Trust House Limited
Financial statements
for the year ended 31 March 2018

Contents

Income statement

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Continuing operations					
Revenue	5	27,648,017	25,046,261	19,740,266	17,968,318
Less cost of sales		3,981,702	3,642,916	3,981,702	3,642,916
Gross profit		23,666,315	21,403,345	15,758,564	14,325,402
Operating expenses	7	17,748,168	14,408,279	13,734,396	10,794,068
Results from operating activities		5,918,147	6,995,066	2,024,168	3,531,334
Finance costs		988,038	1,062,523	987,515	1,062,523
Finance income		52,899	8,376	51,721	1,685
Net finance costs		935,139	1,054,147	935,794	1,060,838
Net operating profit		**4,983,008**	**5,940,919**	**1,088,374**	**2,470,496**
Non operating items	6	5,828,500	2,984,278	5,828,500	2,984,278
Discontinued operation items	29	324,025	614,614	324,025	614,614
Net profit before charitable donations		**11,135,533**	**9,539,811**	**7,240,899**	**6,069,388**
Charitable donations	27	(3,848,511)	(3,482,295)	(40,000)	(63,420)
Net profit for year		**7,287,022**	**6,057,516**	**7,200,899**	**6,005,968**

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 2018

	Notes	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Net profit / (loss)		7,287,022	6,057,516	7,200,899	6,005,968
Other comprehensive income:					
Land & building revaluation		186,161	103,294	186,161	103,294
Total other comprehensive income / (expense)		**186,161**	103,294	**186,161**	103,294
Total comprehensive income for the year		**7,473,183**	6,160,810	**7,387,060**	6,109,262

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

Statement of changes in equity

FOR THE YEAR ENDED 31 MARCH 2018

Group	**2018** **$**
Equity at the start of the year	59,775,578
Total comprehensive income / (expense)	7,473,183
Equity at the end of the year	**67,248,761**

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

Parent	**2018** **$**
Equity at the start of the year	59,191,801
Total comprehensive income / (expense)	7,387,060
Equity at the end of the year	**66,578,861**

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

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

Statement of financial position

AS AT 31 MARCH 2018

	Notes	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Current assets					
Cash and cash equivalents	8	687,232	1,498,095	296,017	1,092,889
Trade and other receivables	9	350,025	1,306,033	338,623	1,303,155
Prepayments		270,624	325,639	206,476	258,976
Inventories	10	398,869	370,245	398,869	370,245
Other investments	11	53,005	53,005	53,005	53,005
Assets held for sale	29	-	399,479	-	399,479
Total current assets		**1,759,755**	**3,952,496**	**1,292,990**	**3,477,749**
Non-current assets					
Other investments	11	697,348	742,706	697,348	742,706
Investment properties	12	69,257,000	61,341,228	69,257,000	61,341,228
Property, plant and equipment	13	19,131,837	17,926,321	17,916,096	16,686,593
Intangible assets	14	917,953	967,040	799,863	816,406
Total non-current assets		**90,004,138**	**80,977,295**	**88,670,307**	**79,586,933**
Total assets		**91,763,893**	**84,929,791**	**89,963,297**	**83,064,682**
Current liabilities					
Trade and other payables	15	2,083,803	3,024,030	1,563,022	2,547,383
Employee entitlements	16	740,890	715,318	740,890	715,318
Borrowings	17	760,849	166,000	760,849	166,000
Charitable donations allocated		619,915	804,685	10,000	-
Total current liabilities		**4,205,457**	**4,710,033**	**3,074,761**	**3,428,701**
Non-current liabilities					
Employee entitlements	16	78,522	80,382	78,522	80,382
Borrowings	17	20,189,584	20,254,584	20,189,584	20,254,584
Provisions	24	41,569	109,214	41,569	109,214
Total non-current liabilities		**20,309,675**	**20,444,180**	**20,309,675**	**20,444,180**
Equity					
Share capital	18	11,330,740	11,330,740	11,330,740	11,330,740
Retained earnings	18	55,628,566	48,341,544	54,958,666	47,757,767
Asset revaluation reserve	18	289,455	103,294	289,455	103,294
Total equity		**67,248,761**	**59,775,578**	**66,578,861**	**59,191,801**
Total liabilities & equity		**91,763,893**	**84,929,791**	**89,963,297**	**83,064,682**

Signed on behalf of Trust House Limited

D J Baskerville

D BASKERVILLE
DIRECTOR

P ANTONIO
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 2018

	Notes	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		29,302,406	35,288,737	21,437,035	28,343,732
Interest received		52,899	25,027	51,721	18,336
		29,355,305	35,313,764	21,488,756	28,362,068
Cash was applied to:					
Payments to suppliers and employees		21,612,226	29,082,296	18,266,739	25,969,653
Charitable donations		4,033,281	3,936,444	30,000	63,420
Interest paid		984,951	1,062,504	984,428	1,062,504
		(26,630,458)	(34,081,244)	(19,281,167)	(27,095,577)
Net cash flows from operating activities	22	**2,724,847**	**1,232,520**	**2,207,589**	**1,266,491**
Cash flows from investing activities					
Cash was provided from:					
Sale of plant, property and equipment		41,879	440,385	4,558	128,042
Sale of intangibles		8,751	1,671	-	-
Sale of business		509,944	3,433,435	509,944	3,433,435
Cash acquired as part of business acquisition		-	33,904	-	33,904
Sale of investment property		-	1,648,810	-	1,648,810
		560,574	**5,558,205**	514,502	**5,244,191**
Cash was applied to:					
Purchase of plant, property and equipment		2,468,539	1,186,934	1,920,713	435,251
Purchase of intangible assets		69,322	139,612	39,827	20,167
Acqusition of business	29	-	2,879,787	-	2,879,787
Cash sold with business		1,000	309	1,000	309
Upgrading of investment property		2,087,272	823,950	2,087,272	823,950
		(4,626,133)	(5,030,592)	(4,048,812)	(4,159,464)
Net cash flows from investing activities		**(4,065,559)**	**527,613**	**(3,534,310)**	**1,084,727**
Cash was provided from:					
Proceeds from borrowings		-	-	-	-
Cash was applied to:					
Repayment of borrowings		166,000	1,190,999	166,000	1,190,999
		(166,000)	(1,190,999)	(166,000)	(1,190,999)
Net cash flows from financing activities		**(166,000)**	**(1,190,999)**	**(166,000)**	**(1,190,999)**
Net (decrease) / increase in cash held		(1,506,712)	569,134	(1,492,721)	1,160,219
Opening cash balance		1,498,095	928,961	1,092,889	(67,330)
Closing cash balance	8	**(8,617)**	**1,498,095**	**(399,832)**	**1,092,889**
Closing cash is made up of					
Cash and cash equivalents		(8,617)	1,498,095	(399,832)	1,092,889
		(8,617)	**1,498,095**	**(399,832)**	**1,092,889**

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

Notes to the Financial Statements

1 REPORTING ENTITY

These financial statements have been prepared in accordance with the Companies Act 1993 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 2018 comprise of Trust House Limited, Trust House Foundation and Tararua Foundation as controlled entities. Tararua Foundation was wound up on 27 March 2017

Trust House Limited is primarily involved in the hospitality industry running a number of bars, restaurants, a bottlestore, two hotels 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 27th July 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 Company has determined that it is a ‘tier two’ entity, as the Company has expenses less than $30 million, however the Company elects to report under 'tier one' accounting standards.

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

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

(b) Measurement base

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

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

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

Functional and presentation currency

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

(c) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.
In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

The Group financial statements consolidate the financial statement of subsidiaries.

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

Subsidiaries

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

Transactions eliminated on consolidation

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

Financial instruments

The Group has the following financial instruments:

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

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

Financial instruments are measured as described below.

Cash and cash equivalents

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

Trade and other receivables

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

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 Trust House Limited's share of the identifiable assets, liabilities and contingent liabilities of the acquired business at the acquisition date.

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

Investment property

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

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

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

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

Impairment

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

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

Impairment of receivables

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

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 Company and Group are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and the corresponding lease liabilities are recognised in the Statement of Financial Position. The leased assets are depreciated over its useful life. If there is no certainty as to whether the Company and Group will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

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

Inventories

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

Employee entitlements

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

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

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

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

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

Revenue

(1) Goods sold / sales

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

(2) Services

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

(3) 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

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

Goods and Services Tax

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

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

Charitable donations

Charitable donations are recognised when approval is given.

Held for sale assets

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

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

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

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

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Sales	22,005,136	19,480,014	13,597,385	11,802,071
Services	-	-	500,000	600,000
Rentals	5,642,881	5,390,958	5,642,881	5,390,958
Gain on sale of investment property	-	147,113	-	147,113
Gain on sale of business	-	28,176	-	28,176
Total revenues	27,648,017	25,046,261	19,740,266	17,968,318

6 NON OPERATING ITEMS

		Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Change in fair value of investment property	12	5,828,500	2,984,278	5,828,500	2,984,278
		5,828,500	2,984,278	5,828,500	2,984,278

7 OPERATING EXPENSES

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Administration and financial	1,248,657	1,241,635	1,037,748	1,008,952
Advertising and promotion	990,543	1,002,616	990,543	1,002,616
Audit Fees	95,845	94,500	84,245	83,000
Audit Fees - Masterton Community Trust	5,250	5,200	5,250	5,200
Prospective financial statement review*	4,210	4,085	-	-
Bad debts	(3,656)	106,298	(3,656)	106,298
Movement in provision for doubtful debts	9,217	(67,983)	9,217	(67,983)
Depreciation	1,395,288	1,143,984	851,602	672,484
Amortisation	113,964	97,278	56,370	51,430
Impairment of property, plant and equipment	886,874	-	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	3,517,428	3,489,676
Rent and lease expenses	801,441	773,282	405,799	322,120
Employee costs	6,588,628	6,005,047	6,588,628	6,005,047
Directors and Trustees Fees	322,793	272,656	194,333	147,570
Gaming Machine Duty and Licenses	2,476,918	2,162,102	-	-
Reversal of impairments	(889,985)	(2,032,342)	(889,985)	(2,032,342)
	17,748,168	14,408,279	13,734,396	10,794,068

* 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 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Bank balances	463,886	1,292,647	72,671	887,441
Cash floats	223,346	205,448	223,346	205,448
Cash and cash equivalents	687,232	1,498,095	296,017	1,092,889

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Cash and cash equivalents	687,232	1,498,095	296,017	1,092,889
Bank overdrafts used for cash management purposes	(695,849)	-	(695,849)	-
Cash and cash equivalents used in the statement of cash flows	(8,617)	1,498,095	(399,832)	1,092,889

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

9 TRADE AND OTHER RECEIVABLES

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Trade receivables	272,398	447,663	272,395	447,663
Less provision for impairment	(25,927)	(16,710)	(25,927)	(16,710)
	246,471	430,953	246,468	430,953
Sundry receivables	103,554	875,080	92,155	872,202
	350,025	1,306,033	338,623	1,303,155

	Group and Parent 2018 $	Group and Parent 2017 $
Aging of trade receivables		
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+	34,818	114,393
	272,395	447,663

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:

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

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 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Raw materials and consumables	63,620	57,987	63,620	57,987
Goods available for sale	335,249	312,258	335,249	312,258
	398,869	370,245	398,869	370,245

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

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

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

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

(a) Residential properties

	Group and Parent 2018 $	2017 $
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	5,838,500	2,874,278
	68,007,000	60,081,228

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.

	Group and Parent 2018 $	2017 $
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 commerical properties has been designated as an investment property.

	Group and Parent	
	2018	**2017**
	$	$
Balance at 1 April	1,260,000	2,457,000
Sold during the year	-	(1,307,000)
Change in fair value	(10,000)	110,000
Balance at 31 March	1,250,000	1,260,000
Classified as:		
Non Current	1,250,000	1,260,000
	1,250,000	1,260,000

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 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.

	Group and Parent	
	2018	**2017**
	$	**$**
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 $
Cost or deemed cost						
Balance at 1 April 2016	15,452,479	8,931,285	960,581	182,974	-	25,527,319
Acquisitions	2,155,000	106,185	-	-	-	2,261,185
Additions	90,041	1,032,608	6,542	8,696	189,386	1,327,273
Disposals	(3,260,257)	(2,049,718)	-	(19,981)	-	(5,329,956)
Reclassified 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	**14,710,776**	**7,881,910**	**967,123**	**108,075**	**189,386**	**23,857,270**
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	**15,918,952**	**8,517,928**	**967,123**	**92,697**	**-**	**25,496,700**
Depreciation and impairment losses						
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	**70,344**	**5,312,084**	**470,706**	**77,815**	**-**	**5,930,949**
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	**78,704**	**5,713,730**	**508,292**	**64,137**	**-**	**6,364,863**
Carrying amounts						
As at 31 March 2017	14,640,432	2,569,826	496,417	30,260	189,386	17,926,321
As at 31 March 2018	15,840,248	2,804,198	458,831	28,560	-	19,131,837

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	Land and buildings $	Furniture and plant $	Hydro assets $	Motor vehicles $	Construction in progress $	Total $
Cost or deemed cost						
Balance as at 1 April 2016	15,452,479	4,707,711	579,418	182,974	-	20,922,582
Acquisitions	2,155,000	106,185	-	-	-	2,261,185
Additions	90,041	237,566	6,542	8,696	189,386	532,231
Disposals	(3,260,257)	(1,070,733)	-	(19,981)	-	(4,350,971)
Revaluation of land and buildings	317,524	-	-	-	-	317,524
Relassified to available for sale	(44,011)	(138,450)	-	(63,614)	-	(246,075)
Balance at 31 March 2017	**14,710,776**	**3,842,279**	**585,960**	**108,075**	**189,386**	**19,436,476**
Balance at 1 April 2017	14,710,776	3,842,279	585,960	108,075	189,386	19,436,476
Additions	1,424,580	462,865	-	9,582	-	1,897,027
Disposals	-	(12,091)	-	(24,960)	-	(37,051)
Reclassified from construction in progress	177,176	12,210	-	-	(189,386)	-
Revaluation of land and buildings	(393,580)	-	-	-	-	(393,580)
Reclassified from available for sale	-	6,005	-	-	-	6,005
Balance at 31 March 2018	**15,918,952**	**4,311,268**	**585,960**	**92,697**	**-**	**20,908,877**
Depreciation and impairment losses						
Balance as at 1 April 2016	2,342,353	3,043,432	46,981	134,394	-	5,567,160
Depreciation for the year	503,104	241,697	42,562	10,026	-	797,389
Disposals	(916,414)	(642,342)	-	(15,957)	-	(1,574,713)
Reclassified to available for sale	(40,587)	(130,606)	-	(50,648)	-	(221,841)
Revaluation of land and buildings	(1,818,112)	-	-	-	-	(1,818,112)
Balance at 31 March 2017	**70,344**	**2,512,181**	**89,543**	**77,815**	**-**	**2,749,883**
Balance at 1 April 2017	70,344	2,512,181	89,543	77,815	-	2,749,883
Depreciation for the year	591,213	215,622	37,586	7,181	-	851,602
Disposals	-	(9,556)	-	(20,859)	-	(30,415)
Reclassified from available for sale	-	4,564	-	-	-	4,564
Revaluation of land and buildings	(582,853)	-	-	-	-	582,853
Balance at 31 March 2018	**78,704**	**2,722,811**	**127,129**	**64,137**	**-**	**2,992,781**
Carrying amounts						
As at 31 March 2017	**14,640,432**	**1,330,098**	**496,417**	**30,260**	**189,386**	**16,686,593**
As at 31 March 2018	**15,840,248**	**1,588,457**	**458,831**	**28,560**	**-**	**17,916,096**

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 company of $Nil were recognised in 2017/18 (2016/17 $Nil).

Insurance

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

The NZLTA collective scheme has insurance cover of $65 million for fire and $170 million for material damage and business interruption.

Deductibles for claims are as follows:

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

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

Disposals

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

	Group and Parent
	$
Plant property and equipment	22,793
Cash sold with business	1,000
Inventory	248,444
	272,237
Consideration in cash	509,944
Total Consideration	509,944

14 INTANGIBLE ASSETS

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

14 INTANGIBLE ASSETS (continued)

Parent	**Goodwill $**	**Software $**	**Total $**
Cost			
Balance at 1 April 2016	1,310,390	415,243	1,725,633
Additions	570,000	20,167	590,167
Disposals	(1,110,390)	-	(1,110,390)
Balance at 31 March 2017	**770,000**	**435,410**	**1,205,410**
Balance at 1 April 2017	770,000	435,410	1,205,410
Additions	-	39,827	39,827
Disposals	-	-	-
Balance at 31 March 2018	**770,000**	**475,237**	**1,245,237**
Amortisation and impairment losses			
Balance at 1 April 2016	776,838	337,574	1,114,412
Disposals	(776,838)	-	(776,838)
Amortisation charge	38,095	13,335	51,430
Balance at 31 March2017	**38,095**	**350,909**	**389,004**
Balance at 1 April 2017	38,095	350,909	389,004
Disposals	-	-	-
Amortisation charge	38,095	18,275	56,370
Balance at 31 March 2018	**76,190**	**369,184**	**445,374**
Carrying amounts			
As at 31 March 2017	731,905	84,501	816,406
As at 31 March 2018	693,810	106,053	799,863

14 INTANGIBLE ASSETS (continued)

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

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

The Ledge

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

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

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

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

Post Office Hotel

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

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

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

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management which covers a five year period. The growth rate of cash generation is assumed to be 2.5% 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 Streer Bar provides to the Group.

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management which covers a five year period. The growth rate of cash generation is assumed to be 2.5% 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 and Parent	
	2018	**2017**
	$	**$**
The Ledge	123,810	161,905
Post Office Hotel	395,000	395,000
Jackson Street Bar	175,000	175,000
Total Goodwill	693,810	731,905

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

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

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

14 INTANGIBLE ASSETS (continued)

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 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Trade creditors	1,080,469	1,325,484	775,882	1,070,286
Interest payable	10,626	7,539	10,626	7,539
Capital payables	107,848	151,892	84,848	108,533
Accrued expenses	778,470	1,443,570	585,276	1,265,480
Revenue in advance	106,390	95,545	106,390	95,545
	2,083,803	3,024,030	1,563,022	2,547,383

16 EMPLOYEE ENTITLEMENTS

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

17 BORROWINGS

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Current liabilities				
Bank overdrafts	695,849	-	695,849	-
Secured bank loans	-	101,000	-	101,000
Other loans	65,000	65,000	65,000	65,000
	760,849	166,000	760,849	166,000
Non-current liabilities				
Secured bank loans	20,000,000	20,000,000	20,000,000	20,000,000
Other loans	189,584	254,584	189,584	254,584
	20,189,584	20,254,584	20,189,584	20,254,584

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.

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 $
Group & Parent						
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	695,849	695,849	-	-
Total interest-bearing liabilities			20,950,433	20,950,433	20,420,584	20,420,584

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

Group	Share capital $	Revaluation reserve $	Retained earnings $	Total equity $
Balance at 1 April 2016	11,330,740	147,234	42,136,794	53,614,768
Total comprehensive income / (expense)	-	103,294	6,057,516	6,160,810
Asset revaluation realised on sale of business	-	(147,234)	147,234	-
Balance at 31 March 2017	11,330,740	103,294	48,341,544	59,775,578
Balance at 1 April 2017	11,330,740	103,294	48,341,544	59,775,578
Total comprehensive income / (expense)	-	186,161	7,287,022	7,473,183
Balance at 31 March 2018	11,330,740	289,455	55,628,566	67,248,761

Parent

	Share capital $	Revaluation reserve $	Retained earnings $	Total equity $
Balance at 1 April 2016	11,330,740	147,234	41,604,565	53,082,539
Total compehensive income / (expense)	-	103,294	6,005,968	6,109,262
Asset revaluation realised on sale of business	-	(147,234)	147,234	-
Balance at 31 March 2017	11,330,740	103,294	47,757,767	59,191,801
Balance at 1 April 2017	11,330,740	103,294	47,757,767	59,191,801
Total compehensive income / (expense)	-	186,161	7,200,899	7,387,060
Balance at 31 March 2018	11,330,740	289,455	54,958,666	66,578,861

Number of shares on issue at 31 March 2018 10,637,000 (2017: 10,637,000). All issued shares are fully paid up and have no par value.

19 FINANCIAL INSTRUMENTS

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

Credit risk

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

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

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

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

Credit quality of financial assets

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

Liquidity risk

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

	Group 2018 $	**Group 2017 $**	**Parent 2018 $**	**Parent 2017 $**
Overdrafts and credit lines in place	2,000,000	2,000,000	1,500,000	1,500,000

Interest rate risk

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

Other market price risk

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

Quantitative disclosures

Credit risk

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

19 FINANCIAL INSTRUMENTS (continued)

(a) Liquidity risk

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

Group 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	3,190,006	1,039,000	20,934,826	39,584	25,203,416	22,927,846
Group 2017						
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	3,094,054	991,500	21,206,340	64,584	25,356,478	23,444,614

Parent 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	1,385,536	-	-	-	1,385,536	1,456,632
Bank Overdraft	695,849	-	-	-	695,849	695,849
Total liabilities	3,120,385	1,039,000	20,934,826	39,584	25,133,795	22,407,065
Parent 2017						
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	1,913,247	-	-	-	1,913,247	2,547,383
Total liabilities	3,008,558	991,500	21,206,340	64,584	25,270,982	22,967,967

(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) and for the parent a reduction in profit of $56,938 (2017:$93,310).

19 FINANCIAL INSTRUMENTS (continued)

(c) Classification and fair values

Group	Loans and receivables $	Total carrying value and fair value $
2018		
Assets		
Investments	750,353	750,353
Trade and other receivables	350,025	350,025
Cash and cash equivalents	687,232	687,232
	1,787,610	1,787,610
2017		
Assets		
Investments	795,711	795,711
Trade and other receivables	1,306,033	1,306,033
Cash and cash equivalents	1,498,095	1,498,095
	3,599,839	3,599,839
Parent		
2018		
Assets		
Investments	750,353	750,353
Trade and other receivables	338,623	338,623
Cash and cash equivalents	296,017	296,017
	1,384,993	1,384,993
2017		
Assets		
Investments	795,711	795,711
Trade and other receivables	1,303,155	1,303,155
Cash and cash equivalents	1,092,889	1,092,889
	3,191,755	3,191,755

19 FINANCIAL INSTRUMENTS (continued)

Group	**At amortised cost $**	**Fair value amount $**
2018		
Liabilities		
Trade and other payables	1,455,157	1,455,157
Borrowings	20,950,433	20,950,433
Total liabilities	22,405,590	22,405,590
2017		
Liabilities		
Trade and other payables	1,998,743	1,998,743
Borrowings	20,420,584	20,420,584
Total liabilities	22,419,327	22,419,327
Parent		
2018		
Liabilities		
Trade and other payables	1,385,536	1,385,536
Borrowings	20,950,433	20,950,433
Total liabilities	22,335,969	22,335,969
2017		
Liabilities		
Trade and other payables	1,913,247	1,913,247
Borrowings	20,420,584	20,420,584
Total liabilities	22,333,831	22,333,831

20 OPERATING LEASES

Leases as lessee

Non-cancellable operating leases are payable as follows:

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

Leases as lessor

	Group and Parent 2018 $	2017 $
Less than one year	80,315	312,775
Between 1 and 2 years	-	82,520
Between 2 and 5 years	-	-
Over 5 years	-	-
	80,315	395,295

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 2018 (2017; $169,863). The Group and Parent 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 and Parent had contingent liabilities of $55,000 as at 31 March 2018 (2017: $55,000)

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

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

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Net Profit/(Loss) for year	7,287,022	6,057,516	7,200,899	6,005,968
Add (less) non-cash items:	-	-	-	-
Depreciation	1,395,288	1,268,889	851,602	797,389
Amortisation of intangibles	113,964	97,278	56,370	51,430
Revaluation of investment properties	(5,828,500)	(2,984,278)	(5,828,500)	(2,984,278)
Provisions	2,538	30,701	2,538	30,701
Fixed assets impairment / (reversal)	(3,111)	(2,032,342)	(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)	2,079	8,721
Gain on sale of businesses	(375,229)	(878,610)	(375,229)	(878,610)
Gain on sale of investment property	-	(147,113)	-	(147,113)
Investments issued in lieu of rebates	45,358	42,590	45,358	42,590
	(4,681,472)	(4,702,888)	(5,248,893)	(5,111,512)
Add (less) movements in working capital items:				
(Increase) / decrease in recievables and prepayments	1,009,426	(31,603)	1,015,435	(12,165)
(Increase)/ decrease in inventories	98,177	33,380	98,177	33,380
Increase / (decrease) in charitable distributions payable	(184,770)	(454,149)	10,000	-
Increase/ (decrease) in employee entitlements	23,711	(111,987)	23,711	(111,987)
Increase/ (decrease) in trade and other payables	(827,247)	442,251	(891,740)	462,807
	-	-	-	-
	119,297	(122,108)	255,583	372,035
Net cash inflow from operating activities	2,724,847	1,232,520	2,207,589	1,266,491

23 RELATED PARTY TRANSACTIONS

(i) Parent and ultimate controlling party

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

(ii) Transactions with key management personnel

Several of the Directors of Trust House Limited and Trustees of Masterton Community Trust own or run businesses in their own right. A number of these entities transacted 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 Director of Trust House Limited, is the spouse of a major shareholder in Technology Solutions which provides technology services and hardware to Trust House Limited. Technology Solutions has been the preferred supplier of information technology hardware and services to the Trust House Group for at least 20 years, pre-dating Lucy Griffiths election to Masterton Community Trust and appointment to the the Board of Trust House Limited. During the year Trust House Limited paid Technology Solutions $194,723 (2017: $196,560). The amount outstanding at year end was $34,713 (2017: $34,325).Trust House 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 Trust House Group. During the year Trust House Limited paid PRSL $7,728 (2017: $2,444). The amount outstanding at year end was $Nil (2017: $Nil).Trust House Group paid $7,728 (2017: $3,284) during the year and 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	-	-
	1,110,153	1,039,377

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	-
	6	5

23 RELATED PARTY TRANSACTIONS (continued)

(iv) Other related party transactions

	2018 $	2017 $
(a) Masterton Community Trust (MCT) - formerly Masterton Licensing Trust		
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 distribtuions	3,894,634	3,470,423
Grants unclaimed	122,062	308,996
Grants approved	(3,930,573)	(3,727,871)
	669,900	583,777

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

	2018 $	2017 $
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

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Property reinstatement provisions	41,569	109,214	41,569	109,214
	41,569	109,214	41,569	109,214

Trust House Limited leases two premises. A condition 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.

	Property reinstatement provisions
Group and Parent 2018	
Opening balance as at 1 April 2017	109,214
Provisions added	2,538
Outlets sold	(70,183)
Closing provision at 31 March 2018	41,569
Group and Parent 2017	
Opening at 1 April 2016	78,513
Provisions added	30,701
Closing provision at 31 March 2017	109,214

25 GROUP ENTITIES

Subsidiaries

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

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

26 CAPITAL MANAGEMENT

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

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

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

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

27 CHARITABLE DISTRIBUTIONS

	$
The following charitable donations were made by Trust House Limited during the year.	
Te Timatanga Ararau Trust (Iron Maori)	30,000
Te Awhina Cameron Community Trust	10,000
	40,000

28 SUBSEQUENT EVENTS

There are no subsequent events.

29 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.

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Income Statement				
Results of discontinued operations				
Revenue	673,954	10,527,745	673,954	10,527,745
Interest received	-	16,651	-	16,651
Expenses	725,158	10,780,216	725,158	10,780,216
Result from operating activities	(51,204)	(235,820)	(51,204)	(235,820)
Gain on sale of discontinued operation	375,229	850,434	375,229	850,434
Profit for the period	324,025	614,614	324,025	614,614
Statement of cash flows:				
Cash flows from discontinued operations				
Operating cash flows	(51,204)	(110,915)	(51,204)	(110,915)
Investing cash flows	508,944	3,202,495	508,944	3,202,495
Financing cash flows	-	-	-	-
Total cash flows	457,740	3,091,580	457,740	3,091,580

Effect of disposal of discontinued operations on the financial position of the group

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Property, plant and equipment	(22,793)	(2,639,494)	(22,793)	(2,639,494)
Goodwill	-	(333,552)	-	(333,552)
Inventory	(248,444)	(334,577)	(248,444)	(334,577)
Trade and other payables	67,339	-	67,339	-
Provisions released	70,183	-	70,183	-
Total	(133,715)	(3,307,623)	(133,715)	(3,307,623)
Consideration:				
Consideration received in cash	508,944	3,202,427	508,944	3,202,427
Deferred consideration	-	984,577	-	984,577
Total consideration	508,944	4,187,004	508,944	4,187,004

Independent Auditor's Report

To the readers of Trust House Limited and group's financial statements for the year ended 31 March 2018

The Auditor-General is the auditor of Trust House Limited and group (the Company 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 Company and group on his behalf.

Opinion

We have audited the financial statements of the Company and group on pages 2 to 37, 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 company 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 27 July 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 Board of Directors 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 Board of Directors for the financial statements

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

The Board of Directors is 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 Board of Directors is responsible, on behalf of the Company and group for assessing the company and group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Company and group or to cease operations, or has no realistic alternative but to do so.

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

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 Company 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 Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company 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 Company 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 Board of Directors 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 Company 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 Masterton Community Trust 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 Company and group.

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