Trust House Limited
Financial statements
for the year ended 31 March 2019

Contents

Income statement

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Continuing operations					
Revenue	5	29,287,859	27,648,017	21,030,005	19,740,266
Less cost of sales		4,117,225	3,981,702	4,117,225	3,981,702
Gross profit		25,170,634	23,666,315	16,912,780	15,758,564
Operating expenses	7	18,454,937	17,748,168	14,314,880	13,734,396
Operating profit		6,715,697	5,918,147	2,597,900	2,024,168
Finance costs		1,007,197	988,038	1,007,197	987,515
Finance income		41,027	52,899	40,089	51,721
Net finance costs		966,170	935,139	967,108	935,794
Net operating profit		**5,749,527**	**4,983,008**	**1,630,792**	**1,088,374**
Non operating items	6	6,730,887	5,828,500	6,730,887	5,828,500
Discontinued operation items	29	-	324,025	-	324,025
Net profit before charitable donations		**12,480,414**	**11,135,533**	**8,361,679**	**7,240,899**
Charitable donations	27	(4,124,301)	(3,848,511)	(30,000)	(40,000)
Net profit for year		**8,356,113**	**7,287,022**	**8,331,679**	**7,200,899**

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

Statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2019

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Net profit / (loss)	8,356,113	7,287,022	8,331,679	7,200,899
Other comprehensive income:				
Land & building revaluation	-	186,161	-	186,161
Total other comprehensive income / (expense)	**-**	186,161	**-**	186,161
Total comprehensive income for the year	**8,356,113**	7,473,183	**8,331,679**	7,387,060

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
Equity at the end of the year	18	**75,604,874**

Group		**2018 $**
Equity at the start of the year		59,775,578
Total comprehensive income / (expense)		7,473,183
Equity at the end of the year	18	**67,248,761**

Parent		**2019 $**
Equity at the start of the year		66,578,861
Total comprehensive income / (expense)		8,331,679
Equity at the end of the year	18	**74,910,540**

Parent		**2018 $**
Equity at the start of the year		59,191,801
Total comprehensive income / (expense)		7,387,060
Equity at the end of the year	18	**66,578,861**

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

Statement of financial position

AS AT 31 MARCH 2019

	Notes	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Current assets					
Cash and cash equivalents	8	763,439	687,232	245,245	296,017
Trade and other receivables	9	321,237	350,025	344,521	338,623
Prepayments		313,571	270,624	238,565	206,476
Inventories	10	399,277	398,869	399,277	398,869
Other investments	11	51,446	53,005	51,446	53,005
Assets held for sale		696,000	-	696,000	-
Total current assets		**2,544,970**	**1,759,755**	**1,975,054**	**1,292,990**
Non-current assets					
Other investments	11	-	697,348	-	697,348
Investment properties	12	76,714,000	69,257,000	76,714,000	69,257,000
Property, plant and equipment	13	18,461,503	19,131,837	17,336,719	17,916,096
Intangible assets	14	958,789	917,953	751,038	799,863
Total non-current assets		**96,134,292**	**90,004,138**	**94,801,757**	**88,670,307**
Total assets		**98,679,262**	**91,763,893**	**96,776,811**	**89,963,297**
Current liabilities					
Trade and other payables	15	2,021,175	2,083,803	1,428,540	1,563,022
Employee entitlements	16	823,425	740,890	823,425	740,890
Borrowings	17	377,870	760,849	377,870	760,849
Charitable donations allocated		615,482	619,915	-	10,000
Total current liabilities		**3,837,952**	**4,205,457**	**2,629,835**	**3,074,761**
Non-current liabilities					
Employee entitlements	16	67,582	78,522	67,582	78,522
Borrowings	17	19,124,584	20,189,584	19,124,584	20,189,584
Provisions	24	44,270	41,569	44,270	41,569
Total non-current liabilities		**19,236,436**	**20,309,675**	**19,236,436**	**20,309,675**
Equity					
Share capital	18	11,330,740	11,330,740	11,330,740	11,330,740
Retained earnings	18	63,984,679	55,628,566	63,290,345	54,958,666
Asset revaluation reserve	18	289,455	289,455	289,455	289,455
Total equity		**75,604,874**	**67,248,761**	**74,910,540**	**66,578,861**
Total liabilities & equity		**98,679,262**	**91,763,893**	**96,776,811**	**89,963,297**

Signed on behalf of Trust House Limited

DJ Baskerville

D BASKERVILLE
DIRECTOR

P ANTONIO
DIRECTOR

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

Statement of cash flows

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		29,319,435	29,302,406	21,084,070	21,437,035
Interest received		41,027	52,899	40,089	51,721
		29,360,462	29,355,305	21,124,159	21,488,756
Cash was applied to:					
Payments to suppliers and employees		20,897,219	21,612,226	17,412,229	18,266,739
Charitable donations		4,128,734	4,033,281	40,000	30,000
Interest paid		1,008,632	984,951	1,008,632	984,428
		(26,034,585)	(26,630,458)	(18,460,861)	(19,281,167)
Net cash flows from operating activities	22	**3,325,877**	**2,724,847**	**2,663,298**	**2,207,589**
Cash flows from investing activities					
Cash was provided from:					
Sale of plant, property and equipment		75,210	41,879	-	4,558
Sale of intangibles		16,000	8,751	-	-
Sale of business		-	509,944	-	509,944
Vendor loan repayment		650,000	-	650,000	-
		741,210	560,574	650,000	514,502
Cash was applied to:					
Purchase of plant, property and equipment		1,690,162	2,468,539	1,183,267	1,920,713
Purchase of intangible assets		126,626	69,322	6,711	39,827
Cash sold with business		-	1,000	-	1,000
Upgrading of investment property		726,113	2,087,272	726,113	2,087,272
		(2,542,901)	(4,626,133)	(1,916,091)	(4,048,812)
Net cash flows from investing activities		**(1,801,691)**	**(4,065,559)**	**(1,266,091)**	**(3,534,310)**
Cash was applied to:					
Repayment of borrowings		1,065,000	166,000	1,065,000	166,000
		(1,065,000)	(166,000)	(1,065,000)	(166,000)
Net cash flows from financing activities		**(1,065,000)**	**(166,000)**	**(1,065,000)**	**(166,000)**
Net (decrease) / increase in cash held		459,186	(1,506,712)	332,207	(1,492,721)
Opening cash balance		(8,617)	1,498,095	(399,832)	1,092,889
Closing cash balance		**450,569**	**(8,617)**	**(67,625)**	**(399,832)**
Closing cash is made up of					
Cash and cash equivalents		450,569	(8,617)	(67,625)	(399,832)
	8	**450,569**	**(8,617)**	**(67,625)**	**(399,832)**

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

Notes to the Financial Statements

1 REPORTING ENTITY

These financial statements have been prepared in accordance with the Companies Act 1993 and the Constitution of Trust House Limited. The parent and consolidated financial statements of Trust House Limited as at and for the year ended 31 March 2019 comprise of Trust House Limited and Trust House Foundation as a controlled entity.

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.

2 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements were approved by the Board of Directors on 26 June 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 Company has determined that it is a 'tier two' entity, as the Company has expenses less than $30 million, however the Company elects to report under 'tier one' accounting standards.

Trust House Limited is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993. The companies registered office is 4 Queen Street, Masterton 5840, New Zealand. Accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(b) Measurement base

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

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

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

Functional and presentation currency

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

(c) Use of estimates and judgements

The financial statements for the 'Parent' are for Trust House Limited 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

<u>New and amended standards adopted by the Company and Group</u>

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 preiods presented in these financial statements, and have been applied consstently by Group entities

Basis of consolidation

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

The Group financial statements consolidate the financial statement of subsidiaries.

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

Subsidiaries

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

Transactions eliminated on consolidation

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

Financial instruments

The Group has the following financial instruments:

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

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

Investment property

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

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

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

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

Impairment

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

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

Impairment of receivables

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

Leases

Finance leases

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

Operating leases

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

Inventories

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

Employee entitlements

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

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

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 recognized initially at fair value, net of transaction costs incurred.

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

Borrowing costs

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax

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

Goods and Services Tax

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

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

Charitable donations

Charitable donations are recognised when approval is given.

Held for sale assets

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

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

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

New standards, amendments and interpretations 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		Parent	
	2019	**2018**	**2019**	**2018**
	$	$	**$**	$
Revenue from contracts with customers	23,214,515	22,005,136	14,956,661	14,097,385
Revenue from other sources	261,064	256,198	261,064	256,198
Residential rental revenue	5,812,280	5,386,683	5,812,580	5,386,683
Total revenue	29,287,859	27,648,017	21,030,305	19,740,266

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 earnt 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	356,134	62,149	418,283
Total	23,152,366	62,149	23,214,515
2018			
Hospitality	12,119,391	-	12,119,391
Gaming income	9,533,349	-	9,533,349
Other	290,044	62,352	352,396
Total	21,942,784	62,352	22,005,136

Parent	Revenue recognised at a point in time $	Revenue recognised over time $	Total $
2019			
Hospitality	12,872,125	-	12,872,125
Venue payments	1,166,253	-	1,166,253
Management services	-	500,000	500,000
Other	356,134	62,149	418,283
Total	14,394,512	562,149	14,956,661
2018			
Hospitality	12,119,391	-	12,119,391
Venue payments	1,125,598	-	1,125,598
Management services	-	500,000	500,000
Other	290,044	62,352	352,396
Total	13,535,033	562,352	14,097,385

5 REVENUE (continued)

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 recieve rental.

Trust House Limited recieves management fees from the Trust House Foundation. Trust House Limited must ensure that all services under the contract, primarily provision of administration, accounting, secretarial support and Class IV gaming expertise are provided to the standard required in the management contract.

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

The parent and group has the following revenue recognised at a point in time:

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

Venue payments relates to commission received from Trust House Foundation for managing their gaming activities at Trust House Limited venues.

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 $	Parent 2019 $	Parent 2018 $
Change in fair value of investment property	12	6,730,887	5,828,500	6,730,887	5,828,500
		6,730,887	5,828,500	6,730,887	5,828,500

7 OPERATING EXPENSES

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Administration and financial	1,268,581	1,248,657	1,039,977	1,037,748
Advertising and promotion	897,120	990,543	897,120	990,543
Audit Fees	98,090	95,845	86,490	84,245
Audit Fees - Masterton Community Trust	5,250	5,250	5,250	5,250
Prospective financial statement review*	4,210	4,210	-	-
Bad debts	23,428	(3,656)	23,428	(3,656)
Movement in provision for doubtful debts	805	9,217	805	9,217
Depreciation	1,546,805	1,395,288	989,513	851,602
Amortisation	114,160	113,964	55,536	56,370
Impairment of property, plant and equipment	4,000	886,874	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	3,871,917	3,517,428
Rent and lease expenses	809,491	801,441	391,740	405,799
Employee costs	6,760,104	6,588,628	6,760,104	6,588,628
Directors and Trustees Fees	311,935	322,793	189,000	194,333
Gaming Machine Duty and Licenses	2,575,817	2,476,918	-	-
Reversal of impairments	-	(889,985)	-	(889,985)
	18,454,937	17,748,168	14,314,880	13,734,396

* 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 $	Parent 2019 $	Parent 2018 $
Bank balances	544,093	463,886	25,899	72,671
Cash floats	219,346	223,346	219,346	223,346
Cash and cash equivalents	763,439	687,232	245,245	296,017

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Cash and cash equivalents	763,439	687,232	245,245	296,017
Bank overdrafts used for cash management purposes	(312,870)	(695,849)	(312,870)	(695,849)
Cash and cash equivalents used in the statement of cash flows	450,569	(8,617)	(67,625)	(399,832)

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

9 TRADE AND OTHER RECEIVABLES

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Trade receivables	263,351	272,398	263,352	272,395
Less provision for impairment	(26,732)	(25,927)	(26,732)	(25,927)
	236,619	246,471	236,620	246,468
Sundry receivables	84,618	103,554	107,901	92,155
	321,237	350,025	344,521	338,623

	Group and Parent 2019 $	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+	45,577	34,818
	263,352	272,395

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 $	Parent 2019 $	Parent 2018 $
As at 1 April	25,927	16,710	25,927	16,710
Additional provisions made during the year	23,838	22,580	23,838	22,580
Receivables written off during the year	(23,033)	(13,363)	(23,033)	(13,363)
Balance at the end of the year	26,732	25,927	26,732	25,927

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 $	Parent 2019 $	Parent 2018 $
Raw materials and consumables	83,228	63,620	83,228	63,620
Goods available for sale	316,049	335,249	316,049	335,249
	399,277	398,869	399,277	398,869

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

The vendor loan was fully repaid in 2018.

12 INVESTMENT PROPERTY

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

(a) Residential properties

	Group and Parent 2019 $	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	6,534,118	5,838,500
	75,244,000	68,007,000

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 and Parent 2019 $	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 commerical properties has been designated as an investment property.

	Group and Parent	
	2019	**2018**
	$	$
Balance at 1 April	1,250,000	1,260,000
Improvements	23,231	-
Change in fair value - recognised in Income statement	196,769	(10,000)
Balance at 31 March	1,470,000	1,250,000
Classified as:		
Non Current	1,470,000	1,250,000
	1,470,000	1,250,000

The valuation of this property uses level 2 observable inputs in arriving at fair value. These include rental prices per square metre of equivalent assets and capitalisation rates of rental income on sales of equivalent assets.

The fair value of the buildings at 31 March 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 and Parent	
	2019	**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	**15,918,952**	**8,517,928**	**967,123**	**92,697**	**-**	**25,496,700**
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	**15,950,385**	**8,825,288**	**996,437**	**98,139**	**-**	**25,870,249**
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	**78,704**	**5,713,730**	**508,292**	**64,137**	**-**	**6,364,863**
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	**726,707**	**6,075,507**	**543,206**	**63,326**	**-**	**7,408,746**
Carrying amounts						
As at 31 March 2018	15,840,248	2,804,198	458,831	28,560	-	19,131,837
As at 31 March 2019	15,223,678	2,749,781	453,231	34,813	-	18,461,503

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	**Land and buildings**	**Furniture and plant**	**Hydro assets**	**Motor vehicles**	**Construction in progress**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Cost or valuation						
Balance as at 1 April 2017	14,710,776	3,842,279	585,960	108,075	189,386	19,436,476
Acquisitions	-	-	-	-	-	-
Additions	1,424,580	462,865	-	9,582	-	1,897,027
Disposals	-	(12,091)	-	(24,960)	-	(37,051)
Reclassified from construction in progress	177,176	12,210	-	-	(189,386)	-
Revaluation of land and buildings	(393,580)	-	-	-	-	(393,580)
Relassified to available for sale	-	6,005	-	-	-	6,005
Balance at 31 March 2018	**15,918,952**	**4,311,268**	**585,960**	**92,697**	**-**	**20,908,877**
Balance at 1 April 2018	15,918,952	4,311,268	585,960	92,697	-	20,908,877
Additions	731,433	357,367	29,314	13,142	-	1,131,256
Disposals	-	(102,089)	-	(7,700)	-	(109,789)
Reclassified from construction in progress	-	-	-	-	-	-
Reclassified to available for sale	(700,000)	-	-	-	-	(700,000)
Balance at 31 March 2019	**15,950,385**	**4,566,546**	**615,274**	**98,139**	**-**	**21,230,344**
Depreciation and impairment losses						
Balance as at 1 April 2017	70,344	2,512,181	89,543	77,815	-	2,749,883
Depreciation for the year	591,213	215,622	37,586	7,181	-	851,602
Disposals	-	(9,556)	-	(20,859)	-	(30,415)
Reclassified from available for sale	-	4,564	-	-	-	4,564
Revaluation of land and buildings	(582,853)	-	-	-	-	(582,853)
Balance at 31 March 2018	**78,704**	**2,722,811**	**127,129**	**64,137**	**-**	**2,992,781**
Balance at 1 April 2018	78,704	2,722,811	127,129	64,137	-	2,992,781
Depreciation for the year	648,003	299,830	34,914	6,766	-	989,513
Impairment loss - through income statement	4,000	-	-	-	-	4,000
Disposals	-	(81,092)	-	(7,577)	-	(88,669)
Reclassified to available for sale	(4,000)	-	-	-	-	(4,000)
Balance at 31 March 2019	**726,707**	**2,941,549**	**162,043**	**63,326**	**-**	**3,893,625**
Carrying amounts						
As at 31 March 2018	**15,840,248**	**1,588,457**	**458,831**	**28,560**	**-**	**17,916,096**
As at 31 March 2019	**15,223,678**	**1,624,997**	**453,231**	**34,813**	**-**	**17,336,719**

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 Trust House 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	-	(47,735)	(47,735)
Balance at 31 March 2018	**770,000**	**741,308**	**1,511,308**
Balance at 1 April 2018	770,000	741,308	1,511,308
Additions	-	171,477	171,477
Disposals	-	(80,985)	(80,985)
Balance at 31 March 2019	**770,000**	**831,800**	**1,601,800**
Amortisation and impairment losses			
Balance at 1 April 2017	38,095	484,586	522,681
Disposals	-	(43,290)	(43,290)
Amortisation for the year	38,095	75,869	113,964
Balance at 31 March 2018	**76,190**	**517,165**	**593,355**
Balance at 1 April 2018	76,190	517,165	593,355
Disposals	-	(64,505)	(64,505)
Amortisation for the year	38,096	76,065	114,161
Balance at 31 March 2019	**114,286**	**528,725**	**643,011**
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)

Parent	**Goodwill** $	**Software** $	**Total** $
Cost			
Balance at 1 April 2017	770,000	435,410	1,205,410
Additions	-	39,827	39,827
Balance at 31 March 2018	**770,000**	**475,237**	**1,245,237**
Balance at 1 April 2018	770,000	475,237	1,245,237
Additions	-	6,712	6,712
Balance at 31 March 2019	**770,000**	**481,949**	**1,251,949**
Amortisation and impairment losses			
Balance at 1 April 2017	38,095	350,909	389,004
Amortisation charge	38,095	18,275	56,370
Balance at 31 March 2018	**76,190**	**369,184**	**445,374**
Balance at 1 April 2018	76,190	369,184	445,374
Amortisation charge	38,096	17,441	55,537
Balance at 31 March 2019	**114,286**	**386,625**	**500,911**
Carrying amounts			
As at 31 March 2018	693,810	106,053	799,863
As at 31 March 2019	655,714	95,324	751,038

14 INTANGIBLE ASSETS (continued)

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

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

The Ledge

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

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

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

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

Post Office Hotel

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

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

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

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

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

The Jackson Street Bar

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

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

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

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

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

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

	Group and Parent	
	2019	**2018**
	$	**$**
The Ledge	85,714	123,810
Post Office Hotel	395,000	395,000
Jackson Street Bar	175,000	175,000
Total Goodwill	655,714	693,810

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

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

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

14 INTANGIBLE ASSETS (continued)

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

(iv) Sensitivity to changes in assumptions

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

15 TRADE AND OTHER PAYABLES

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Trade creditors	1,094,167	1,080,469	752,811	775,882
Interest payable	9,191	10,626	9,191	10,626
Capital payables	32,838	107,848	32,838	84,848
Accrued expenses	743,803	778,470	537,374	585,276
Intangible Payables	44,850	-	-	-
Revenue in advance	96,326	106,390	96,326	106,390
	2,021,175	2,083,803	1,428,540	1,563,022

16 EMPLOYEE ENTITLEMENTS

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

17 BORROWINGS

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

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

All movements in borrowings are cash.

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Nominal interest rate	Year of maturity	Face value 2019 $	Carrying amount 2019 $	Face value 2018 $	Carrying amount 2018 $
Group & Parent						
Secured BNZ Bank loans	4.23%-5.64%	2023	14,000,000	14,000,000	14,000,000	14,000,000
Secured BNZ Bank loans	5.16%	2022	5,000,000	5,000,000	6,000,000	6,000,000
Other loans	0.00%		189,584	189,584	254,584	254,584
Bank overdrafts	6.23%-8.50%		312,870	312,870	695,849	695,849
Total interest-bearing liabilities			19,502,454	19,502,454	20,950,433	20,950,433

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	Share capital	Revaluation reserve	Retained earnings	Total equity
	$	$	$	$
Balance at 1 April 2017	11,330,740	103,294	48,341,544	59,775,578
Total comprehensive income / (expense)	-	186,161	7,287,022	7,473,183
Balance at 31 March 2018	11,330,740	289,455	55,628,566	67,248,761
Balance at 1 April 2018	11,330,740	289,455	55,628,566	67,248,761
Total comprehensive income / (expense)	-	-	8,356,113	8,356,113
Balance at 31 March 2019	11,330,740	289,455	63,984,679	75,604,874

Parent	Share capital	Revaluation reserve	Retained earnings	Total equity
	$	$	$	$
Balance at 1 April 2017	11,330,740	103,294	47,757,767	59,191,801
Total compehensive income / (expense)	-	186,161	7,200,899	7,387,060
Balance at 31 March 2018	11,330,740	289,455	54,958,666	66,578,861
Balance at 1 April 2018	11,330,740	289,455	54,958,666	66,578,861
Total compehensive income / (expense)	-	-	8,331,679	8,331,679
Balance at 31 March 2019	11,330,740	289,455	63,290,345	74,910,540

Number of shares on issue at 31 March 2019 10,637,000 (2018: 10,637,000). All issued shares are fully paid up and have no par value.

19 FINANCIAL INSTRUMENTS

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

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 Trust House Limited in the past.

Liquidity risk

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

	Group 2019 $	**Group 2018** $	**Parent 2019** $	**Parent 2018** $
Overdrafts and credit lines in place	2,000,000	2,000,000	1,500,000	1,500,000
Term facilities undrawn	2,000,000	1,000,000	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	312,870	-	-	-	312,870	312,870
Total liabilities	2,652,215	982,500	21,231,240	14,584	24,880,539	20,829,299
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	695,849	-	-	-	695,849	695,849
Total liabilities	3,190,006	1,039,000	20,934,826	39,584	25,203,416	22,405,590

Parent 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	1,221,200	-	-	-	1,221,200	1,221,200
Bank Overdraft	312,870	-	-	-	312,870	312,870
Total liabilities	2,546,570	982,500	21,231,240	14,584	24,774,894	20,723,654
Derivatives						
Parent 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	1,385,536	-	-	-	1,385,536	1,385,536
Bank Overdraft	695,849	-	-	-	695,849	695,849
Total liabilities	3,120,385	1,039,000	20,934,826	39,584	25,133,795	22,335,969

(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) and for the parent a reduction in profit of $10,278 (2018:$56,938).

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	763,439	763,439
	1,136,123	1,136,123
2018		
Assets		
Investments	750,353	750,353
Trade and other receivables	350,025	350,025
Cash and cash equivalents	687,232	687,232
	1,787,610	1,787,610
Parent		
2019		
Assets		
Investments	51,446	51,446
Trade and other receivables	344,521	344,521
Cash and cash equivalents	245,245	245,245
	641,212	641,212
2018		
Assets		
Investments	750,353	750,353
Trade and other receivables	338,623	338,623
Cash and cash equivalents	296,017	296,017
	1,384,993	1,384,993

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	19,502,454	19,502,454
Total liabilities	20,829,299	20,829,299
2018		
Liabilities		
Trade and other payables	1,455,157	1,455,157
Borrowings	20,950,433	20,950,433
Total liabilities	22,405,590	22,405,590
Parent		
2019		
Liabilities		
Trade and other payables	1,221,200	1,221,200
Borrowings	19,502,454	19,502,454
Total liabilities	20,723,654	20,723,654
2018		
Liabilities		
Trade and other payables	1,385,536	1,385,536
Borrowings	20,950,433	20,950,433
Total liabilities	22,335,969	22,335,969

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

Leases as lessor

	Group and Parent 2019 $	Group and Parent 2018 $
Less than one year	182,750	80,315
Between 1 and 2 years	182,750	-
Between 2 and 5 years	30,458	-
	395,958	80,315

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

21 COMMITMENTS AND CONTINGENCIES

The Group and Parent had capital commitments of $Nil at 31 March 2019 (2018; $Nil).

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

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

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

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Net Profit/(Loss) for year	8,356,113	7,287,022	8,331,679	7,200,899
Add (less) non-cash items:				
Depreciation	1,546,805	1,395,288	989,513	851,602
Amortisation of intangibles	114,160	113,964	55,536	56,370
Revaluation of investment properties	(6,730,887)	(5,828,500)	(6,730,887)	(5,828,500)
Provisions	2,701	2,538	2,701	2,538
Fixed assets impairment / (reversal)	4,000	(3,111)	4,000	(3,111)
(Gain) loss on sale of intangibles	480	(4,306)	-	-
(Gain) loss on sale of fixed assets	(36,530)	(27,474)	21,121	2,079
Gain on sale of businesses	-	(375,229)	-	(375,229)
Investments issued in lieu of rebates	48,907	45,358	48,907	45,358
	(5,050,364)	(4,681,472)	(5,609,109)	(5,248,893)
Add (less) movements in working capital items:				
(Increase) / decrease in recievables and prepayments	(14,161)	1,009,426	(37,988)	1,015,435
(Increase)/ decrease in inventories	(408)	98,177	(408)	98,177
Increase / (decrease) in charitable distributions payable	(4,433)	(184,770)	(10,000)	10,000
Increase/ (decrease) in employee entitlements	71,595	23,711	71,595	23,711
Increase/ (decrease) in trade and other payables	(32,465)	(827,247)	(82,471)	(891,740)
	20,128	119,297	(59,272)	255,583
Net cash inflow from operating activities	3,325,877	2,724,847	2,663,298	2,207,589

23 RELATED PARTY TRANSACTIONS

(i) Parent and ultimate controlling party

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

(ii) Transactions with key management personnel

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

During the year Directors and senior management, as part of a normal customer relationship, were involved in minor transactions with Trust House Limited (such as purchase of meals or liquor). Directors and senior management are entitled to a 10% discount on non-discounted goods. These buying privileges are available to all employees.

Mena Antonio, 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 Director of Trust House Limited, is the spouse of a major shareholder in Technology Solutions which provides technology services and hardware to Trust House Limited. Technology Solutions has been the preferred supplier of information technology hardware and services to the Trust House Group for at least 20 years, pre-dating Lucy Griffiths election to Masterton Community Trust and appointment to the the Board of Trust House Limited. During the year Trust House Limited paid Technology Solutions $268,156 (2018: $194,723). The amount outstanding at year end was $16,105 (2018: $34,713).Trust House 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 Trust House Group. During the year Trust House Limited paid PRSL $Nil (2018: $7,728). The amount outstanding at year end was $Nil (2018: $Nil).Trust House Group paid $Nil (2018: $7,728) during the year 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	-	-
	1,010,973	1,110,153

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.

	2019	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	1	1
	5	6

23 RELATED PARTY TRANSACTIONS (continued)

(iv) Other related party transactions

	2019 $	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 Directors of Trust House Limited are also Trustees of Trust House Foundation.

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

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

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

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 $	Parent 2019 $	Parent 2018 $
Property reinstatement provisions	44,270	41,569	44,270	41,569
	44,270	41,569	44,270	41,569

Trust House Limited leases two premises. A condition of the leases is that Trust House Limited must, if required by the landlord at the end of the lease, reinstate the premises to the configuration and condition at the lease inception.

	Property reinstatement provisions $
Group and Parent 2019	
Opening balance as at 1 April 2018	41,569
Provisions added	2,701
Closing provision at 31 March 2019	44,270
Group and Parent 2018	
Opening at 1 April 2017	109,214
Provisions added	2,538
Outlets sold	(70,183)
Closing provision at 31 March 2018	41,569

25 GROUP ENTITIES

Subsidiaries

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 futuredevelopment of the business.

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

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

27 CHARITABLE DISTRIBUTIONS

The following charitable donation was made by Trust House Limited during the year.

	Parent	
	2019	**2018**
	$	**$**
Te Timatanga Ararau Trust (Iron Maori)	30,000	30,000
Te Awhina Cameron Community Trust	-	10,000
	30,000	40,000

The Group total includes community donations paid through Trust House Foundation - refer note 23(b)

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 recieved by the Group prior to year end and the remaining $630,000 will be recieved 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 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 $	Parent 2019 $	Parent 2018 $
Income Statement				
Results of discontinued operations				
Revenue	-	673,954	-	673,954
Expenses	-	725,158	-	725,158
Result from operating activities	-	(51,204)	-	(51,204)
Gain on sale of discontinued operation	-	375,229	-	375,229
Profit for the period	-	324,025	-	324,025
Statement of cash flows:				
Cash flows from discontinued operations				
Operating cash flows	-	(51,204)	-	(51,204)
Investing cash flows	-	508,944	-	508,944
Total cash flows	-	457,740	-	457,740

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

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Property, plant and equipment	-	(22,793)	-	(22,793)
Inventory	-	(248,444)	-	(248,444)
Trade and other payables	-	67,339	-	67,339
Provisions released	-	70,183	-	70,183
Total	-	(133,715)	-	(133,715)
Consideration:				
Consideration received in cash	-	508,944	-	508,944
Total consideration	-	508,944	-	508,944

Audit New Zealand
Mana Arotake Aotearoa

Independent Auditor's Report

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

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

Opinion

We have audited the financial statements of the Company and group on pages 2 to 39, 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 Company 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 5 July 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 Board of Directors and our responsibilities relating to the financial statements, and we explain our independence.

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements

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

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

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

Responsibilities of the auditor for the audit of the financial statements

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

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

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

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

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

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company and group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and group to cease 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 obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Company and group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company and group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Independence

We are independent of the Company and Company and group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standards 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 an agreed-upon procedure engagement in respect of Trust House Foundation forecast financial statements. This engagement is compatible with those independence requirements. Other than the audit and this engagement, we have no relationship or interest in the Company and group.

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