

**Masterton Community Trust
Financial statements
for the year ended 31 March 2019**

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Masterton Community Trust
Income statement
For the year ended 31 March 2019

Income statement

FOR THE YEAR ENDED 31 MARCH 2019

| | Notes | Group 2019 \$ | Group 2018 \$ |
|---|-------|--------------------------|--------------------------|
| Continuing operations | | | |
| Revenue | 5 | 29,287,859 | 27,648,017 |
| Less cost of sales | | <u>4,117,225</u> | <u>3,981,702</u> |
| Gross profit | | <u>25,170,634</u> | <u>23,666,315</u> |
| | | | |
| Operating expenses | 7 | <u>18,454,937</u> | <u>17,748,168</u> |
| Operating profit | | 6,715,697 | 5,918,147 |
| | | | |
| Finance costs | | 1,007,197 | 988,038 |
| Finance income | | <u>41,027</u> | <u>52,899</u> |
| Net finance costs | | 966,170 | 935,139 |
| | | | |
| Net operating profit | | 5,749,527 | 4,983,008 |
| | | | |
| Non operating items | 6 | 6,730,887 | 5,828,500 |
| | | | |
| Discontinued operation items | 30 | <u>-</u> | <u>324,025</u> |
| | | | |
| Net profit before charitable donations | | <u>12,480,414</u> | <u>11,135,533</u> |
| | | | |
| Charitable donations | 27 | <u>(4,124,301)</u> | <u>(3,848,511)</u> |
| | | | |
| Net profit for year | | <u>8,356,113</u> | <u>7,287,022</u> |
| | | | |
| Attributable to: | | | |
| Equity holders of Masterton Community Trust | | 7,876,624 | 6,868,879 |
| Non-controlling interest | | <u>479,489</u> | <u>418,143</u> |
| | | <u>8,356,113</u> | <u>7,287,022</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 2019

Statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2019

| | Group 2019 \$ | Group 2018 \$ |
|---|------------------------------|------------------------------|
| Net profit / (loss) | 8,356,113 | 7,287,022 |
| Other comprehensive income: | | |
| Land & building revaluation | <u>-</u> | <u>186,161</u> |
| Total other comprehensive income / (expense) | <u>-</u> | <u>186,161</u> |
| Total comprehensive income for the year | <u>8,356,113</u> | <u>7,473,183</u> |
| Attributable to: | | |
| Equity Holders of Masterton Community Trust | 7,876,624 | 7,044,358 |
| Non-controlling interest | <u>479,489</u> | <u>428,825</u> |
| | <u>8,356,113</u> | <u>7,473,183</u> |

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 2019

| Group | Notes | 2019 |
|--|-------|--------------------------|
| | | \$ |
| Equity at the start of the year | | 67,248,761 |
| Total comprehensive income / (expense) | | 8,356,113 |
| Attributable to: | | |
| Masterton Community Trust | 18 | 7,876,624 |
| Minority Interest | 18 | <u>479,489</u> |
| | | 8,356,113 |
| Equity at the end of the year | | <u>75,604,874</u> |
| | | |
| Group | | 2018 |
| | | \$ |
| Equity at the start of the year | | 59,775,578 |
| Total comprehensive income / (expense) | | 7,473,183 |
| Attributable to: | | |
| Masterton Community Trust | 18 | 7,044,358 |
| Minority Interest | 18 | <u>428,825</u> |
| | | 7,473,183 |
| Equity at the end of the year | | <u>67,248,761</u> |

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

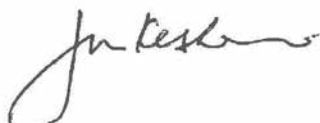
Masterton Community Trust
Statement of financial position
As at 31 March 2019

Statement of financial position

AS AT 31 MARCH 2019

| | Notes | Group 2019 \$ | Group 2018 \$ |
|---------------------------------------|-------|--------------------------|--------------------------|
| Current assets | | | |
| Cash and cash equivalents | 8 | 763,439 | 687,232 |
| Trade and other receivables | 9 | 321,237 | 350,025 |
| Prepayments | | 313,571 | 270,624 |
| Inventories | 10 | 399,277 | 398,869 |
| Other investments | 11 | 51,446 | 53,005 |
| Assets held for sale | | <u>696,000</u> | <u>-</u> |
| Total current assets | | <u>2,544,970</u> | <u>1,759,755</u> |
| Non-current assets | | | |
| Other investments | 11 | - | 697,348 |
| Investment properties | 12 | 76,714,000 | 69,257,000 |
| Property, plant and equipment | 13 | 18,461,503 | 19,131,837 |
| Intangible assets | 14 | <u>958,789</u> | <u>917,953</u> |
| Total non-current assets | | <u>96,134,292</u> | <u>90,004,138</u> |
| Total assets | | <u>98,679,262</u> | <u>91,763,893</u> |
| Current liabilities | | | |
| Trade and other payables | 15 | 2,021,175 | 2,083,803 |
| Employee entitlements | 16 | 823,425 | 740,890 |
| Borrowings | 17 | 377,870 | 760,849 |
| Charitable donations allocated | | <u>615,482</u> | <u>619,915</u> |
| Total current liabilities | | <u>3,837,952</u> | <u>4,205,457</u> |
| Non-current liabilities | | | |
| Employee entitlements | 16 | 67,582 | 78,522 |
| Borrowings | 17 | 19,124,584 | 20,189,584 |
| Provisions | 24 | <u>44,270</u> | <u>41,569</u> |
| Total non-current liabilities | | <u>19,236,436</u> | <u>20,309,675</u> |
| Equity | | | |
| Retained earnings | 18 | 70,993,679 | 63,117,055 |
| Asset revaluation reserve | 18 | 272,846 | 272,846 |
| Non-controlling interest | | <u>4,338,349</u> | <u>3,858,860</u> |
| Total equity | | <u>75,604,874</u> | <u>67,248,761</u> |
| Total liabilities & equity | | <u>98,679,262</u> | <u>91,763,893</u> |

Signed on behalf of Masterton Community Trust



J Kershaw
Chair



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 2019

Statement of cash flows

FOR THE YEAR ENDED 31 MARCH 2019

| | Notes | Group 2019 \$ | Group 2018 \$ |
|---|-------|---------------------------|---------------------------|
| Cash flows from operating activities | | | |
| Cash was provided from: | | | |
| Receipts from customers | | 29,319,435 | 29,302,406 |
| Interest received | | <u>41,027</u> | <u>52,899</u> |
| | | 29,360,462 | 29,355,305 |
| Cash was applied to: | | | |
| Payments to suppliers and employees | | 20,897,219 | 21,612,226 |
| Charitable donations | | 4,128,734 | 4,033,281 |
| Interest paid | | <u>1,008,632</u> | <u>984,951</u> |
| | | <u>(26,034,585)</u> | <u>(26,630,458)</u> |
| Net cash flows from operating activities | 22 | <u>3,325,877</u> | <u>2,724,847</u> |
| Cash flows from investing activities | | | |
| Cash was provided from: | | | |
| Sale of plant, property and equipment | | 75,210 | 41,879 |
| Sale of intangibles | | 16,000 | 8,751 |
| Sale of business | | - | 509,944 |
| Vendor loan repayment | | <u>650,000</u> | <u>-</u> |
| | | 741,210 | 560,574 |
| Cash was applied to: | | | |
| Purchase of plant, property and equipment | | 1,690,162 | 2,468,539 |
| Purchase of intangible assets | | 126,626 | 69,322 |
| Cash sold with business | | - | 1,000 |
| Upgrading of investment property | | <u>726,113</u> | <u>2,087,272</u> |
| | | <u>(2,542,901)</u> | <u>(4,626,133)</u> |
| Net cash flows from investing activities | | <u>(1,801,691)</u> | <u>(4,065,559)</u> |
| Cash was applied to: | | | |
| Repayment of borrowings | | <u>1,065,000</u> | <u>166,000</u> |
| | | <u>(1,065,000)</u> | <u>(166,000)</u> |
| Net cash flows from financing activities | | <u>(1,065,000)</u> | <u>(166,000)</u> |
| Net (decrease) / increase in cash held | | 459,186 | (1,506,712) |
| Opening cash balance | | <u>(8,617)</u> | <u>1,498,095</u> |
| Closing cash balance | | <u>450,569</u> | <u>(8,617)</u> |
| Closing cash is made up of | | | |
| Cash and cash equivalents | | <u>450,569</u> | <u>(8,617)</u> |
| | 8 | <u>450,569</u> | <u>(8,617)</u> |

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 2019 comprise of Masterton Community Trust, Trust House Limited (94.3% owned) and Trust House Foundation (a controlled entity).

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, bottle stores a hotel 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 Trustees on 6 August 2019.

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 two' entity, as the Trust has expenses less than \$30 million, however the Trust elects to report under 'tier one' accounting standards.

Masterton Community Trust is a Trust incorporated and domiciled in New Zealand, registered under the Sale and Supply of Alcohol Act 2012. The Trust's 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 Trust'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 financial statements for the 'Parent' are for Masterton Community Trust as a separate legal entity.

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

Changes in accounting policy and disclosures

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 April 2018:

- **NZ IFRS 9, 'Financial instruments'**, The Group has adopted NZ IFRS 9 Financial Instruments issued September 2014. NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. NZ IFRS 9 replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. Other than reclassification the adoption of NZ IFRS 9 did not have any impact on the financial results or financial position of the Group.
- **IFRS 15, 'Revenue from Contracts with Customers'**, The group has adopted NZ IFRS 15 Revenue from Contracts with Customers as issued in July 2014. NZ IFRS 15 requires that revenue be recognised at an amount that reflects the consideration to which the Group expect to be entitled in exchange for transferring goods or services to a customer. In accordance with the transition provisions in NZ IFRS 15 the new rules have been adopted retrospectively and comparatives for the 2018 financial year have been restated. There were no changes to the financial performance or position of the Group as a result of adopting NZ IFRS 15.

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 at amortised cost: Cash and cash equivalents, Trade and other receivables.

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

Financial instruments are measured as described below.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 expected credit 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.

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%-40% |
| Furniture & Plant - general | 6.67-67% |
| 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 a portfolio with a similar amount of days overdue.

Leases

Finance leases

Leases which effectively transfer substantially all the risks and benefits incidental to the ownership of the leased item to the 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Trust House Limited is primarily involved in the hospitality industry running a number of bars, restaurants, a bottlestore, two hotels a large rental housing portfolio and a small hydroelectric scheme. Trust House Foundation is a class IV gaming Foundation.

(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.

Investments

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

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

Borrowings

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

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

Borrowing costs

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Income 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 to 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 Income Statement, 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.

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

Charitable donations

Charitable donations are recognised when approval is given.

Held for sale assets

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments and interpretations not yet effective

Other than 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 assessed the full impact of NZ IFRS 16 (effective date: 1 January 2019) and estimates the impact on the financial results and position of the company and group to be: an increase in property plant and equipment of \$588,925, an increase in current liabilities of \$253,111 and an increase in non-current liabilities of \$335,814. For the year ended 31 March 2020 the estimated impact is a reduction in rental and property expenses of \$267,809, an increase in interest expense of \$18,517 and an increase in depreciation expense of \$239,692.

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 2019 \$ | Group 2018 \$ |
|---------------------------------------|------------------------------|------------------------------|
| Revenue from contracts with customers | 23,214,515 | 22,005,136 |
| Revenue from other sources | 261,064 | 256,198 |
| Residential rental revenue | <u>5,812,280</u> | <u>5,386,683</u> |
| Total revenue | <u>29,287,859</u> | <u>27,648,017</u> |

Disaggregation of revenue from contracts with customers

The group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines. All revenue is earned in the lower North Island.

| | Revenue recognised at a point in time \$ | Revenue recognised over time \$ | Total \$ |
|-----------------------|---|--|--------------------------|
| Group 2019 | | | |
| Hospitality | 12,872,125 | - | 12,872,125 |
| Gaming income | 9,924,107 | - | 9,924,107 |
| Other | <u>356,134</u> | <u>62,149</u> | <u>418,283</u> |
| Total | <u>23,152,366</u> | <u>62,149</u> | <u>23,214,515</u> |
| 2018 | | | |
| Hospitality | 12,119,391 | - | 12,119,391 |
| Gaming income | 9,533,349 | - | 9,533,349 |
| Other | <u>290,044</u> | <u>62,352</u> | <u>352,396</u> |
| Total | <u>21,942,784</u> | <u>62,352</u> | <u>22,005,136</u> |

Performance obligations

The Group had the following performance obligations in relation to revenue earned over time:

Rental income: The Group hosts a mobile telephone mast and must continue to provide access to the site to receive rental.

Some other revenue is eliminated at Group level

There were no material contract assets or liabilities at balance date.

The Group has the following revenue recognised at a point in time:

Hospitality revenue is received from the supply of food, beverages and accommodation.

Gaming income is received by the Group from outlets with gaming machine operations.

The performance obligation for the above income is satisfied at a point in time as payment is recognised at the time the goods or services are supplied. There are no variable consideration, rights of return, refunds of other related obligations.

6 NON OPERATING ITEMS

| | | Group 2019 \$ | Group 2018 \$ |
|---|----|------------------------------|------------------------------|
| Change in fair value of investment property | 12 | <u>6,730,887</u> | <u>5,828,500</u> |
| | | <u>6,730,887</u> | <u>5,828,500</u> |

7 OPERATING EXPENSES

| | | Group 2019 \$ | Group 2018 \$ |
|--|--|------------------------------|------------------------------|
| Administration and financial | | 1,268,581 | 1,248,657 |
| Advertising and promotion | | 897,120 | 990,543 |
| Audit Fees | | 98,090 | 95,845 |
| Audit Fees - Masterton Community Trust | | 5,250 | 5,250 |
| Prospective financial statement review* | | 4,210 | 4,210 |
| Bad debts | | 23,428 | (3,656) |
| Movement in provision for doubtful debts | | 805 | 9,217 |
| Depreciation | | 1,546,805 | 1,395,288 |
| Amortisation | | 114,160 | 113,964 |
| Impairment of property, plant and equipment | | 4,000 | 886,874 |
| Loss / (gain) on sale of plant and equipment | | (57,651) | (29,553) |
| Loss / (gain) on sale of intangible assets | | 480 | (4,306) |
| Property expenses | | 4,092,312 | 3,736,040 |
| Rent and lease expenses | | 809,491 | 801,441 |
| Employee costs | | 6,760,104 | 6,588,628 |
| Directors and Trustees Fees | | 311,935 | 322,793 |
| Gaming Machine Duty and Licenses | | 2,575,817 | 2,476,918 |
| Reversal of impairments | | - | (889,985) |
| | | <u>18,454,937</u> | <u>17,748,168</u> |

* These fees relate to prospective financial accounts for the Trust House Foundation forecast, required by the Department of Internal Affairs and are performed by the Principal Auditor

8 CASH AND CASH EQUIVALENTS

| | Group 2019 | Group 2018 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Bank balances | 544,093 | 463,886 |
| Cash floats | <u>219,346</u> | <u>223,346</u> |
| Cash and cash equivalents | <u>763,439</u> | <u>687,232</u> |
| | | |
| | Group 2019 | Group 2018 |
| | \$ | \$ |
| Cash and cash equivalents | 763,439 | 687,232 |
| Bank overdrafts used for cash management purposes | <u>(312,870)</u> | <u>(695,849)</u> |
| Cash and cash equivalents used in the statement of cash flows | <u>450,569</u> | <u>(8,617)</u> |

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

9 TRADE AND OTHER RECEIVABLES

| | Group 2019 | Group 2018 |
|-------------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| Trade receivables | 263,351 | 272,398 |
| Less provision for impairment | <u>(26,732)</u> | <u>(25,927)</u> |
| | 236,619 | 246,471 |
| Sundry receivables | <u>84,618</u> | <u>103,554</u> |
| | <u>321,237</u> | <u>350,025</u> |
| | | |
| | Group 2019 | Group 2018 |
| | \$ | \$ |

Aging of trade receivables

The status of trade receivables at the reporting date is as follows:

| | | |
|--------------|----------------|----------------|
| Not past due | 158,067 | 186,327 |
| 1-30 days | 51,980 | 39,143 |
| 31-60 days | 7,728 | 12,107 |
| 60 days+ | <u>45,577</u> | <u>34,818</u> |
| | <u>263,352</u> | <u>272,395</u> |

As of 31 March 2019, trade receivables of \$26,732 (2018: \$25,927) were past due and considered impaired and trade receivables of \$78,553 (2018: \$60,141) 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 2019 | Group 2018 |
|--|-----------------------|-----------------------|
| | \$ | \$ |
| As at 1 April | 25,927 | 16,710 |
| Additional provisions made during the year | 23,838 | 22,580 |
| Receivables written off during the year | <u>(23,033)</u> | <u>(13,363)</u> |
| Balance at the end of the year | <u>26,732</u> | <u>25,927</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

| | Group 2019 | Group 2018 |
|-------------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| Raw materials and consumables | 83,228 | 63,620 |
| Goods available for sale | <u>316,049</u> | <u>335,249</u> |
| | <u>399,277</u> | <u>398,869</u> |

Inventory comprises goods available for sale and food ingredients.

No inventories are pledged as security for liabilities (2018 \$nil). However, some inventories are subject to retention of title clauses.

11 OTHER INVESTMENTS

| | Group 2019 | Group 2018 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Current investments (at amortised cost) | | |
| Foodstuffs Ltd - deferred rebates | <u>51,446</u> | <u>53,005</u> |
| | <u>51,446</u> | <u>53,005</u> |
| Non current investments (at amortised cost) | | |
| Vendor loan | - | 650,000 |
| Foodstuffs Ltd - shares & rebates | <u>-</u> | <u>47,348</u> |
| | <u>-</u> | <u>697,348</u> |
| Total investments | <u>51,446</u> | <u>750,353</u> |

The vendor loan was fully repaid in 2018.

12 INVESTMENT PROPERTY

| | Group 2019 | Group 2018 |
|--|-----------------------|-----------------------|
| | \$ | \$ |
| Investment property is comprised of | | |
| Residential property | 75,244,000 | 68,007,000 |
| Commercial property | <u>1,470,000</u> | <u>1,250,000</u> |
| | <u>76,714,000</u> | <u>69,257,000</u> |
| Classified as: | | |
| Current - available for sale at 31 March | - | - |
| Non Current | <u>76,714,000</u> | <u>69,257,000</u> |
| | <u>76,714,000</u> | <u>69,257,000</u> |

(a) Residential properties

| | Group 2019 | Group 2018 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Balance at 1 April | 68,007,000 | 60,081,228 |
| Improvements | 702,882 | 2,087,272 |
| Change in fair value - recognised in Income statement | <u>6,534,118</u> | <u>5,838,500</u> |
| | <u>75,244,000</u> | <u>68,007,000</u> |

Residential investment property comprises 485 (2018: 485) rental houses in the lower North Island. The Group's investment properties are valued annually at fair market value effective 31st March 2019.

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 Group has no restrictions on the realisability of its investment property. The group has no contractual obligations to purchase construct or develop investment property or for repair, maintenance or enhancements.

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.

In arriving at the valuation the valuer has to make critical judgements of the likely yield a property of the type held by the Group would sell at on the retail market. This judgement is applied by geographic location and takes into account sales of similar housing and knowledge of the rental and sale markets in those locations.

| | Group 2019 | Group 2018 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Rental income | 5,810,012 | 5,386,683 |
| Other income | 2,268 | - |
| Expenses from investment property generating income | 2,365,356 | 2,031,092 |

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.

| | Group 2019 \$ | Group 2018 \$ |
|---|------------------------------|------------------------------|
| Balance at 1 April | 1,250,000 | 1,260,000 |
| Improvements | 23,231 | - |
| Change in fair value - recognised in Income statement | <u>196,769</u> | <u>(10,000)</u> |
| Balance at 31 March | <u>1,470,000</u> | <u>1,250,000</u> |
| Classified as: | | |
| Non Current | <u>1,470,000</u> | <u>1,250,000</u> |
| | <u>1,470,000</u> | <u>1,250,000</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 2019 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 2019 \$ | Group 2018 \$ |
|---|------------------------------|------------------------------|
| Rental income | 247,750 | 247,750 |
| Tenant recharges | 29,670 | 14,263 |
| Expenses from investment property generating income | 133,426 | 124,892 |

13 PROPERTY, PLANT AND EQUIPMENT

| Group | Land and buildings \$ | Furniture and plant \$ | Hydro assets \$ | Motor vehicles \$ | Construction in progress \$ | Total \$ |
|---|-----------------------------|------------------------------|--------------------|-------------------------|-----------------------------------|-------------------|
| Cost or valuation | | | | | | |
| Balance at 1 April 2017 | 14,710,776 | 7,881,910 | 967,123 | 108,075 | 189,386 | 23,857,270 |
| 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> |
| Balance at 1 April 2018 | 15,918,952 | 8,517,928 | 967,123 | 92,697 | - | 25,496,700 |
| Additions | 731,433 | 357,367 | 29,314 | 13,142 | - | 1,131,256 |
| Disposals | - | (533,901) | - | (7,700) | - | (541,601) |
| Reclassified under construction | - | 483,894 | - | - | - | 483,894 |
| Reclassified from available for sale | (700,000) | - | - | - | - | (700,000) |
| Balance at 31 March 2019 | <u>15,950,385</u> | <u>8,825,288</u> | <u>996,437</u> | <u>98,139</u> | <u>-</u> | <u>25,870,249</u> |
| Depreciation and impairment losses | | | | | | |
| Balance as 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> |
| Balance at 1 April 2018 | 78,704 | 5,713,730 | 508,292 | 64,137 | - | 6,364,863 |
| Depreciation for the year | 648,003 | 857,122 | 34,914 | 6,766 | - | 1,546,805 |
| Impairments | 4,000 | - | - | - | - | 4,000 |
| Disposals | - | (495,345) | - | (7,577) | - | (502,922) |
| Reclassified to available for sale | (4,000) | - | - | - | - | (4,000) |
| Balance at 31 March 2019 | <u>726,707</u> | <u>6,075,507</u> | <u>543,206</u> | <u>63,326</u> | <u>-</u> | <u>7,408,746</u> |
| Carrying amounts | | | | | | |
| 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> |
| As at 31 March 2019 | <u>15,223,678</u> | <u>2,749,781</u> | <u>453,231</u> | <u>34,813</u> | <u>-</u> | <u>18,461,503</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. 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 \$4000 were recognised in 2018/19 (2017/18 \$Nil).

Insurance

The Group and related entities are part of 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.

14 INTANGIBLE ASSETS

| Group | Goodwill \$ | Software \$ | Total \$ |
|---|-----------------------|-----------------------|-------------------------|
| Cost | | | |
| 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>770,000</u> | <u>741,308</u> | <u>1,511,308</u> |
| | | | |
| Balance at 1 April 2018 | 770,000 | 741,308 | 1,511,308 |
| Additions | - | 171,477 | 171,477 |
| Disposals | <u>-</u> | <u>(80,985)</u> | <u>(80,985)</u> |
| Balance at 31 March 2019 | <u>770,000</u> | <u>831,800</u> | <u>1,601,800</u> |
| | | | |
| Amortisation and impairment losses | | | |
| 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>76,190</u> | <u>517,165</u> | <u>593,355</u> |
| | | | |
| Balance at 1 April 2018 | 76,190 | 517,165 | 593,355 |
| Disposals | - | (64,505) | (64,505) |
| Amortisation for the year | <u>38,096</u> | <u>76,065</u> | <u>114,161</u> |
| Balance at 31 March 2019 | <u>114,286</u> | <u>528,725</u> | <u>643,011</u> |
| | | | |
| Carrying amounts | | | |
| As at 31 March 2018 | 693,810 | 224,143 | 917,953 |
| As at 31 March 2019 | 655,714 | 303,075 | 958,789 |

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 2019 \$ | Group 2018 \$ |
|--------------------|---------------------|---------------------|
| The Ledge | 85,714 | 123,810 |
| Post Office Hotel | 395,000 | 395,000 |
| Jackson Street Bar | <u>175,000</u> | <u>175,000</u> |
| Total Goodwill | <u>655,714</u> | <u>693,810</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.

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 2019 \$ | Group 2018 \$ |
|---------------------|------------------------------|------------------------------|
| Trade creditors | 1,094,167 | 1,080,469 |
| Interest payable | 9,191 | 10,626 |
| Capital payables | 32,838 | 107,848 |
| Accrued expenses | 743,803 | 778,470 |
| Intangible Payables | 44,850 | - |
| Revenue in advance | <u>96,326</u> | <u>106,390</u> |
| | <u>2,021,175</u> | <u>2,083,803</u> |

16 EMPLOYEE ENTITLEMENTS

| | Group 2019 \$ | Group 2018 \$ |
|--|------------------------------|------------------------------|
| Current portion | | |
| Accrued pay | 221,356 | 175,735 |
| Accrued leave | 583,027 | 550,619 |
| Provision for staff long service / retirement benefits | 12,970 | 9,198 |
| Sick pay | <u>6,072</u> | <u>5,338</u> |
| | <u>823,425</u> | <u>740,890</u> |
| Non current portion | | |
| Provision for long service / retirement benefits | <u>67,582</u> | <u>78,522</u> |
| | <u>67,582</u> | <u>78,522</u> |
| Total employee entitlements | <u>891,007</u> | <u>819,412</u> |

17 BORROWINGS

| | Group 2019 | Group 2018 |
|--------------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| Current liabilities | | |
| Bank overdrafts | 312,870 | 695,849 |
| Other loans | <u>65,000</u> | <u>65,000</u> |
| | <u>377,870</u> | <u>760,849</u> |
| Non-current liabilities | | |
| Secured bank loans | 19,000,000 | 20,000,000 |
| Other loans | <u>124,584</u> | <u>189,584</u> |
| | <u>19,124,584</u> | <u>20,189,584</u> |

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 2019 | Carrying amount 2019 |
|------------------------------------|--------------------------|---------------------|--------------------|----------------------------|
| | | | \$ | \$ |
| Group | | | | |
| Secured BNZ Bank loans | 4.23%-5.64% | 2023 | 14,000,000 | 14,000,000 |
| Secured BNZ Bank loans | 5.16% | 2022 | 5,000,000 | 5,000,000 |
| Other loans | 0.00% | | 189,584 | 189,584 |
| Bank overdrafts | 6.23%-8.50% | | <u>312,870</u> | <u>312,870</u> |
| Total interest-bearing liabilities | | | <u>19,502,454</u> | <u>19,502,454</u> |

The ANZ National Bank overdrafts are secured with registered first mortgages over land and buildings with a carrying amount of \$7,518,268 (2018: \$7,200,000). 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 | Revaluation reserve \$ | Retained earnings \$ | Total equity \$ |
|--|---------------------------------------|-------------------------------------|----------------------------|
| 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> |
| | | | |
| Balance at 1 April 2018 | 272,846 | 63,117,055 | 63,389,901 |
| Total comprehensive income / (expense) | <u>-</u> | <u>7,876,624</u> | <u>7,876,624</u> |
| Balance at 31 March 2019 | <u>272,846</u> | <u>70,993,679</u> | <u>71,266,525</u> |
| | | | |
| Minority interest | Revaluation reserve \$ | Retained earnings \$ | Total equity \$ |
| 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> |
| | | | |
| Balance at 1 April 2018 | 16,609 | 3,842,251 | 3,858,860 |
| Total comprehensive income / (expense) | <u>-</u> | <u>479,489</u> | <u>479,489</u> |
| Balance at 31 March 2019 | <u>16,609</u> | <u>4,321,740</u> | <u>4,338,349</u> |

19 FINANCIAL INSTRUMENTS

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

Market Risk

Market risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks include three types of risk, interest rate risk, currency risk and other price risk.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a finance installment or customer contract leading to a financial loss

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

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

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

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

Credit quality of financial assets

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

Liquidity risk

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

| | Group 2019 \$ | Group 2018 \$ |
|--------------------------------------|------------------------------|------------------------------|
| Overdrafts and credit lines in place | 2,000,000 | 2,000,000 |
| Term facilities undrawn | 2,000,000 | 1,000,000 |

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 2019 | 12 months or less \$ | 1-2 years \$ | 2-5years \$ | More than 5 years \$ | Contractual cash flows \$ | Carrying Amount \$ |
|--------------------------|----------------------------|------------------|-------------------|----------------------------|---------------------------------|--------------------------|
| Secured bank loans | 947,500 | 947,500 | 21,156,240 | - | 23,051,240 | 19,000,000 |
| Other loans | 65,000 | 35,000 | 75,000 | 14,584 | 189,584 | 189,584 |
| Trade and other payables | 1,326,845 | - | - | - | 1,326,845 | 1,326,845 |
| Bank overdraft | <u>312,870</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>312,870</u> | <u>312,870</u> |
| Total liabilities | <u>2,652,215</u> | <u>982,500</u> | <u>21,231,240</u> | <u>14,584</u> | <u>24,880,539</u> | <u>20,829,299</u> |
| Group 2018 | | | | | | |
| 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 | 1,455,157 |
| Bank overdraft | <u>695,849</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>695,849</u> | <u>695,849</u> |
| 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>22,405,590</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 \$13,129 (2018:\$48,320).

19 FINANCIAL INSTRUMENTS (continued)

(c) Classification and fair values

| Group | Financial assets at amortised cost \$ | Total carrying value and fair value \$ |
|-----------------------------|--|---|
| 2019 | | |
| Assets | | |
| Investments | 51,446 | 51,446 |
| Trade and other receivables | 321,238 | 321,238 |
| Cash and cash equivalents | <u>763,439</u> | <u>763,439</u> |
| | <u>1,136,123</u> | <u>1,136,123</u> |
| 2018 | | |
| Assets | | |
| 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> |

Due to the nature of the Groups financial assets there were no changes in carrying value in adopting IFRS 9 Financial Instruments.

19 FINANCIAL INSTRUMENTS (continued)

| Group | Financial liabilities at amortised cost | Fair value amount |
|--------------------------|--|--------------------------|
| | \$ | \$ |
| 2019 | | |
| Liabilities | | |
| Trade and other payables | 1,326,845 | 1,326,845 |
| Borrowings | <u>19,502,454</u> | <u>19,502,454</u> |
| Total liabilities | <u>20,829,299</u> | <u>20,829,299</u> |
| | | |
| 2018 | | |
| Liabilities | | |
| 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> |

Due to the nature of the Groups financial liabilities there were no changes in carrying value in adopting IFRS 9 Financial Instruments.

20 OPERATING LEASES

Leases as lessee

Non-cancellable operating leases are payable as follows:

| | Group 2019 \$ | Group 2018 \$ |
|-----------------------|------------------------------|------------------------------|
| Less than 1 year | 362,255 | 283,469 |
| Between 1 and 2 years | 298,109 | 208,262 |
| Between 2 and 5 years | 411,738 | 181,112 |
| Over 5 years | <u>128,350</u> | <u>-</u> |
| Total | <u>1,200,452</u> | <u>672,843</u> |

Leases as lessor

| | Group 2019 \$ | Group 2018 \$ |
|-----------------------|------------------------------|------------------------------|
| Less than one year | 182,750 | 80,315 |
| Between 1 and 2 years | 182,750 | - |
| Between 2 and 5 years | <u>30,458</u> | <u>-</u> |
| | <u>395,958</u> | <u>80,315</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 2019 (2018; \$Nil).

The Group had contingent liabilities of \$55,000 as at 31 March 2019 (2018: \$55,000)

The Group has 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 2019 \$ | Group 2018 \$ |
|---|------------------------------|------------------------------|
| Net Profit/(Loss) for year | 8,356,113 | 7,287,022 |
| Add (less) non-cash items: | | |
| Depreciation | 1,546,805 | 1,395,288 |
| Amortisation of intangibles | 114,160 | 113,964 |
| Revaluation of investment properties | (6,730,887) | (5,828,500) |
| Provisions | 2,701 | 2,538 |
| Fixed assets impairment / (reversal) | 4,000 | (3,111) |
| (Gain) loss on sale of intangibles | 480 | (4,306) |
| (Gain) loss on sale of fixed assets | (36,530) | (27,474) |
| Gain on sale of businesses | - | (375,229) |
| Investments issued in lieu of rebates | <u>48,907</u> | <u>45,358</u> |
| | (5,050,364) | (4,681,472) |
| Add (less) movements in working capital items: | | |
| (Increase) / decrease in receivables and prepayments | (14,161) | 1,009,426 |
| (Increase)/ decrease in inventories | (408) | 98,177 |
| Increase / (decrease) in charitable distributions payable | (4,433) | (184,770) |
| Increase/ (decrease) in employee entitlements | 71,595 | 23,711 |
| Increase/ (decrease) in trade and other payables | <u>(32,465)</u> | <u>(827,247)</u> |
| | <u>20,128</u> | <u>119,297</u> |
| Net cash inflow from operating activities | <u>3,325,877</u> | <u>2,724,847</u> |

23 RELATED PARTY TRANSACTIONS

(i) Parent and ultimate controlling party

The 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 with the Group 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.

Mena Antonio, a Trustee of Masterton Community Trust and a Director of Trust House Limited, is the owner of The Disapora Way which provides networking forum services to Trust House Limited. During the year Trust House Limited and Group paid The Diaspora Way \$2,430 (2018: \$64). The amount outstanding at year end was \$2,300 (2018: \$Nil).

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 Masterton Community Trust 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 \$268,156 (2018: \$194,723). The amount outstanding at year end was \$16,105 (2018: \$34,713). Masterton Community Trust Group paid \$275,005 (2018: \$197,910) during the year and the amount outstanding at year end was \$16,105 (2018: \$34,713)

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 Masterton Community Trust Group. During the year the Group paid \$Nil (2018: \$7,728) and the amount outstanding at year end was \$Nil (2018: \$Nil)

(iii) Key management and personnel compensation

| | 2019 | 2018 |
|--|------------------|------------------|
| | \$ | \$ |
| Salaries and other short term benefits | 992,903 | 1,089,396 |
| Post employment benefits | 18,070 | 20,757 |
| Termination benefits | - | - |
| | <u>1,010,973</u> | <u>1,110,153</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.

| | Group 2019 | Group 2018 |
|-----------------------|---------------|---------------|
| \$110,000 - \$120,000 | - | 1 |
| \$120,000 - \$130,000 | - | 1 |
| \$130,000 - \$140,000 | - | 1 |
| \$140,000 - \$150,000 | 1 | 1 |
| \$150,000 - \$160,000 | 1 | - |
| \$160,000 - \$170,000 | 1 | - |
| \$180,000 - \$190,000 | - | 1 |
| \$200,000 - \$210,000 | 1 | - |
| \$280,000 - \$290,000 | - | - |
| \$300,000 - \$310,000 | <u>1</u> | <u>1</u> |
| | <u>5</u> | <u>6</u> |

23 RELATED PARTY TRANSACTIONS (continued)

(iv) Other related party transactions

| | Group 2019 \$ | Group 2018 \$ |
|---|------------------------------|------------------------------|
| (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 | 15,000 | 15,480 |

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 Trustees of Masterton Community Trust 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.

| | 2019 \$ | 2018 \$ |
|---|--------------------|--------------------|
| Funds available 1st April | 669,900 | 583,777 |
| Net surplus before charitable distributions | 4,118,736 | 3,894,634 |
| Grants unclaimed | 140,078 | 122,062 |
| Grants approved | <u>(4,234,379)</u> | <u>(3,930,573)</u> |
| | <u>694,335</u> | <u>669,900</u> |

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

| | | |
|------------------------------------|-----------|-----------|
| Site rentals paid by THF to THL | 1,166,253 | 1,125,598 |
| Management Fees paid by THF to THL | 500,000 | 500,000 |

As at 31 March 2019, Trust House Foundation owed Trust House Limited \$23,963 (2018: \$18,536).

24 PROVISIONS

| | Group 2019 \$ | Group 2018 \$ |
|-----------------------------------|------------------------------|------------------------------|
| Property reinstatement provisions | <u>44,270</u> | <u>41,569</u> |
| | <u>44,270</u> | <u>41,569</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.

| | Property reinstatement provisions \$ |
|------------------------------------|---|
| Group 2019 | |
| Opening balance as at 1 April 2018 | 41,569 |
| Provisions added | <u>2,701</u> |
| Closing provision at 31 March 2019 | <u>44,270</u> |
| | |
| Group 2018 | |
| At 1 April 2017 | 109,214 |
| Additional provisions | 2,538 |
| Outlets sold | <u>(70,183)</u> |
| At 31 March 2018 | <u>41,569</u> |

25 GROUP ENTITIES

Subsidiaries

Trust House Limited is a subsidiary. Trust House Foundation is a controlled entity.

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 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 GRANTS APPROVED

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

| | Group 2019 \$ | Group 2018 \$ |
|---|------------------------------|------------------------------|
| Trust House Foundation - (see below for full grants listing) | 4,094,301 | 3,808,511 |
| Trust House Limited | | |
| Te Timatanga Ararau Trust (Iron Maori) | 30,000 | 30,000 |
| Te Awhina Cameron Community Trust | - | 10,000 |
| Group Charitable distributions | <u>4,124,301</u> | <u>3,848,511</u> |

Trust House Foundation grants by region:

Grants approved Masterton

| | |
|--|--------|
| Access Radio Wairarapa Charitable Trust | 11,000 |
| Age Concern New Zealand Inc | 1,675 |
| Alfredton Domain Board | 1,371 |
| Alzheimers Society Manawatu | 5,000 |
| Alzheimers Wairarapa Inc | 10,000 |
| Aratoi Regional Trust | 69,252 |
| Arbor House Trust | 7,500 |
| Arthritis Foundation of NZ Inc | 1,000 |
| Athletics Masterton Inc | 2,000 |
| Athletics Wairarapa Inc | 5,500 |
| Autism New Zealand - Wellington and Wairarapa | 4,000 |
| Bowls Wairarapa Inc | 3,500 |
| Brain Injury Association Central Districts Inc | 1,200 |
| Breast Cancer Aotearoa Coalition Inc | 1,000 |
| Bring It To Colombo Trust | 55,000 |
| Bush Multisports Trust | 999 |
| Bush Netball Club | 3,619 |
| Bush Sports Club Inc | 6,000 |
| Camp Quality Wellington/Central Districts | 3,000 |
| Cancer Society Wairarapa Dragon Boat Team Inc | 4,000 |
| Canteen Central | 2,000 |
| Carterton Swimming Club Inc | 2,000 |
| Carterton Volunteer Fire Brigade | 4,500 |
| Castlepoint Fishing Club Inc | 1,071 |

27 GRANTS APPROVED (continued)

| | |
|--|---------|
| CCS Disability Action Wairarapa Inc | 5,000 |
| Central Districts Cricket Umpires and Scorers Assn | 1,000 |
| Central Wairarapa BMX Club Inc | 7,500 |
| Chanel College Parents Teachers and Friends Association | 6,000 |
| ChangeAbility Inc | 30,000 |
| Come Sew With Me Ltd | 2,000 |
| Community Networks Wairarapa Inc | 8,000 |
| Compass Health | 3,000 |
| Connecting Communities Wairarapa Inc | 5,090 |
| Crisis Pregnancy Support Wairarapa Trust | 3,000 |
| Dalefield Hockey Club | 15,000 |
| Dannevirke Amateur Swimming Club | 1,000 |
| Destination Wairarapa Inc | 322,034 |
| Deuce Days | 2,400 |
| Dress for Success Wellington | 5,000 |
| Dressage Wellington | 3,000 |
| East Coast Rugby Football Club Inc | 1,000 |
| Eketahuna Golf Club Inc | 500 |
| Eketahuna Home and School Association | 2,000 |
| Epilepsy Association of New Zealand Inc | 5,000 |
| Fab Lab Masterton Trust | 5,000 |
| Featherston Amateur Wrestling Club Inc | 4,000 |
| Featherston Booktown Trust | 18,000 |
| Featherston Camp Memorial Trust | 4,800 |
| Featherston Heritage Complex Society Inc | 500 |
| Featherston Hockey Club Inc | 2,000 |
| Featherston Toy Library Inc | 1,000 |
| Foureyes Foundation | 15,000 |
| Friends of the ANZAC Bridge | 2,500 |
| Gladstone Womens Hockey Club | 500 |
| Golden Shears International Shearing Championships Society Inc | 40,000 |
| Greytown Lioness Club | 850 |
| Greytown Menz Shed | 3,200 |
| Greytown Netball Club Inc | 2,000 |
| Greytown Sport & Leisure Society Inc | 7,500 |
| Greytown Volunteer Fire Brigade | 10,000 |
| Hau Arika Marae | 24,000 |
| He Kahui Wairarapa Inc | 3,000 |
| Henley Mens Shed Inc | 4,000 |
| Huruniu-o-Rangi Charitable Trust | 15,000 |
| IDFNZ Kids Foundation | 2,000 |
| Island Bay Bowling Club Inc | 22,000 |
| Island Bay Enhancement Trust | 3,000 |
| Island Bay Natural Heritage Charitable Trust Inc | 7,810 |
| Island Bay Softball Club Inc | 3,446 |
| Island Bay United AFC | 36,500 |
| Island Bay United Junior Soccer | 20,000 |
| Jazz in Martinborough | 3,000 |
| Kia Kaha Hockey Club Inc | 2,500 |
| Kidz Need Dadz | 1,500 |
| King Street Artworks Inc | 33,000 |
| KittyCat Rehoming Wairarapa | 1,000 |
| Kopuaranga Hall Society Inc | 2,000 |
| Lakeview School Board of Trustees | 23,213 |
| Lansdowne Cricket Club Inc | 2,500 |
| Learning Disabilities Assn Wai Inc | 3,500 |
| Life Education Trust Wairarapa Tararua and Central Hawkes Bay | 12,500 |
| Lions Club of Martinborough Charitable Trust | 1,000 |
| Mahunga Golf Club Inc | 5,000 |
| Makoura College Board of Trustees | 22,000 |
| Makoura Community Early Childhood Centre | 8,000 |

27 GRANTS APPROVED (continued)

| | |
|--|--------|
| Manawa Karioi Society Inc | 8,396 |
| Marist Old Boys | 1,725 |
| Marist Rugby Football Club Masterton Inc | 3,000 |
| Martinborough Music Festival | 3,500 |
| Martinborough Rugby Football Club Inc | 5,000 |
| Martinborough Youth Trust | 1,000 |
| Masterton A & P Association | 18,000 |
| Masterton Association Football Club Inc | 1,500 |
| Masterton Bridge Club | 9,000 |
| Masterton Community Church | 2,500 |
| Masterton Community Toy Library Inc | 2,000 |
| Masterton District Council | 29,500 |
| Masterton Eketahuna Pro-am | 4,000 |
| Masterton Family Education and Support Centre | 3,000 |
| Masterton Intermediate School | 15,000 |
| Masterton Loved 4 Life Chapter 11 | 2,500 |
| Masterton Motorplex Inc | 24,000 |
| Masterton Racing Club Inc | 5,000 |
| Masterton Red Star Rugby Club | 5,000 |
| Masterton Squash Club | 3,000 |
| Masterton Swimming Club Inc | 5,000 |
| Menzshed Pahiatua | 1,150 |
| MS Primary Schools Sports | 1,750 |
| New Zealand Choral Federation - Wellington Region | 2,500 |
| New Zealand Equestrian Federation Inc - Wairarapa | 10,000 |
| New Zealand Suzuki Institute - Wellington Branch | 800 |
| NZ Council of Victim Support Groups - Wairarapa | 3,923 |
| NZ Riding For The Disabled Association Inc | 3,364 |
| Opaki Netball Club | 960 |
| Opaki School Board of Trustees | 4,000 |
| Pahiatua Community Services Trust | 20,000 |
| Pahiatua Football Club | 1,800 |
| Pahiatua Golf Club Inc | 10,000 |
| Pahiatua Railcar Society Inc | 4,450 |
| Pahiatua School Board of Trustees | 4,503 |
| Parent To Parent New Zealand Inc Manawatu | 1,000 |
| Parkinson's New Zealand | 5,000 |
| Pioneer Rugby Football Club Inc | 2,000 |
| Presbyterian Support Central | 2,500 |
| Pukaha Mount Bruce Board | 60,000 |
| Red Star Cricket Club | 2,500 |
| Red Star Squash Club | 10,000 |
| Red Star Womens Hockey | 800 |
| Riversdale Beach Surf Lifesaving Club Inc | 5,115 |
| Road Safety Education Ltd | 2,500 |
| Ronald McDonald House Charities New Zealand Trust | 5,000 |
| Rotary Club of Masterton Charitable Trust | 22,800 |
| Royal New Zealand Society for Prevention of Cruelty to Animals | 11,000 |
| Ruahine Kindergartens Assn - Holyoake Kindergarten | 2,000 |
| Solway College | 5,000 |
| Solway School | 1,000 |
| South Wairarapa Pony Club Inc | 1,000 |
| SPELADD NZ Inc | 1,200 |
| Spirit of Adventure Trust | 10,000 |
| Sport Wellington | 10,000 |
| St Joseph's at Riversdale Beach Charitable Trust | 18,000 |
| St Matthews Collegiate School | 3,500 |
| St Patrick's Primary School (Masterton) Board of Trustees | 5,000 |
| Starjam Charitable Trust | 5,000 |
| Summer Shakespeare Production | 2,500 |
| Tararua College Board of Trustees | 3,237 |

27 GRANTS APPROVED (continued)

| | |
|---|--------|
| Tararua Family Services | 10,000 |
| Te Awhina Cameron Community House Inc | 35,000 |
| Te Kura Kaupapa Maori o Wairarapa | 13,000 |
| The Carter Society Inc | 50,000 |
| The Catwalk Trust | 4,000 |
| The Duke of Edinburgh's Hillary Award | 4,660 |
| The Family Space Charitable Trust | 750 |
| The Friends of Cobblestones | 2,000 |
| The Lighthouse Church Charitable Trust | 15,000 |
| The Lions Club of Featherston Charitable Trust | 1,800 |
| The Mauriceville/Kopuaranga Fair Assn Inc | 1,000 |
| The National Heart Foundation of NZ - Masterton Branch | 4,000 |
| The Parenting Place - Attitude Division | 1,384 |
| The Scout Association of New Zealand | 3,000 |
| The Songbirds | 1,500 |
| The Swimming Trust of Wellington | 2,000 |
| The Wairarapa Community Health Trust | 50,000 |
| The White Ribbon Campaign Trust | 4,000 |
| Wairarapa Agricultural & Pastoral Society Inc | 7,000 |
| Wairarapa Arts Festival Trust | 25,000 |
| Wairarapa Balloon Society Inc | 28,000 |
| Wairarapa Bike Festival Charitable Trust | 3,000 |
| Wairarapa Branch of The Vintage Car Club | 3,000 |
| Wairarapa Bush Rugby Football Union Inc | 50,000 |
| Wairarapa Cancer Society Inc | 16,000 |
| Wairarapa Citizens Advice Bureau | 3,700 |
| Wairarapa College | 7,000 |
| Wairarapa College Sports Foundation | 20,000 |
| Wairarapa Community Centre Inc | 3,000 |
| Wairarapa Cricket Association Inc | 23,000 |
| Wairarapa Diamonds Leisure Marching Team | 1,000 |
| Wairarapa Embroiders Guild | 500 |
| Wairarapa Endurance and Competitive Trail Riding Club | 2,500 |
| Wairarapa Fern & Thistle Pipe Band | 1,905 |
| Wairarapa Free Budget Advisery Services | 16,000 |
| Wairarapa Harness Racing Club Inc | 3,000 |
| Wairarapa Hockey Association Inc | 29,000 |
| Wairarapa Inter-Collegiate Speech Competition | 1,300 |
| Wairarapa Kennel Association Inc | 1,514 |
| Wairarapa Mathematics Association | 1,500 |
| Wairarapa Racing Club Inc | 17,000 |
| Wairarapa REAP | 75,000 |
| Wairarapa Spitfires Baseball Club Inc | 5,000 |
| Wairarapa Summer Shakespeare Charitable Trust | 4,500 |
| Wairarapa Track and Field Inc | 9,000 |
| Wairarapa United Football Club Inc | 65,000 |
| Wairarapa Welsh Pony and Cob Show Group | 500 |
| Wairarapa Women's Centre | 1,594 |
| Wairarapa Youth Charitable Trust - Wairarapa Boxing Academy | 30,000 |
| Waiwaste Inc | 10,000 |
| Wellington City Mission Anglican Trust Board | 1,000 |
| Wellington Free Ambulance Service Inc | 20,000 |
| Wellington Swimming Association | 17,500 |
| Whaiora Whanui GP Services | 4,500 |
| Whakaoriori Land and Air Scout Group | 10,000 |
| Whanau Manaaki Kindergartens Island Bay | 4,320 |
| Whareama School | 3,000 |
| Wings Over Wairarapa Community Trust | 80,000 |
| WOOPS A Daisies Leisure Marching Team | 1,000 |
| Yarns in Barns Wairarapa Festival of Reading | 4,000 |

27 GRANTS APPROVED (continued)

| | |
|---|------------------|
| Total grants approved Masterton | 2,243,430 |
| | |
| Grants approved Porirua | |
| Adventure School | 5,000 |
| Age Concern Wellington | 3,000 |
| Aotea College | 10,000 |
| Archdiocese of Wellington Plimmerton Parish | 1,535 |
| Arthritis New Zealand | 2,500 |
| Aserit-Tatou Development Trust | 10,000 |
| Barnardos New Zealand | 5,000 |
| Big Buddy Mentoring Trust | 3,000 |
| Birthingright Wellington Inc | 10,000 |
| Bishop Viard College | 8,024 |
| Brandon Intermediate Board of Trustees | 4,084 |
| Breakthrough Centre New Zealand | 5,000 |
| Cannons Creek Opportunity Centre | 15,000 |
| Cannons Creek School | 6,850 |
| Cannons Creek Youth Charitable Trust | 5,000 |
| Central Sports Club | 3,000 |
| Chamber Music New Zealand Trust | 4,000 |
| College Sport Wellington | 4,450 |
| Cystic Fibrosis Association of New Zealand | 426 |
| Discovery School | 5,000 |
| English Language Partners NZ Trust - Porirua Centre | 6,825 |
| Environmental Education for Resource Sustainability Trust | 3,078 |
| Festival of the Elements | 9,900 |
| First Titahi Bay Scout Group | 6,300 |
| Foureyes Foundation | 22,516 |
| Greenacres School | 2,538 |
| Hampton Hill School | 3,320 |
| Hawaiki Nui Tua Rua Waka Ama Club | 4,995 |
| Holy Family School | 8,000 |
| Judgeford Golf Club Inc | 1,500 |
| Kapi Mana Netball Centre | 28,923 |
| Kerry Fundraisers | 2,000 |
| Kidscan Charitable Trust | 10,000 |
| Kidz Need Dadz Wellington | 900 |
| Kiwi Community Assistance Charitable Trust | 14,764 |
| La Leche League Mana North | 5,074 |
| Lions Club of Mana Charitable Trust | 13,643 |
| Louise Perkins Foundation - Sweet Louise | 1,000 |
| Mahinawa Specialist School and Resource | 2,777 |
| Mana Amateur Athletic Club | 3,439 |
| Mana College | 10,000 |
| Mana Kayak Racing Club Inc | 10,000 |
| Mana Marlins Masters Swim Club Inc | 1,500 |
| Mana Special Needs Childrens Trust | 20,000 |
| Mana Squash Rackets Club Inc | 5,000 |
| Mana Volunteer Coastguard Inc | 15,000 |
| Maori Basketball New Zealand Inc | 45,540 |
| Mary Potter Hospice | 20,000 |
| New Zealand Barbarians Tag Football Inc | 15,000 |
| New Zealand Myanmar Ethnic Council Inc | 3,175 |
| Ngati Toa School | 11,000 |
| Ngatitua Tennis Club Inc | 3,000 |
| Northern United Rugby Football Club Inc | 70,000 |
| NZ Council of Victim Support Groups Porirua | 3,000 |
| NZ Riding For The Disabled Association Inc | 2,242 |
| Ole Soccer Academy | 20,000 |
| Pacific Heat Sports Club | 1,950 |

27 GRANTS APPROVED (continued)

| | |
|--|--------|
| Paremata Plimmerton Softball Club | 2,739 |
| Parents-R-Us | 5,000 |
| Parkinson's New Zealand | 10,000 |
| Partners Porirua Charitable Trust | 8,000 |
| Plimmerton Bowling Club Inc | 5,000 |
| Plimmerton Croquet Club Inc | 10,000 |
| Plimmerton Residents' Association Inc | 26,750 |
| Poneke Kilbirnie Softball Club Inc | 5,350 |
| Porirua Basketball Association | 20,000 |
| Porirua City Aquatics Inc | 3,000 |
| Porirua City Band Youth Trust | 1,860 |
| Porirua City Classic Touch | 5,000 |
| Porirua City Community IT Education Trust Inc | 10,000 |
| Porirua City Council | 45,000 |
| Porirua City Tag | 5,000 |
| Porirua City United Softball Club Inc | 1,000 |
| Porirua College Board of Trustees | 25,000 |
| Porirua Community Arts Council Inc | 5,000 |
| Porirua Foundation Inc | 22,000 |
| Porirua Grand Traverse Trust | 20,000 |
| Porirua Healthy Safer City Trust | 10,000 |
| Porirua ITF Tae Kwon Do | 9,412 |
| Porirua Living Without Violence | 8,000 |
| Porirua Primary Schools Sports Association | 1,650 |
| Porirua Rowing Club | 10,000 |
| Porirua Tag NZTFI Reps | 15,000 |
| Presbyterian Support Central | 5,000 |
| Prisoners Aid & Rehabilitation Society of the MTU District | 3,000 |
| Pukerua Bay School | 2,398 |
| Redwood School | 800 |
| Russell School | 3,600 |
| Sexual Abuse Prevention Network | 2,618 |
| Skylight | 1,299 |
| Special Olympics Mana | 53,276 |
| Special Olympics Wellington | 1,380 |
| Sri Lanka Association of New Zealand (SLANZ) Inc | 1,000 |
| St Francis Xavier School | 10,000 |
| St George Rugby League Football Club | 27,421 |
| St Pius X School | 6,689 |
| St Theresa's School Board of Trustees | 10,000 |
| SuperGrans Charitable Trust | 5,000 |
| Tawa College Board of Trustees | 7,562 |
| Tawa Hockey Club Inc | 1,000 |
| Tawa Intermediate School | 4,294 |
| Tawa Lyndhurst Tennis Club Inc | 5,000 |
| Tawa School Board of Trustees | 2,800 |
| Tawa Squash Club Inc | 4,200 |
| Tawalin Indoor Bowls Club | 1,000 |
| Te Whare Tiaki Wahine Refuge | 5,000 |
| The Black Grace Trust | 10,000 |
| The House of Grace Trust Inc | 3,000 |
| The Parenting Place | 3,313 |
| The Scout Association of New Zealand | 5,000 |
| Titahi Bay Amateur Athletics Club | 20,000 |
| Titahi Bay Boating Club Inc | 4,700 |
| Titahi Bay Marlins RLC | 33,865 |
| Titahi Bay North School | 5,000 |
| Titahi Bay Surf Life Saving Club Inc | 20,000 |
| Titahi Golf Club Inc | 20,000 |
| Toa Waka Ama Inc | 10,000 |
| Virtuoso Strings Charitable Trust | 15,000 |

27 GRANTS APPROVED (continued)

| | |
|--|--------|
| Vixens Sports Club | 1,500 |
| Volleyball NZ | 3,000 |
| Wellfed NZ Trust | 30,000 |
| Wellington City Mission Anglican Trust Board | 40,000 |
| Wellington Hospitals Foundation | 5,000 |
| Wellington Museums Trust Inc | 5,000 |
| Wellington North Badminton Association Inc | 5,000 |
| Wellington Regional Asthma Society Inc | 5,000 |
| Wellington Riding For The Disabled Assn Inc | 15,000 |
| Wellington Rugby Football Union Inc | 5,000 |
| Wellington Samoa Rugby Union | 16,000 |
| Wellington Sexual Abuse HELP Foundation | 5,000 |
| Wellington Volunteer Centre | 12,000 |
| Wesley Wellington Mission Inc | 10,000 |
| Western Suburbs Soccer Club | 20,000 |
| Whanau Manaaki Kindergartens - Ascot Park | 3,500 |
| Whanau Manaaki Kindergartens - Brian Webb | 3,000 |
| Whanau Manaaki Kindergartens - Maraeroa | 3,000 |
| Whanau Manaaki Kindergartens - Moira Gallagher | 1,100 |
| Whanau Manaaki Kindergartens - Paremata | 1,500 |
| Whanau Manaaki Kindergartens - Pukerua Bay | 2,500 |
| Whanau Manaaki Kindergartens - Tawa Central | 2,506 |
| Whanau Manaaki Kindergartens - Tui Park | 3,190 |
| Whitby Tennis Club | 3,000 |
| Whitireia Community Law Centre Trust | 30,000 |
| Whitireia Community Polytechnic - Childcare Centre | 5,000 |
| YMCA of Greater Wellington Inc | 6,000 |
| Youth Development Trust Wellington | 5,000 |

Total grants approved Porirua

1,369,540

Grants approved Rimutaka

| | |
|---|--------|
| 4 A Better City Charitable Trust | 1,000 |
| Arthritis Foundation of NZ (Inc) | 1,000 |
| Bellyful New Zealand Trust Hutt Valley | 900 |
| Big Buddy Mentoring Trust | 4,000 |
| Birthright (Hutt Valley) Trust | 5,000 |
| Expressions Arts & Entertainment Centre | 30,000 |
| Heretaunga Players Inc | 2,078 |
| Plateau School | 2,000 |
| Riding for the Disabled Association Hutt Valley Group Inc | 7,500 |
| Rimutaka Gymsports Inc | 3,620 |
| Rimutaka Incline Railway Heritage Trust | 9,200 |
| Rimutaka Inline Hockey Club Inc | 3,000 |
| Rimutaka Steppers Leisure Marchers | 3,900 |
| Scout Association of NZ - Hutt Valley Gang Show | 7,500 |
| Seniornet Upper Hutt Inc | 2,358 |
| Soul City Church Trust | 10,000 |
| The Upper Hutt Highlanders Inc | 5,000 |
| Top Schools Cluster | 35,000 |
| Trentham Boxing Club | 1,184 |
| Trentham United Harriers and Walkers Club Inc | 5,000 |
| Upper Hutt Animal Rescue Society Inc | 3,000 |
| Upper Hutt City Council | 2,000 |
| Upper Hutt City of Song Charitable Club | 23,198 |
| Upper Hutt Community Youth Trust | 6,000 |
| Upper Hutt Foodbank Inc | 10,000 |
| Upper Hutt Housing Trust | 3,187 |
| Upper Hutt Multicultural Council Inc | 4,000 |
| Upper Hutt Musical Theatre Inc | 2,040 |

27 GRANTS APPROVED (continued)

| | |
|--|-----------------------|
| Upper Hutt Women's Centre Inc | 17,000 |
| Wellington Kart Club Inc | 7,920 |
| Wellington Vintage Machinery Inc | 20,800 |
| Whanau Manaaki Kindergartens - Doris Nicholson | 1,500 |
| Total grants approved Rimutaka | <u>239,885</u> |

Grants approved Flaxmere

| | |
|--|--------|
| Age Concern Flaxmere Inc | 7,500 |
| Arthritis Foundation of New Zealand | 1,300 |
| Arts Inc Heretaunga Inc | 10,000 |
| Birchleigh Polo | 3,800 |
| Birthright (HB) Child and Family Care Trust | 3,000 |
| Bridge Pa School | 4,000 |
| Canteen Hawkes Bay | 2,000 |
| Child Cancer Foundation Inc | 3,000 |
| Citizens Advice Bureau Hastings Inc | 6,000 |
| Family Works Hawkes Bay (Presbyterian Support East Coast) | 26,000 |
| Flaxmere Baptist Church Community Trust | 4,500 |
| Flaxmere Mana Wahine Softball | 2,000 |
| Friends of the Hospital | 2,000 |
| Hanley Productions Ltd | 5,000 |
| Hastings Art and Culture Trust | 2,000 |
| Hastings District Council | 50,000 |
| Hastings Foodbank Trust | 5,000 |
| Hastings Group Riding for the Disabled | 5,000 |
| Hastings Hibernian Hibernian AFC Inc | 6,000 |
| Hastings West Ross Shield | 2,645 |
| Hawkes Bay Basketball Foundation Inc | 5,000 |
| Hawkes Bay Community Fitness Centre Trust | 15,000 |
| Hawkes Bay Youth Trust | 4,000 |
| Heretaunga Kindergarten Association Inc Peterhead Kindergarten | 4,398 |
| Heretaunga Women's Centre | 3,000 |
| Irongate School | 4,000 |
| It Takes Time | 1,500 |
| Kidz Need Dadz Charitable Trust HB Inc | 2,000 |
| Kupa International Training Centre | 2,396 |
| Leg-Up Trust | 20,000 |
| MAC Sports Association Inc | 8,000 |
| Napier Civic Choir Inc | 1,000 |
| Ngati Kahungunu Iwi Inc | 11,000 |
| NZ Council of Victim Support Groups Hastings | 2,500 |
| NZ Riding For The Disabled Association Inc | 1,122 |
| Ocean Beach Kiwi Surf Life Saving Club Inc | 2,500 |
| Outward Bound Trust of New Zealand | 17,142 |
| Paharakeke Sports Club Inc | 2,500 |
| Paul Henare & Paora Winitana Basketball Trust | 19,800 |
| Prima Volta Charitable Trust | 7,000 |
| Purena Koa Rehua Youth Services | 7,664 |
| Royal New Zealand Plunket Society Inc | 12,000 |
| Swim Hawkes Bay | 2,500 |
| Takitimu District Maori Wardens Trust | 5,000 |
| Tamatea Rugby League Club Inc | 7,000 |
| Te Tai Timu Trust | 3,500 |
| The Cranford Hospice Trust | 20,000 |
| The Hearing Association - Hastings Branch Inc | 5,000 |
| The Limit (Hawkes Bay) Trust | 1,600 |
| The Parenting Place - Attitude Youth Division | 1,000 |
| Waipapu Anglican Care - Growing Through Grief HB | 5,000 |
| Western Suburbs Rugby and Sports Club | 6,657 |

27 GRANTS APPROVED (continued)

| | |
|---------------------------------------|-------------------------|
| Wharariki (Flax) Trust | 10,000 |
| Y M C A Hawkes Bay Inc | 4,000 |
| Zeal Education Trust (Hawke's Bay) | 6,000 |
| Total grants approved Flaxmere | <u>381,524</u> |
| Total grants approved | 4,234,379 |
| Reversed / reduced | <u>(140,078)</u> |
| | <u>4,094,301</u> |

28 SUBSEQUENT EVENTS

The Company and Group have two subsequent events:

A sale of excess land at Solway Park in Masterton for \$700,000 has gone unconditional and is expected to settle in September. A deposit of \$70,000 had been received by the Group prior to year end and the remaining \$630,000 will be received on settlement. The land has been classified as available for sale assets on the statement of financial position net of expected legal fees of \$4,000.

The freehold land and buildings at 1 Serlby Place, Porirua, previously partially leased by the Group, was purchased on 6 June 2019 for \$2,200,000. The building also houses a retail outlet which is let. The settlement was funded from available debt facilities. The acquisition is estimated to increase operating profit by \$82,000.

29 INCOME TAX

| | Group 2019 \$ | Group 2018 \$ |
|--|---------------------|---------------------|
| (a) Income tax expense | | |
| Current tax: | | |
| Current tax on profits for the year | - | - |
| Adjustments in respect of prior years | <u>-</u> | <u>-</u> |
| Total current tax | <u>-</u> | <u>-</u> |
| Deferred tax | | |
| Origination and reversal of temporary differences | - | - |
| Impact of change in New Zealand tax rate | <u>-</u> | <u>-</u> |
| Total deferred tax | <u>-</u> | <u>-</u> |
| Income tax expense | <u>-</u> | <u>-</u> |
| (b) Numerical reconciliation of income tax expense to prima facie tax payable | | |
| Surplus / (deficit) before tax and donations | 12,480,414 | 11,135,533 |
| Charitable donations | <u>(4,124,301)</u> | <u>(3,848,511)</u> |
| Surplus before tax | 8,356,113 | 7,287,022 |
| Income tax @ 28% | 2,339,712 | 2,040,366 |
| Tax effect of a change in tax rates | - | - |
| Tax effects of: | | |
| Non taxable income | <u>(2,339,712)</u> | <u>(2,040,366)</u> |
| | <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 2019 and 31 March 2018.

| | Group 2019 | Group 2018 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Income Statement | | |
| Results of discontinued operations | | |
| Revenue | - | 673,954 |
| Expenses | - | <u>725,158</u> |
| Result from operating activities | - | (51,204) |
| Gain on sale of discontinued operation | - | <u>375,229</u> |
| Profit for the period | - | <u>324,025</u> |
| Statement of cash flows: | | |
| Cash flows from discontinued operations | | |
| Operating cash flows | - | (51,204) |
| Investing cash flows | - | <u>508,944</u> |
| Total cash flows | - | <u>457,740</u> |
| | | |
| Effect of disposal of discontinued operations on the financial position of the group | | |
| Property, plant and equipment | - | (22,793) |
| Inventory | - | (248,444) |
| Trade and other payables | - | 67,339 |
| Provisions released | - | <u>70,183</u> |
| Total | - | <u>(133,715)</u> |
| | | |
| Consideration: | | |
| Consideration received in cash | - | <u>508,944</u> |
| Total consideration | - | <u>508,944</u> |

Independent Auditor's Report

To the readers of Masterton Community Trust and group's financial statements for the year ended 31 March 2019

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 46, that comprise the statement of financial position as at 31 March 2019, 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 2019; 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 21 August 2019. 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 they determine is necessary to enable them 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 resolve to amalgamate or 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