohol Act, on 9th May 2016.

### **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 Board of Trustees on 13 August 2018.

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 Trust has determined that it is a 'tier one' entity, as the Trust has expenses less than \$30 million, however the Trust elects to report under 'tier one' accounting standard.

Masterton Community Trust is a Trust incorporated and domiciled in New Zealand, registered under the Sale and Supply of Alcohol Act 2012. The Trusts registered office is 4 Queen Street, Masterton 5840, New Zealand.

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

#### **(b) Measurement base**

The financial statements have been 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 Group'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 Masterton Community 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.

#### **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.

#### **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 with sufficient regularity such that the carrying value is not materially different to fair value, but at least every three years. The fair value is 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.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

#### Depreciation

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

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

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

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

#### Intangible assets

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

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

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Where goodwill is allocated to a leased property the goodwill is amortised over the remaining life of the lease. An impairment loss recognised for goodwill is not reversed in any subsequent period.

#### Investment property

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

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

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

Any increase or decrease in fair value is recognised in the Income Statement. Investment property is not depreciated.

#### Impairment

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

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

#### 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.

### **3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Leases**

##### **Finance leases**

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

##### **(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.

### **3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Investments**

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

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

#### **Borrowings**

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

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

#### **Borrowing costs**

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

#### **Tax**

The Masterton Community Trust is subject to Income tax. Trust House Limited is exempt from Income Tax as it is a registered charity. The Trust House Foundation is exempt from Income Tax as a Class IV gaming operator.

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

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

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

The measurement of deferred tax reflects the tax consequences that would flow from the manner in which the entity expects to recover or settle the carrying amount of its 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 trade and other receivables and trade and other payables, which are stated on a GST inclusive basis. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

### **3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

#### **Charitable donations**

Charitable donations are recognised when approval is given.

#### **Held for sale assets**

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

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

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

#### **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) Land and Buildings**

The fair value of land and buildings is based on market values. The market value of land and buildings is the estimated amount for which they 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

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
Sales	22,005,136	19,480,014
Rentals	5,642,881	5,390,958
Gain on sale of investment property	-	147,113
Gain on sale of business	-	28,176
Total revenues	<u>27,648,017</u>	<u>25,046,261</u>

## 6 NON OPERATING ITEMS

		<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
Change in fair value of investment property	12	<u>5,828,500</u>	<u>2,984,278</u>
		<u>5,828,500</u>	<u>2,984,278</u>

## 7 OPERATING EXPENSES

		<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
Administration and financial		1,248,657	1,241,635
Advertising and promotion		990,543	1,002,616
Audit Fees		95,845	94,500
Audit Fees - Masterton Community Trust		5,250	5,200
Prospective financial statement review*		4,210	4,085
Bad debts		(3,656)	106,298
Movement in provision for doubtful debts		9,217	(67,983)
Depreciation		1,395,288	1,143,984
Amortisation		113,964	97,278
Impairment of property, plant and equipment		886,874	-
Loss / (gain) on sale of plant and equipment		(29,553)	(117,604)
Loss / (gain) on sale of intangible assets		(4,306)	4,440
Property expenses		3,736,040	3,713,085
Rent and lease expenses		801,441	773,282
Employee costs		6,588,628	6,005,047
Directors and Trustees Fees		322,793	272,656
Gaming Machine Duty and Licenses		2,476,918	2,162,102
Reversal of impairments		<u>(889,985)</u>	<u>(2,032,342)</u>
		<u>17,748,168</u>	<u>14,408,279</u>

\* 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

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
Bank balances	463,886	1,292,647
Cash floats	<u>223,346</u>	<u>205,448</u>
Cash and cash equivalents	<u>687,232</u>	<u>1,498,095</u>
	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
Cash and cash equivalents	687,232	1,498,095
Bank overdrafts used for cash management purposes	<u>(695,849)</u>	<u>-</u>
Cash and cash equivalents used in the statement of cash flows	<u>(8,617)</u>	<u>1,498,095</u>

The carrying value of cash at bank, cash floats and bank overdrafts approximates fair value.

## 9 TRADE AND OTHER RECEIVABLES

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
Trade receivables	272,398	447,663
Less provision for impairment	<u>(25,927)</u>	<u>(16,710)</u>
	246,471	430,953
Sundry receivables	<u>103,554</u>	<u>875,080</u>
	<u>350,025</u>	<u>1,306,033</u>
	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
<b>Aging of trade receivables</b>		
The status of trade receivables at the reporting date is as follows:		
Not past due	186,327	256,495
1-30 days	39,143	66,000
31-60 days	12,107	10,775
60 days+	<u>34,818</u>	<u>114,393</u>
	<u>272,395</u>	<u>447,663</u>

As of 31 March 2018, trade receivables of \$25,927 (2017: \$16,710) were past due and considered impaired and trade receivables of \$60,141 (2017: \$174,458) were past due but not considered impaired.

## 9 TRADE AND OTHER RECEIVABLES (continued)

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

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
As at 1 April	16,710	84,693
Additional provisions made during the year	22,580	39,782
Receivables written off during the year	<u>(13,363)</u>	<u>(107,765)</u>
Balance at the end of the year	<u>25,927</u>	<u>16,710</u>

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

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
Raw materials and consumables	63,620	57,987
Goods available for sale	<u>335,249</u>	<u>312,258</u>
	<u>398,869</u>	<u>370,245</u>

Inventory comprises goods available for sale and food ingredients.

No inventories are pledged as security for liabilities (2017 \$nil). However, some inventories are subject to retention of title clauses.

## 11 OTHER INVESTMENTS

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
Current investments (at amortised cost)		
Foodstuffs Ltd - deferred rebates	<u>53,005</u>	<u>53,005</u>
	<u>53,005</u>	<u>53,005</u>
Non current investments (at amortised cost)		
Vendor loan	650,000	650,000
Foodstuffs Ltd - shares & rebates	<u>47,348</u>	<u>92,706</u>
	<u>697,348</u>	<u>742,706</u>
Total investments	<u>750,353</u>	<u>795,711</u>

The vendor loan is for a property disposed of during the 2016/17 year. The loan is 6% interest only with capital repayable in 2020.



## 12 INVESTMENT PROPERTY

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
Investment property is comprised of		
Residential property	68,007,000	60,081,228
Commercial property	<u>1,250,000</u>	<u>1,260,000</u>
	<u>69,257,000</u>	<u>61,341,228</u>
Classified as:		
Current - available for sale at 31 March	-	-
Non Current	<u>69,257,000</u>	<u>61,341,228</u>
	<u>69,257,000</u>	<u>61,341,228</u>

### (a) Residential properties

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
Balance at 1 April	60,081,228	56,542,000
Properties sold during the year	-	(159,000)
Development in progress	-	81,228
Improvements	2,087,272	742,722
Change in fair value	<u>5,838,500</u>	<u>2,874,278</u>
	<u>68,007,000</u>	<u>60,081,228</u>

Residential investment property comprises 485 (2017: 479) rental houses in the lower North Island. The Group's investment properties are valued annually at fair market value effective 31st March.

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

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

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
Rental income	5,386,683	5,110,041
Expenses from investment property generating income	2,031,092	2,053,877

## 12 INVESTMENT PROPERTY (continued)

### Insurance

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

### (b) Commercial property

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

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
Balance at 1 April	1,260,000	2,457,000
Sold during the year	-	(1,307,000)
Change in fair value	<u>(10,000)</u>	<u>110,000</u>
Balance at 31 March	<u>1,250,000</u>	<u>1,260,000</u>
Classified as:		
Non Current	<u>1,250,000</u>	<u>1,260,000</u>
	<u>1,250,000</u>	<u>1,260,000</u>

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 2018 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.

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
Rental income	247,750	271,701
Revenue	-	147
Tenant recharges	14,263	34,985
Expenses from investment property generating income	124,892	133,677

### 13 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings \$	Furniture and plant \$	Hydro assets \$	Motor vehicles \$	Construction in progress \$	Total \$
<b>Cost or deemed cost</b>						
<b>Balance at 1 April 2016</b>	15,452,479	8,931,285	960,581	182,974	-	25,527,319
Acquisitions	2,155,000	106,185	-	-	-	2,261,185
Additions	90,041	1,032,608	6,542	8,696	189,386	1,327,273
Disposals	(3,260,257)	(2,049,718)	-	(19,981)	-	(5,329,956)
Reclassified as available for sale	(44,011)	(138,450)	-	(63,614)	-	(246,075)
Reclassified as investment property	317,524	-	-	-	-	317,524
Balance at 31 March 2017	<u>14,710,776</u>	<u>7,881,910</u>	<u>967,123</u>	<u>108,075</u>	<u>189,386</u>	<u>23,857,270</u>
Balance at 1 April 2017	14,710,776	7,881,910	967,123	108,075	189,386	23,857,270
Acquisitions	-	-	-	-	-	-
Additions	1,424,580	990,332	-	9,582	-	2,424,494
Disposals	-	(372,529)	-	(24,960)	-	(397,489)
Reclassified under construction	177,176	12,210	-	-	(189,386)	-
Reclassified from available for sale	-	6,005	-	-	-	6,005
Revaluation of land and buildings	(393,580)	-	-	-	-	(393,580)
Balance at 31 March 2018	<u>15,918,952</u>	<u>8,517,928</u>	<u>967,123</u>	<u>92,697</u>	<u>-</u>	<u>25,496,700</u>
<b>Depreciation and impairment losses</b>						
Balance as at 1 April 2016	2,342,353	6,151,641	428,144	134,394	-	9,056,532
Depreciation for the year	503,104	713,197	42,562	10,026	-	1,268,889
Disposals	(916,414)	(1,422,148)	-	(15,957)	-	(2,354,519)
Revaluation of land and buildings	(1,818,112)	-	-	-	-	(1,818,112)
Reclassified to available for sale	(40,587)	(130,606)	-	(50,648)	-	(221,841)
Balance at 31 March 2017	<u>70,344</u>	<u>5,312,084</u>	<u>470,706</u>	<u>77,815</u>	<u>-</u>	<u>5,930,949</u>
Balance at 1 April 2017	70,344	5,312,084	470,706	77,815	-	5,930,949
Depreciation for the year	591,213	759,308	37,586	7,181	-	1,395,288
Disposals	-	(362,226)	-	(20,859)	-	(383,085)
Revaluation of land and buildings	(582,853)	-	-	-	-	(582,853)
Reclassified from available for sale	-	4,564	-	-	-	4,564
Balance at 31 March 2018	<u>78,704</u>	<u>5,713,730</u>	<u>508,292</u>	<u>64,137</u>	<u>-</u>	<u>6,364,863</u>
<b>Carrying amounts</b>						
As at 31 March 2017	<u>14,640,432</u>	<u>2,569,826</u>	<u>496,417</u>	<u>30,260</u>	<u>189,386</u>	<u>17,926,321</u>
As at 31 March 2018	<u>15,840,248</u>	<u>2,804,198</u>	<u>458,831</u>	<u>28,560</u>	<u>-</u>	<u>19,131,837</u>

### 13 PROPERTY, PLANT AND EQUIPMENT (continued)

#### Valuation - land and buildings

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

The most recent valuation was performed by J McKeefry BBS (VPM), Dip BS (Fin), MPINZ; Registered Valuer of Telfer-Young Wellington and the valuation is effective as at 31 March 2018.

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 2018 was \$15,720,000 (2017: \$14,689,000). This figure relates to both parent and group. The valuation uses Level 2 observable inputs in arriving at fair value.

These include rental prices per square metre of equivalent assets and capitalisation rates of rental income on sales of equivalent assets.

#### Impairment

Net impairment losses for the Group of \$Nil were recognised in 2017/18 (2016/17 \$Nil).

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

Deductibles for claims are as follows:

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

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

#### Disposals

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

	<b>Group</b> <b>\$</b>
Plant property and equipment	22,793
Cash sold with business	1,000
Inventory	<u>248,444</u>
	272,237
Consideration in cash	<u>509,944</u>
Total Consideration	509,944

## 14 INTANGIBLE ASSETS

Group	Goodwill \$	Software \$	Total \$
<b>Cost</b>			
Balance at 1 April 2016	1,310,390	623,587	1,933,977
Additions	570,000	139,612	709,612
Disposals	<u>(1,110,390)</u>	<u>(43,478)</u>	<u>(1,153,868)</u>
Balance at 31 March 2017	<u><b>770,000</b></u>	<u><b>719,721</b></u>	<u><b>1,489,721</b></u>
Balance at 1 April 2017	770,000	719,721	1,489,721
Additions	-	69,322	69,322
Disposals	<u>-</u>	<u>(47,735)</u>	<u>(47,735)</u>
Balance at 31 March 2018	<u><b>770,000</b></u>	<u><b>741,308</b></u>	<u><b>1,511,308</b></u>
<b>Amortisation and impairment losses</b>			
Balance at 1 April 2016	776,838	462,770	1,239,608
Disposals	(776,838)	(37,367)	(814,205)
Amortisation for the year	<u>38,095</u>	<u>59,183</u>	<u>97,278</u>
Balance at 31 March 2017	<u><b>38,095</b></u>	<u><b>484,586</b></u>	<u><b>522,681</b></u>
Balance at 1 April 2017	38,095	484,586	522,681
Disposals	-	(43,290)	(43,290)
Amortisation for the year	<u>38,095</u>	<u>75,869</u>	<u>113,964</u>
Balance at 31 March 2018	<u><b>76,190</b></u>	<u><b>517,165</b></u>	<u><b>593,355</b></u>
<b>Carrying amounts</b>			
As at 31 March 2017	731,905	235,135	967,040
As at 31 March 2018	693,810	224,143	917,953

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

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

#### The Ledge

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

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

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

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

#### Post Office Hotel

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

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

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

## 14 INTANGIBLE ASSETS (continued)

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management which covers a five year period. The growth rate of cash generation is assumed to be 2.5% per annum for the first 5 years and 2% per annum thereafter.

The discount rate applied to cash flow projections is 6.0%.

### The Jackson Street Bar

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

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

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

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management which covers a five year period. The growth rate of cash generation is assumed to be 2.5% per annum for the first 5 years and 2% per annum thereafter.

The discount rate applied to cash flow projections is 6.0%.

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

	Group 2018 \$	Group 2017 \$
The Ledge	123,810	161,905
Post Office Hotel	395,000	395,000
Jackson Street Bar	<u>175,000</u>	<u>175,000</u>
Total Goodwill	<u>693,810</u>	<u>731,905</u>

### (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 Group 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 2018 \$	Group 2017 \$
Trade creditors	1,080,469	1,325,484
Interest payable	10,626	7,539
Capital payables	107,848	151,892
Accrued expenses	778,470	1,443,570
Revenue in advance	<u>106,390</u>	<u>95,545</u>

**15 TRADE AND OTHER PAYABLES (continued)**

	2,083,803	3,024,030
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**16 EMPLOYEE ENTITLEMENTS**

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
<b>Current portion</b>		
Accrued pay	175,735	158,047
Accrued leave	550,619	538,758
Provision for staff long service / retirement benefits	9,198	10,894
Sick pay	5,338	7,619
	740,890	715,318
<b>Non current portion</b>		
Provision for long service / retirement benefits	78,522	80,382
	78,522	80,382
<b>Total employee entitlements</b>	819,412	795,700

## 17 BORROWINGS

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
<b>Current liabilities</b>		
Bank overdrafts	695,849	-
Secured bank loans	-	101,000
Other loans	<u>65,000</u>	<u>65,000</u>
	<u>760,849</u>	<u>166,000</u>
<b>Non-current liabilities</b>		
Secured bank loans	20,000,000	20,000,000
Other loans	<u>189,584</u>	<u>254,584</u>
	<u>20,189,584</u>	<u>20,254,584</u>

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

All movements in borrowings are cash.

### Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Nominal interest rate	Year of maturity	Face value 2018 \$	Carrying amount 2018 \$	Face value 2017 \$	Carrying amount 2017 \$
<b>Group &amp; Parent</b>						
Secured BNZ Bank loans	4.23%-5.64%	2020	14,000,000	14,000,000	20,000,000	20,000,000
Secured BNZ Bank loans	4.45%-5.16%	2022	6,000,000	6,000,000	-	-
Secured ANZ Bank loan	6.55%	2017	-	-	101,000	101,000
Other loans	0.00%	2020-2024	254,584	254,584	319,584	319,584
Bank overdrafts	8.50%	On demand	<u>695,849</u>	<u>695,849</u>	-	-
Total interest-bearing liabilities			<u>20,950,433</u>	<u>20,950,433</u>	<u>20,420,584</u>	<u>20,420,584</u>

The ANZ National Bank overdrafts are secured with registered first mortgages over land and buildings with a carrying amount of \$7,200,000 (2017: \$6,648,000). 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

<b>Group</b>	<b>Revaluation reserve \$</b>	<b>Retained earnings \$</b>	<b>Total equity \$</b>
Balance at 1 April 2016	138,786	50,399,466	50,538,252
Total comprehensive income / (expense)	97,367	5,709,924	5,807,291
Asset revaluation realised on sale of business	<u>(138,786)</u>	<u>138,786</u>	-
Balance at 31 March 2017	<u>97,367</u>	<u>56,248,176</u>	<u>56,345,543</u>
Balance at 1 April 2017	97,367	56,248,176	56,345,543
Total comprehensive income / (expense)	<u>175,479</u>	<u>6,868,879</u>	<u>7,044,358</u>
Balance at 31 March 2018	<u>272,846</u>	<u>63,117,055</u>	<u>63,389,901</u>
<b>Minority interest</b>	<b>Revaluation reserve \$</b>	<b>Retained earnings \$</b>	<b>Total equity \$</b>
Balance at 1 April 2016	8,449	3,068,067	3,076,516
Total comprehensive income / (expense)	5,927	347,592	353,519
Asset revaluation realised on sale of business	<u>(8,449)</u>	<u>8,449</u>	-
Balance at 31 March 2017	<u>5,927</u>	<u>3,424,108</u>	<u>3,430,035</u>
Balance at 1 April 2017	5,927	3,424,108	3,430,035
Total comprehensive income / (expense)	<u>10,682</u>	<u>418,143</u>	<u>428,825</u>
Balance at 31 March 2018	<u>16,609</u>	<u>3,842,251</u>	<u>3,858,860</u>

## 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 its worthiness and assigned a purchase limit before credit is offered.

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

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

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

### Credit quality of financial assets

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

### Liquidity risk

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

	<b>Group 2018</b>	<b>Group 2017</b>
	\$	\$
Overdrafts and credit lines in place	2,000,000	2,000,000

### Interest rate risk

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

### Other market price risk

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

### Quantitative disclosures

#### Credit risk

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

## 19 FINANCIAL INSTRUMENTS (continued)

### (a) Liquidity risk

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

Group 2018	12 months or less \$	1-2 years \$	2-5years \$	More than 5 years \$	Contractual cash flows \$	Carrying Amount \$
Secured bank loans	974,000	974,000	20,849,826	-	22,797,826	20,000,000
Other loans	65,000	65,000	85,000	39,584	254,584	254,584
Trade and other payables	1,455,157	-	-	-	1,455,157	1,977,413
Bank overdraft	695,849	-	-	-	695,849	695,849
Total liabilities	<u>3,190,006</u>	<u>1,039,000</u>	<u>20,934,826</u>	<u>39,584</u>	<u>25,203,416</u>	<u>22,927,846</u>
<b>Group 2017</b>						
Secured bank loans	1,030,311	926,500	21,081,340	-	23,038,151	20,101,000
Other loans	65,000	65,000	125,000	64,584	319,584	319,584
Trade and other payables	1,998,743	-	-	-	1,998,743	3,024,030
Total liabilities	<u>3,094,054</u>	<u>991,500</u>	<u>21,206,340</u>	<u>64,584</u>	<u>25,356,478</u>	<u>23,444,614</u>

### (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 \$48,320 (2017:\$90,810).

**19 FINANCIAL INSTRUMENTS (continued)**

**(c) Classification and fair values**

Group	Loans and receivables \$	Total carrying value and fair value \$
<b>2018</b>		
<b>Assets</b>		
Investments	750,353	750,353
Trade and other receivables	350,025	350,025
Cash and cash equivalents	<u>687,232</u>	<u>687,232</u>
	<u>1,787,610</u>	<u>1,787,610</u>
<b>2017</b>		
<b>Assets</b>		
Investments	795,711	795,711
Trade and other receivables	1,306,033	1,306,033
Cash and cash equivalents	<u>1,498,095</u>	<u>1,498,095</u>
	<u>3,599,839</u>	<u>3,599,839</u>

**19 FINANCIAL INSTRUMENTS (continued)**

<b>Group</b>	<b>At amortised cost \$</b>	<b>Fair value amount \$</b>
<b>2018</b>		
<b>Liabilities</b>		
Trade and other payables	1,455,157	1,455,157
Borrowings	<u>20,950,433</u>	<u>20,950,433</u>
Total liabilities	<u>22,405,590</u>	<u>22,405,590</u>
<b>2017</b>		
<b>Liabilities</b>		
Trade and other payables	1,998,743	1,998,743
Borrowings	<u>20,420,584</u>	<u>20,420,584</u>
Total liabilities	<u>22,419,327</u>	<u>22,419,327</u>

## 20 OPERATING LEASES

### Leases as lessee

Non-cancellable operating leases are payable as follows:

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
Less than 1 year	283,469	427,369
Between 1 and 2 years	208,262	321,245
Between 2 and 5 years	181,112	389,442
Over 5 years	-	-
Total	<u>672,843</u>	<u>1,138,056</u>

### Leases as lessor

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
Less than one year	80,315	312,775
Between 1 and 2 years	-	82,520
Between 2 and 5 years	-	-
Over 5 years	-	-
	<u>80,315</u>	<u>395,295</u>

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 had capital commitments of \$Nil at 31 March 2018 (2017; \$169,863). The Group had commitments in relation to painting of Solway Park on a cost-plus basis. The estimated amount still to be incurred is \$264,800.

The Group had contingent liabilities of \$55,000 as at 31 March 2018 (2017: \$55,000)

The Group have a contingent liability in relation to the lease of the Island Bay Bar. This business was sold in 2015 and the Group 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 PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
Net Profit/(Loss) for year	7,287,022	6,057,516
Add (less) non-cash items:	-	-
Depreciation	1,395,288	1,268,889
Amortisation of intangibles	113,964	97,278
Revaluation of investment properties	(5,828,500)	(2,984,278)
Provisions	2,538	30,701
Fixed assets impairment / (reversal)	(3,111)	(2,032,342)
(Gain) loss on sale of intangibles	(4,306)	4,440
(Gain) loss on sale of fixed assets	(27,474)	(104,443)
Gain on sale of businesses	(375,229)	(878,610)
Gain on sale of investment property	-	(147,113)
Investments issued in lieu of rebates	<u>45,358</u>	<u>42,590</u>
	(4,681,472)	(4,702,888)
 Add (less) movements in working capital items:		
(Increase) / decrease in receivables and prepayments	1,009,426	(31,603)
(Increase)/ decrease in inventories	98,177	33,380
Increase / (decrease) in charitable distributions payable	(184,770)	(454,149)
Increase/ (decrease) in employee entitlements	23,711	(111,987)
Increase/ (decrease) in trade and other payables	(827,247)	442,251
	<u>-</u>	<u>-</u>
	<u>119,297</u>	<u>(122,108)</u>
 Net cash inflow from operating activities	<u>2,724,847</u>	<u>1,232,520</u>

## 23 RELATED PARTY TRANSACTIONS

### (i) Parent and ultimate controlling party

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

### (ii) Transactions with key management personnel

Several of the Directors of Trust House Limited and Trustees of Masterton Community Trust own or run businesses in their own right. A number of these entities transacted on an arms length basis. All transactions are entered into in the normal course of business.

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 or liquor). Directors and senior management are entitled to a 10% discount on non-discounted goods. These buying privileges are available to all employees.

Lucy Griffiths, a trustee of Masterton Community Trust and a Director of Trust House Limited, is the spouse of a major shareholder in Technology Solutions which provides technology services and hardware to Trust House Limited. Technology Solutions has been the preferred supplier of information technology hardware and services to the Trust House Group for at least 20 years, pre-dating Lucy Griffiths election to Masterton Community Trust and appointment to the Board of Trust House Limited. During the year Trust House Limited paid Technology Solutions \$194,723 (2017: \$196,560). The amount outstanding at year end was \$34,713 (2017: \$34,325). The Group paid \$197,910 (2017: \$204,815) during the year and the amount outstanding at year end was \$34,713 (2017: \$34,808)

Cindy Grant, a senior manager of Trust House Limited, and her spouse jointly own Power Related Services Limited (PRSL) which provides electrical services and storage to the Group. During the year the Group paid PRSL \$7,728 (2017: \$2,444). The amount outstanding at year end was \$Nil (2017: \$Nil).

### (iii) Key management and personnel compensation

	2018	2017
	\$	\$
Salaries and other short term benefits	1,089,396	1,021,112
Post employment benefits	20,757	18,265
Termination benefits	-	-
	<u>1,110,153</u>	<u>1,039,377</u>

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.

	2018	2017
\$110,000 - \$120,000	1	1
\$120,000 - \$130,000	1	-
\$130,000 - \$140,000	1	-
\$140,000 - \$150,000	1	1
\$150,000 - \$160,000	-	1
\$180,000 - \$190,000	1	1
\$280,000 - \$290,000	-	1
\$300,000 - \$310,000	1	-
	<u>6</u>	<u>5</u>



**23 RELATED PARTY TRANSACTIONS (continued)**

**(iv) Other related party transactions**

	2018	2017
	\$	\$
<b>(a) Masterton Community Trust (MCT) - formerly Masterton Licensing Trust</b>		
Shares in Trust House Ltd (number of shares) 10,026,629		
MCT Trustees Fees paid by Trust House Limited	15,480	15,720

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

**(b) Trust House Foundation (THF)**

(i) Trust House Foundation is an independent trust. Three of the Directors of Trust House Limited 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.

	2018	2017
	\$	\$
Funds available 1st April	583,777	532,229
Net surplus before charitable distributions	3,894,634	3,470,423
Grants unclaimed	122,062	308,996
Grants approved	<u>(3,930,573)</u>	<u>(3,727,871)</u>
	<u>669,900</u>	<u>583,777</u>

For a full list of these grants please refer to Note 27.

Trust House Limited (THL) is responsible for administering Trust House Foundation (THF)

Site rentals paid by THF to THL	1,125,598	703,467
Management Fees paid by THF to THL	500,000	600,000

As at 31 March 2018, Trust House Foundation owed Trust House Limited \$18,536 (2017: \$24,081).

**24 PROVISIONS**

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
Property reinstatement provisions	<u>41,569</u>	<u>109,214</u>
	<u>41,569</u>	<u>109,214</u>

The Group leases two premises. A condition 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.

	<b>Property reinstatement provisions</b>	
<b>Group 2018</b>		
Opening balance as at 1 April 2017	109,214	
Provisions added	2,538	
Outlets sold	<u>(70,183)</u>	
Closing provision at 31 March 2018	<u>41,569</u>	
		<b>Total</b>
		<b>\$</b>
<b>Group 2017</b>		
At 1 April 2016	78,513	
Provisions added	<u>30,701</u>	
Closing provision at 31 March 2017	<u>109,214</u>	

## 25 GROUP ENTITIES

### Subsidiaries

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

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

## 26 CAPITAL MANAGEMENT

The Groups' capital includes reserves and retained earnings.

The Groups' 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 Groups' management of capital during the period.

## 27 CHARITABLE DISTRIBUTIONS

The following charitable distributions were made by the Group during the year:

The Masterton Community Trust did not make any grants during the year.

	<b>2018</b> <b>\$</b>
<b>Trust House Foundation - (see below for full grants listing)</b>	3,808,511
<b>Trust House Limited</b>	
Te Timatanga Ararau Trust (Iron Maori)	30,000
Te Awhina Cameron Community Trust	10,000
<b>Group Charitable distributions</b>	<b>3,848,511</b>

Trust House Foundation grants by region:

### Grants approved Masterton

Age Concern New Zealand Inc	1,000
Age Concern Wairarapa WOOPS Inc	27,500
All Kiwi Sports Club Inc	180,000
Alzheimers Society Manawatu	1,000
Alzheimers Wairarapa Inc	9,000
Aratoi Regional Trust	55,000
Arthritis Foundation of NZ Inc	4,500
Athletics Masterton Inc	2,000
Athletics Wairarapa Inc	500
Autism New Zealand - Wellington and Wairarapa	4,000
Badminton New Zealand	2,000
Bowls Wairarapa Inc	3,000
Brain Injury Association Central Districts Inc	1,200
Bring It To Colombo Trust	200,000
Bush Riders Motorcycle Club Inc	5,000
Canteen Central	2,000
Capital Zone Basketball Trust	4,500
Carterton Playcentre	3,000
Chanel College Parents Teachers and Friends Association	10,000
ChangeAbility Inc	30,000
Cobblestone Trust	2,500
Community Budgeting Trust (Wairarapa) Inc	2,415

**27 CHARITABLE DISTRIBUTIONS (continued)**

Community Networks Wairarapa Inc	2,000
Conservation Volunteers New Zealand	3,000
Dalefield Hockey Club	15,000
Destination Wairarapa Inc	74,586
Dress for Success Wellington	3,000
Dressage Wellington	3,000
East Side Community Group	11,681
Epilepsy Association of New Zealand	2,000
Featherston Booktown Trust	12,000
Featherston Hockey Club Inc	2,000
Fell Locomotive Museum Inc	5,000
Five Towns Trail Trust	10,000
Foureyes Foundation	15,000
Friends of the ANZAC Bridge	3,000
Gladstone & Districts Sport & Social Club Inc	2,286
Gladstone Rugby Football Club Inc	1,000
Gliding Wairarapa Inc.	10,660
Golden Shears International Shearing Championships Society Inc	40,000
Greytown Community Sport & Leisure Society Inc	7,500
Greytown Early Years Inc	5,060
Greytown Lioness Club	850
Greytown Rugby Football Club	10,000
He Kahui Wairarapa Inc	3,000
Heart Kids Wellington	2,000
Henley Mens Shed Inc	3,500
Hoe Tonga Pacifica Waka Ama Association	10,000
Hospice Wairarapa Community Trust	22,500
IHC New Zealand Inc	4,000
Island Bay Bowling Club Inc	5,000
Island Bay Enhancement Trust	3,000
Island Bay Tennis and Squash Club Inc	3,122
Island Bay United AFC	37,000
Kaibosh Food Rescue	4,000
Ko Te Aroha Trust	1,500
Kumeroa Hopelands School	2,500
Life Education Trust Wairarapa Tararua and Central Hawkes Bay	12,500
Lions Club of Martinborough Charitable Trust	1,000
Longbush Playgroup	4,000
Makoura College Board of Trustees	21,500
Makoura Community Early Childhood Centre	2,101
Maranui Surf Life Saving Club Inc	786
Marist Old Boys	5,000
Martinborough Events Trust	3,000
Martinborough Music Festival	3,500
Martinborough Soccer Club	1,500
Martinborough Volunteer Fire Brigade	7,000
Masterton A & P Association	6,000
Masterton Association Football Club Inc	1,500
Masterton Axemens Club	3,000
Masterton Bowling Club Inc	2,500
Masterton Bridge Club	7,500
Masterton Community Church	2,500
Masterton Community Toy Library Inc	2,874
Masterton District Brass Band Inc	6,631
Masterton District Council	62,000
Masterton Eketahuna Pro-am	3,500
Masterton Family Education and Support Centre	3,000
Masterton Foodbank Inc	20,000
Masterton Intermediate School	1,500
Masterton Miniature Train Society Inc	10,000
Masterton Principals Cluster Group	8,000

**27 CHARITABLE DISTRIBUTIONS (continued)**

Masterton Racing Club Inc	4,000
Masterton Red Star Rugby Club	5,000
Masterton Swimming Club Inc	4,000
Masterton Tennis Centre	20,000
Masterton Young Citizens Club Inc	839
Mind Over Manner	2,000
Mobility Assistance Dogs Trust	1,000
Mount Bruce Hall Committee	1,000
Muscular Dystrophy Assn Wellington	1,500
Netball Wairarapa Inc	20,000
New Zealand Choral Federation - Wellington Region	2,500
New Zealand Equestrian Federation Inc - Wairarapa	5,000
New Zealand Festival	2,500
New Zealand Pacific Studio Inc	5,000
New Zealand Suzuki Institute - Wellington Branch	1,000
NZ Council of Victim Support Groups - Wairarapa	3,692
NZ Council of Victim Support Groups Palmerston North	1,000
NZ Masters Billiards and Snooker Assn	1,000
Oasis Trust	6,000
Pahiatua Toy Library Inc	950
Parkinsonism Society Wairarapa Division Inc	10,000
PFS Muay Thai Club	582
Pirinoa School	1,090
Pre Shears Woolhanding Championships	2,348
Predator Free Island Bay	10,000
Project M Charitable Trust	200
Pukaha Mount Bruce Board	50,000
Ranfurlly Club Inc	1,400
Red Star Cricket Club	8,000
Red Star Womens Hockey	800
Riversdale Beach Golf Club	4,000
Riversdale Beach Ratepayers Association	7,000
Riversdale Beach Surf Lifesaving Club Inc	5,000
Road Safety Education Ltd	2,430
Ronald McDonald House Charities New Zealand Trust	4,666
Rotary Club of Masterton Charitable Trust	1,500
Royal New Zealand Foundation of the Blind	2,000
Royal New Zealand Plunket Society Inc	5,500
Royal Scottish Country Dance Society NZ Branch Inc	2,000
Saint Marks Churchwardens Seasons Grief & Loss Programme	3,000
Shakespeare Globe Centre New Zealand	1,000
Shear History Trust	8,000
Solway Primary School Centenary	1,500
Sport Wellington	10,000
Squash Wairarapa Te Karu O Te Ika	4,000
St Francis De Sales School	5,000
St John Bush Area Committee	20,000
St John Wairarapa District	8,000
St Patrick's Primary School (Masterton) Board of Trustees	2,700
Starjam Charitable Trust	5,000
Stroke Central Region Inc	4,000
Tararua Learning Inc	3,300
Tararua Squash Club Inc	2,500
Te Hauora Runanga O Wairarapa Inc	16,000
The Carter Society Inc	50,000
The Carterton District Historical Society Inc	3,000
The Catwalk Trust	2,700
The Duke of Edinburgh's Hillary Award	2,000
The Family Space Charitable Trust	750
The Lighthouse Church Charitable Trust	10,000
The Lions Club of Featherston Charitable Trust	1,500

**27 CHARITABLE DISTRIBUTIONS (continued)**

The Mauriceville/Kopuaranga Fair Assn Inc	500
The Parenting Place - Attitude Division	1,000
The Swimming Trust of Wellington	2,000
The Wairarapa Community Health Trust	30,000
Wai Games Trust	8,000
Wainuioru School	4,000
Wairarapa Agricultural & Pastoral Society Inc	7,000
Wairarapa Arts Festival Trust	43,000
Wairarapa Balloon Society Inc	30,000
Wairarapa Bike Festival Charitable Trust	3,000
Wairarapa Bird Club Inc	800
Wairarapa Boxing Academy	20,000
Wairarapa Bush Rugby Football Union Inc	45,000
Wairarapa Citizens Advice Bureau	3,000
Wairarapa College Sports Foundation	10,000
Wairarapa Community Centre Inc	2,996
Wairarapa Community Law Centre Inc	4,500
Wairarapa Community Transport Services Inc	15,000
Wairarapa Cricket Association Inc	20,000
Wairarapa Fern & Thistle Pipe Band	1,440
Wairarapa Free Budget Advisory Services	16,000
Wairarapa Harness Racing Club Inc	3,000
Wairarapa Inter-Collegiate Speech Competition	1,200
Wairarapa Mathematics Association	1,000
Wairarapa Multi Sports Stadium Trust	20,000
Wairarapa Parents Centre Inc	3,500
Wairarapa Racing Club Inc	15,000
Wairarapa REAP	56,280
Wairarapa Singers	3,000
Wairarapa Spitfires Baseball Club Inc	3,000
Wairarapa Tennis Assn Inc	2,000
Wairarapa Track and Field Inc	7,500
Wairarapa United Football Club Inc	60,000
Wairarapa Vintage Machinery Club Inc	6,000
Wairarapa Volunteer Centre Inc	3,000
Wairarapa Whanau Trust	17,000
Wairarapa Women's Centre	3,000
Wairarapa Women's Refuge Inc	18,000
Wellington Hospitals Foundation	7,500
Wellington Orienteering Club Inc	2,500
Wellington Repertory Theatre Inc	600
Wellington Sexual Abuse HELP Foundation	1,500
Wellstop Inc	3,838
Westside Playcentre	2,225
Whaiora Whanui GP Services	4,000
Whanau Manaaki Kindergarten Lansdowne	3,000
Whanau Manaaki Kindergartens - Martinborough	2,000
Whanau Manaaki Kindergartens - Owhiro Bay	2,000
Wings Over Wairarapa Community Trust	80,000
Yarns in Barns Wairarapa Festival of Reading	1,500
Young and Hungry Arts Trust	2,000

**Total grants approved Masterton**

**2,065,078**

Total grants approved Masterton 2017 \$1,715,306

**Grants approved Porirua**

Age Concern Wellington	7,000
Aotea College	10,000
Arthritis New Zealand	5,000

**27 CHARITABLE DISTRIBUTIONS (continued)**

Asert-Tatou Development Trust	9,677
Asthma New Zealand	5,000
Barnardos New Zealand	5,000
Bellyful New Zealand Trust Porirua	2,100
Big Buddy Mentoring Trust	3,000
Bishop Viard College	2,795
Brandon Intermediate Board of Trustees	3,652
Cannons Creek Opportunity Centre	10,000
Cannons Creek School	2,618
Cannons Creek Youth Charitable Trust	5,000
CareVets Charitable Foundation Trust	15,000
Chamber Music New Zealand Trust	4,000
Citizens Advice Bureau Porirua Inc	3,000
College Sport Wellington	5,000
Conservation Volunteers New Zealand	6,000
Cricket Wellington Inc	5,000
Cystic Fibrosis Association of New Zealand	1,000
Diabetes Wellington Inc	1,500
Discovery School	5,000
First Five Inc	1,900
Glenview School	4,900
Greenacres School	3,000
Halberg Disability Sport Foundation	1,000
Hampton Hill School	1,300
Healthy Futures Families Trust	10,000
Heart Kids Wellington	5,000
Holy Family School	5,000
ICE Sports Team	3,000
Kapi Mana Netball Centre	20,000
Kapi-Mana Music Festival Charitable Trust	3,649
Kidscan Charitable Trust	10,000
Kiwi Community Assistance Charitable Trust	16,982
Lavalava A Samoa	10,000
Life Education Trust North Wellington	15,000
Linden School	3,290
Lions Club of Mana Charitable Trust	9,060
Literacy Aotearoa Porirua	5,000
Little Sprouts Charitable Trust	9,000
Louise Perkins Foundation - Sweet Louise	1,000
Mana College	10,000
Mana Cycle Group Inc	20,000
Mana Kayak Racing Club Inc	5,000
Mana Marlins Masters Swim Club Inc	1,956
Mana Special Needs Childrens Trust	10,000
Mana Volunteer Coastguard Inc	15,000
Maraeroa School	5,000
Marching Wellington Inc	2,000
Mobility Assistance Dogs Trust	1,000
Mountains To Sea Wellington	3,000
Natone Park School	3,630
New Zealand National Myanmar Ethnic Council Inc	3,000
Ngati Toa School	5,000
Ngatitua Tennis Club Inc	3,000
Pacific Heat Sports Club	2,340
Papakowhai School	4,480
Parafed Wellington Inc	8,884
Paremata Plimmerton Junior Softball Club	5,000
Paremata Plimmerton RFC	20,000
Parkinsonism Society Wellington Inc	5,000
Partners Porirua Charitable Trust	20,000
Pauatahanui Golf Club Inc	4,000

**27 CHARITABLE DISTRIBUTIONS (continued)**

Plimmerton Bowling Club Inc	5,000
Plimmerton Croquet Club Inc	10,000
Plimmerton Residents' Association Inc	8,679
Porirua Boxing Club Inc	16,398
Porirua Canoe Kayak Club Inc	2,100
Porirua City Aquatics	1,500
Porirua City Classic Touch	5,000
Porirua City Community IT Education Trust Inc	10,000
Porirua City Council	110,189
Porirua City Tag	5,000
Porirua College Board of Trustees	7,400
Porirua East School	3,902
Porirua Foundation Inc	20,000
Porirua Grand Traverse Trust	10,000
Porirua ITF Tae Kwon Do	5,000
Porirua Ladies Indoor Netball	5,000
Porirua Living Without Violence	10,000
Porirua School Board of Trustees	5,000
Porirua Tag NZTFI Reps	3,000
Porirua Whanau Centre Trust	10,000
Postgate School Board of Trustees	5,000
Pregnancy Help Porirua	5,000
Pukerua Bay School	2,319
Rangikura School	4,680
RNZSPCA	15,000
Rotary Club of Plimmerton Charitable Trust	60,000
Royal New Zealand Foundation of the Blind	2,000
Royal New Zealand Plunket Society	10,000
Russell School	3,500
Sexual Abuse Prevention Network	2,618
Sir Edmund Hillary Outdoor Pursuits Centre	5,000
Special Olympics Mana	20,000
Special Olympics Wellington	1,817
Sri Lanka Association of New Zealand (SLANZ) Inc	1,923
St George Rugby League Football Club	15,000
St Pius X School	2,500
St Theresa's School Board of Trustees	3,140
St Vincent De Paul Society	10,000
Tawa Bowling Club Inc	3,860
Tawa College Board of Trustees	10,000
Tawa Linden Playcentre	4,105
Tawa Rugby Football Club Inc	5,000
Tawa School Board of Trustees	3,100
Tawa Swimming Club	2,000
Tawalin Indoor Bowls Club	1,000
Te Ara Moana Trust	5,000
Te Kura Maori o Porirua	2,500
Te Whare Tiaki Wahine Refuge	17,945
The Parenting Place	3,273
The Porirua Harbour and Catchment Community Trust	1,000
The YMCA of Greater Wellington Inc	5,000
Titahi Bay Amateur Athletics Club	20,000
Titahi Bay Boating Club Inc	5,000
Titahi Bay Bowling Club	5,000
Titahi Bay Intermediate School	3,266
Titahi Bay North School	5,000
Titahi Bay Residents Association Inc	50,000
Titahi Bay School Board of Trustees	10,000
Toku Reo Charitable Trust Board	3,000
Trust Porirua City Brass Inc	5,000
Variety - The Childrens Charity	2,000



**27 CHARITABLE DISTRIBUTIONS (continued)**

Virtuoso Strings Charitable Trust	5,000
VOCAL FX Inc	3,930
Volleyball NZ	1,500
Wellington City Mission Anglican Trust Board	15,000
Wellington Riding For The Disabled Assn Inc	20,000
Wellington Rugby Football Union Inc	8,000
Wellington Samoa Rugby Union	10,000
Wellington Touch Association Inc	2,000
Wellington Volunteer Centre	6,000
Western Suburbs Soccer Club	20,000
Whanau Manaaki Kindergartens	25,000
Whanau Manaaki Kindergartens - Ascot Park	2,100
Whanau Manaaki Kindergartens - Etu Ao	2,500
Whanau Manaaki Kindergartens - Katoa	2,000
Whanau Manaaki Kindergartens - Papakowhai	4,436
Whanau Manaaki Kindergartens - Plimmerton	1,779
Whanau Manaaki Kindergartens - Pukerua Bay	3,000
Whanau Manaaki Kindergartens - Titahi Bay	2,500
Whanau Manaaki Kindergartens - Tui Park	1,700
Whitby Tennis Club	2,500
Whitford Brown Community Workshop Trust	5,000
Youth Development Trust Wellington	5,000
YouthARK Trust	1,634
Zonta Club Of Mana Area Inc	1,448

<b>Total grants approved Porirua</b>	<b>1,158,454</b>
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Total grants approved Porirua 2017 \$1,276,767

**Grants approved Rimutaka**

Arthritis Foundation of NZ (Inc)	1,500
Big Buddy Mentoring Trust	2,000
Expressions Arts & Entertainment Centre	30,000
Heretaunga Players Inc	900
Just So Festival New Zealand Charitable Trust	2,000
New Life Charitable Trust	1,500
NZ Council of Victim Support Groups Upper Hutt	3,432
NZ Potters Inc	2,000
Presbyterian Support Central	2,000
Read Write Plus	3,750
Rimutaka Incline Railway Heritage Trust	2,300
Rimutaka Inline Hockey Club Inc	3,000
Rimutaka Steppers Leisure Marchers	4,000
Tararua Sports Club	20,000
Te Marua Golf Club Inc	7,400
The Road Forward Trust	1,500
The Upper Hutt Highlanders Inc	4,609
Trentham United Harriers and Walkers Club Inc	5,000
Upper Hutt City of Song Charitable Club	18,945
Upper Hutt Community Youth Trust	4,250
Upper Hutt Foodbank Inc	5,000
Upper Hutt Multicultural Council Inc	4,000
Upper Hutt Musical Theatre Inc	2,500
Upper Hutt Smallbore Rifle Club Inc	840
Upper Hutt Tennis Club Inc	4,000
Upper Hutt Women's Centre Inc	15,000
Wairarapa Wellington Area Pony Club	3,000
Wellington City Mission Anglican Trust Board	3,000

**27 CHARITABLE DISTRIBUTIONS (continued)**

<b>Total grants approved Rimutaka</b>	<b>157,426</b>
Total grants approved Rimutaka 2017 \$135,962	
<b>Grants approved Flaxmere</b>	
Age Concern Flaxmere Inc	31,500
Arthritis Foundation of New Zealand	3,638
Arts Inc Heretaunga Inc	9,500
Big Brothers Big Sisters Hawke's Bay	2,000
Birchleigh Polo	3,000
Birtright (HB) Child and Family Care Trust	3,000
Brain Injury Association (HB) Inc	4,000
Breathe Hawke's Bay	2,479
Canteen Hawkes Bay	2,000
Disability Resource Centre (HB) Trust	3,000
DOVE Hawkes Bay	8,000
Family Works Hawkes Bay (Presbyterian Support East Coast)	20,000
Flaxmere Baptist Church Community Trust	4,500
Flaxmere Schools Cluster	90,000
Flaxmere Softball Club	5,000
Hanley Productions Ltd	5,000
Hastings Artists Group Inc	2,000
Hastings Citizens Advice Bureau Inc	6,000
Hastings Group Riding for the Disabled	5,000
Hastings Hibernian AFC Inc	5,000
Hawkes Bay Community Fitness Centre Trust	15,000
Hawke's Bay Multisports Club	2,482
Hawkes Bay Softball Association	6,000
Hawkes Bay Teenage Parents Trust	7,525
Heretaunga Women's Centre	4,000
It Takes Time	7,000
Kidz Need Dadz Charitable Trust HB Inc	2,000
Kimi Ora Community School	45,000
Kupa International Training Centre	2,500
Leg-Up Trust	20,000
Life Education Trust Hawke's Bay	5,000
Napier Civic Choir Inc	2,000
National Youth Drama School	2,000
Ocean Beach Kiwi Surf Life Saving Club Inc	3,400
Omahu Huia Rugby League Club	5,000
Paul Henare & Paora Winitana Basketball Trust	5,000
Presbyterian Support East Coast - Family Works Hawkes Bay (FWHB)	10,000
Prima Volta Charitable Trust	10,000
Punavai O Le Gagana Samoa Pre-school	5,000
Purena Koa Rehua Youth Services	7,200
Royal New Zealand Foundation of the Blind	1,000
Royal New Zealand Plunket Society Inc	32,760
Sport Hawkes Bay	7,000
Swim Hawkes Bay	5,000
Takitimu District Maori Wardens Trust	8,000
Tamatea Rugby League Club Inc	2,500
Te Aka (2010) Charitable Trust	20,000
Te Aranga Marae Trust	9,000
Te Rau Oranga o Ngati Kahungunu Waka Ama Club	1,500
Te Tai Timu Trust	3,500
The Cranford Hospice Trust	20,000
The Hearing Association - Hastings Branch Inc	5,000
The Order of St John - Hawke's Bay District	1,853
U-Turn Trust	13,100
Western Suburbs Rugby and Sports Club	25,178

**27 CHARITABLE DISTRIBUTIONS (continued)**

Wharariki (Flax) Trust	5,000
Youth Development Trust Hawkes Bay	2,500
Zeal Education Trust (Hawke's Bay)	6,000
<b>Total grants approved Flaxmere</b>	<b><u>549,615</u></b>
Total grants approved Flaxmere 2017 \$599,836	
<b>Total grants approved</b>	<b>3,930,573</b>
<b>Reversed / reduced</b>	<b><u>(122,062)</u></b>
	<b><u>3,808,511</u></b>

**28 SUBSEQUENT EVENTS**

There are no subsequent events.

**29 INCOME TAX**

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
<b>Income tax expense</b>		
<b>Current tax:</b>		
Current tax on profits for the year	-	-
Adjustments in respect of prior years	<u>-</u>	<u>-</u>
<b>Total current tax</b>	<u>-</u>	<u>-</u>
<b>Deferred tax</b>		
Surplus / (deficit) before tax and donations	<b>11,135,533</b>	9,539,811
Charitable donations	<b><u>(3,848,511)</u></b>	<u>(3,482,295)</u>
Surplus before tax	<b>7,287,022</b>	6,057,516
Income tax @ 28%	<b>2,040,366</b>	1,696,104
Tax effect of a change in tax rates	-	-
Tax effects of:		
Non taxable income	<b><u>(2,040,366)</u></b>	<u>(1,696,104)</u>
Taxation expense	<u>-</u>	<u>-</u>

### 30 DISCONTINUED OPERATIONS

In March 2017, as a result of a strategic review, the group classified its supermarket and stand-alone bottle stores segments as discontinued operations. The supermarket was sold in March 2017 and the two bottle stores were sold in June and July 2017. The trading results and effects on the group of the sale of these businesses is shown below.

#### (a) Financial performance and cash flow information

The financial performance and cash flow information presented are for the for the full years ended 31 March 2018 and 31 March 2017.

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>
<b>Income Statement</b>		
<b>Results of discontinued operations</b>		
Revenue	673,954	10,527,745
Interest received	-	16,651
Expenses	<u>725,158</u>	<u>10,780,216</u>
Result from operating activities	(51,204)	(235,820)
Gain on sale of discontinued operation	<u>375,229</u>	<u>850,434</u>
Profit for the period	<u>324,025</u>	<u>614,614</u>
<b>Statement of cash flows:</b>		
<b>Cash flows from discontinued operations</b>		
Operating cash flows	(51,204)	(110,915)
Investing cash flows	508,944	3,202,495
Financing cash flows	-	-
<b>Total cash flows</b>	<u>457,740</u>	<u>3,091,580</u>
<b>Effect of disposal of discontinued operations on the financial position of the group</b>		
Property, plant and equipment	(22,793)	(2,639,494)
Goodwill	-	(333,552)
Inventory	(248,444)	(334,577)
Trade and other payables	67,339	-
Provisions released	<u>70,183</u>	<u>-</u>
<b>Total</b>	<u>(133,715)</u>	<u>(3,307,623)</u>
<b>Consideration:</b>		
Consideration received in cash	508,944	3,202,427
Deferred consideration	-	984,577
<b>Total consideration</b>	<u>508,944</u>	<u>4,187,004</u>

## Independent Auditor's Report

### To the readers of Masterton Community Trust and group's financial statements for the year ended 31 March 2018

The Auditor-General is the auditor of Masterton Community Trust and group (the Trust and group). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust and group on his behalf.

#### Opinion

We have audited the financial statements of the Trust and group on pages 2 to 43, that comprise the statement of financial position as at 31 March 2018, 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 2018; 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 13 August 2018. This is the date at which our opinion is expressed.

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

#### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

### **Responsibilities of the Trustees for the financial statements**

The Trustees are responsible on behalf of the Trust and group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Trustees are responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, the Trustees are responsible, on behalf of the Trust and group for assessing the Trust and group's ability to continue as a going concern. The Trustees are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Trustees intends to liquidate the Trust and group or to cease operations, or has no realistic alternative but to do so.

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

### **Responsibilities of the auditor for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust and group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## **Independence**

We are independent of the Trust and group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of the Professional and Ethical Standard 1 (revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out the financial statements audits of Trust House Limited and Trust House Foundation and an agreed upon procedures engagement for Trust House Foundation. These engagements are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Trust and group.



Debbie Perera  
Audit New Zealand  
On behalf of the Auditor-General  
Palmerston North, New Zealand