TRUST HOUSE GROUP ACCOUNTS 2019-20

The following Trust House Group accounts are complete but due to delays caused by the Covid-19 lockdowns Audit New Zealand has been unable to conclude the Audit of these accounts.

Audit New Zealand has prioritised the completion of audits of the Government Accounts and will complete the audit of these accounts in due course.

Trust House Limited
Financial statements
for the year ended 31 March 2020

Contents

Income statement

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Continuing operations					
Revenue	5	30,369,927	29,287,859	22,200,787	21,030,005
Less cost of sales		4,361,879	4,117,225	4,361,879	4,117,225
Gross profit		26,008,048	25,170,634	17,838,908	16,912,780
Operating expenses	7	19,125,865	18,454,937	15,240,666	14,314,880
Operating profit		6,882,183	6,715,697	2,598,242	2,597,900
Finance costs	23	1,119,611	1,007,197	1,118,358	1,007,197
Finance income	23	6,941	41,027	6,440	40,089
Net finance costs	23	1,112,670	966,170	1,111,918	967,108
Net operating profit		**5,769,513**	**5,749,527**	**1,486,324**	**1,630,792**
Non operating items	6	5,345,490	6,730,887	5,345,490	6,730,887
Net profit before charitable donations		**11,115,003**	**12,480,414**	**6,831,814**	**8,361,679**
Charitable donations	28	(4,262,129)	(4,124,301)	(40,500)	(30,000)
Net profit for year		**6,852,874**	**8,356,113**	**6,791,314**	**8,331,679**

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 2020

	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Net profit / (loss)	6,852,874	8,356,113	6,791,314	8,331,679
Other comprehensive income:				
Total other comprehensive income / (expense)	-	-	-	-
Total comprehensive income for the year	**6,852,874**	8,356,113	**6,791,314**	8,331,679

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 2020

Group	Notes	**2020 $**
Equity at the start of the year		75,604,874
Total comprehensive income / (expense)		6,852,874
Equity at the end of the year	18	**82,457,748**

Group		**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**

Parent		**2020 $**
Equity at the start of the year		74,910,540
Total comprehensive income / (expense)		6,791,314
Equity at the end of the year	18	**81,701,854**

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**

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 2020

	Notes	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Current assets					
Cash and cash equivalents	8	882,216	763,439	225,915	245,245
Trade and other receivables	9	1,419,911	321,237	1,432,150	344,521
Prepayments		337,803	313,571	260,970	238,565
Inventories	10	387,409	399,277	387,409	399,277
Other investments	11	-	51,446	-	51,446
Assets held for sale		420,000	696,000	420,000	696,000
Total current assets		**3,447,339**	**2,544,970**	**2,726,444**	**1,975,054**
Non-current assets					
Investment properties	12	84,130,000	76,714,000	84,130,000	76,714,000
Property, plant and equipment	13	20,416,482	18,461,503	19,443,805	17,336,719
Intangible assets	14	910,271	958,789	739,146	751,038
Total non-current assets		**105,456,753**	**96,134,292**	**104,312,951**	**94,801,757**
Total assets		**108,904,092**	**98,679,262**	**107,039,395**	**96,776,811**
Current liabilities					
Trade and other payables	15	2,616,766	2,021,175	2,240,909	1,428,540
Employee entitlements	16	979,941	823,425	979,941	823,425
Borrowings	17	330,989	377,870	330,989	377,870
Lease liabilities	29	209,048	-	209,048	-
Charitable donations allocated		732,946	615,482	-	-
Total current liabilities		**4,869,690**	**3,837,952**	**3,760,887**	**2,629,835**
Non-current liabilities					
Employee entitlements	16	29,599	67,582	29,599	67,582
Borrowings	17	20,089,584	19,124,584	20,089,584	19,124,584
Lease liabilities	29	1,440,752	-	1,440,752	-
Provisions	25	16,719	44,270	16,719	44,270
Total non-current liabilities		**21,576,654**	**19,236,436**	**21,576,654**	**19,236,436**
Equity					
Share capital	18	11,330,740	11,330,740	11,330,740	11,330,740
Retained earnings	18	70,837,553	63,984,679	70,081,659	63,290,345
Asset revaluation reserve	18	289,455	289,455	289,455	289,455
Total equity		**82,457,748**	**75,604,874**	**81,701,854**	**74,910,540**
Total liabilities and equity		**108,904,092**	**98,679,262**	**107,039,395**	**96,776,811**

Signed on behalf of Trust House Limited

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 2020

	Notes	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		30,237,237	29,319,435	22,229,147	21,084,070
Interest received		6,941	41,027	6,440	40,089
		30,244,178	29,360,462	22,235,587	21,124,159
Cash was applied to:					
Payments to suppliers and employees		21,883,869	20,897,219	18,430,260	17,412,229
Charitable donations		4,144,665	4,128,734	40,500	40,000
Interest paid		1,028,184	1,008,632	1,026,931	1,008,632
Lease interest paid		95,592	-	95,592	-
		(27,152,310)	(26,034,585)	(19,593,283)	(18,460,861)
Net cash flows from operating activities	22	**3,091,868**	**3,325,877**	**2,642,304**	**2,663,298**
Cash flows from investing activities					
Cash was provided from:					
Sale of plant, property and equipment		956,119	75,210	695,591	-
Sale of intangibles		24,045	16,000	-	-
Sale of investment property		360,444	-	360,444	-
Vendor loan repayment		-	650,000	-	650,000
		1,340,608	741,210	1,056,035	650,000
Cash was applied to:					
Purchase of plant, property and equipment		3,777,823	1,690,162	3,288,458	1,183,267
Purchase of intangible assets		130,596	126,626	23,931	6,711
Cash sold with business		-	-	-	-
Upgrading of investment property		1,227,510	726,113	1,227,510	726,113
		(5,135,929)	(2,542,901)	(4,539,899)	(1,916,091)
Net cash flows from investing activities		**(3,795,321)**	**(1,801,691)**	**(3,483,864)**	**(1,266,091)**
Cash flows from financing activities					
Proceeds from borrowings		1,000,000	-	1,000,000	-
Lease debt entered into		88,215	-	88,215	-
		1,088,215	-	1,088,215	-
Cash was applied to:					
Repayment of borrowings		65,000	1,065,000	65,000	1,065,000
Repayment of lease debt		184,104	-	184,104	-
		(249,104)	(1,065,000)	(249,104)	(1,065,000)
Net cash flows from financing activities		**839,111**	**(1,065,000)**	**839,111**	**(1,065,000)**
Net (decrease) / increase in cash held		135,658	459,186	(2,449)	332,207
Opening cash balance		450,569	(8,617)	(67,625)	(399,832)
Closing cash balance		**586,227**	**450,569**	**(70,074)**	**(67,625)**
Closing cash is made up of					
Cash and cash equivalents		586,227	450,569	(70,074)	(67,625)
	8	**586,227**	**450,569**	**(70,074)**	**(67,625)**

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 2020 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 xx xxxx 2020.

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 2019:

- **IFRS 16, 'Leases**, The group has applied IFRS 16 Leases. In accordance with the transition provisions in IFRS 16 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 April 2019. Comparatives for the 2019 financial year have not been restated.

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, with the exception of of a change in deapreciation policy for the parent (refer to depreciation policy)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 straight line basis on all plant, property and equipment and gaming machines (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 parent had in prior periods depreciated assets on a declining balance basis. The change to straight line depreciation did not have a material impact on the results for the 2019-20 year. Restatement of prior year results was not practicable.

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

Land & Buildings - structure	1.96%-4.35%
Land & Buildings - services and fit out	4.35%-33.33%
Furniture & Plant - general	8.33-50%
Furniture & Plant - gaming machines and counters	25%-100%
Motor Vehicles	14.29%-20%
Hydro Assets - Electrical reticulation	6.67%
Hydro Assets - Computerised load control equipment	16.67%

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

Intangible assets

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

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

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

Investment property

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

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

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

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

Impairment

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The group has changed its accounting policy for leases, and has adopted IFRS 16.

Until the 2020 financial year, leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership were classifed as finance leases.

(i) Measurement Basis

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and phones

(ii) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by Group and not by the respective Lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

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

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	
	2020	2019	2020	2019
	$	$	$	$
Revenue from contracts with customers	23,472,929	23,214,515	15,303,789	14,956,661
Revenue from other sources	598,394	261,064	598,394	261,064
Residential rental revenue	6,298,604	5,812,280	6,298,604	5,812,580
Total revenue	30,369,927	29,287,859	22,200,787	21,030,305

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			
2020			
Hospitality	13,194,465	-	13,194,465
Gaming income	9,902,629	-	9,902,629
Other	337,348	38,487	375,835
Total	23,434,442	38,487	23,472,929
2019			
Hospitality	12,872,125	-	12,872,125
Residential rents	-	-	-
Gaming income	9,924,107	-	9,924,107
Other	356,134	62,149	418,283
Total	23,152,366	62,149	23,214,515

	Revenue recognised at a point in time	Revenue recognised over time	Total
Parent	$	$	$
2020			
Hospitality	13,194,465	-	13,194,465
Venue payments	1,233,489	-	1,233,489
Management services	-	500,000	500,000
Other	337,348	38,487	375,835
Total	14,765,302	538,487	15,303,789
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

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 2020 $	**Group 2019 $**	**Parent 2020 $**	**Parent 2019 $**
Change in fair value of investment property	12	5,345,490	6,730,887	5,345,490	6,730,887
		5,345,490	6,730,887	5,345,490	6,730,887

7 OPERATING EXPENSES

	Group 2020 $	**Group 2019 $**	**Parent 2020 $**	**Parent 2019 $**
Administration and financial	1,263,854	1,268,581	1,062,132	1,039,977
Advertising and promotion	852,367	897,120	852,367	897,120
Audit Fees	102,053	98,090	87,376	86,490
Audit Fees - Masterton Community Trust	4,322	5,250	4,322	5,250
Prospective financial statement review*	4,210	4,210	-	-
Bad debts	204	23,428	204	23,428
Movement in provision for doubtful debts	21,928	805	21,928	805
Depreciation	1,732,750	1,546,805	1,227,936	989,513
Amortisation	112,351	114,160	36,295	55,536
Impairment of property, plant and equipment	5,000	4,000	5,000	4,000
Impairment of investment property	164,000	-	164,000	-
Loss / (gain) on sale of plant and equipment	(123,869)	(57,651)	-	-
Loss / (gain) on sale of intangible assets	(1,660)	480	-	-
Loss / (gain) on sale of investment properties	40,556	-	40,556	-
Property expenses	4,406,361	4,092,312	4,194,939	3,871,917
Rent and lease expenses	351,000	809,491	715	391,740
Employee costs	7,335,976	6,760,104	7,335,976	6,760,104
Directors and Trustees Fees	327,230	311,935	206,920	189,000
Gaming Machine Duty and Licenses	2,527,232	2,575,817	-	-
	19,125,865	18,454,937	15,240,666	14,314,880

* 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 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Bank balances	656,370	544,093	69	25,899
Cash floats	225,846	219,346	225,846	219,346
Cash and cash equivalents	882,216	763,439	225,915	245,245

	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Cash and cash equivalents	882,216	763,439	225,915	245,245
Bank overdrafts used for cash management purposes	(295,989)	(312,870)	(295,989)	(312,870)
Cash and cash equivalents	586,227	450,569	(70,074)	(67,625)

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	266,970	263,351	266,971	263,352
Less provision for impairment	(48,660)	(26,732)	(48,660)	(26,732)
	218,310	236,619	218,311	236,620
Sundry receivables	1,201,601	84,618	1,213,839	107,901
	1,419,911	321,237	1,432,150	344,521

Aging of trade receivables

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

	Group and Parent 2020 $	Group and Parent 2019 $
Not past due	132,711	158,067
1-30 days	50,943	51,980
31-60 days	11,048	7,728
60 days+	72,269	45,577
	266,971	263,352

As of 31 March 2020, trade receivables of $48,660 (2019: $26,732) were past due and considered impaired and trade receivables of $85,600 (2019: $78,553) 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 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
As at 1 April	26,732	25,927	26,732	25,927
Additional provisions made during the year	21,928	23,838	21,928	23,838
Receivables written off during the year	-	(23,033)	-	(23,033)
Balance at the end of the year	48,660	26,732	48,660	26,732

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 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Raw materials and consumables	67,406	83,228	67,406	83,228
Goods available for sale	320,003	316,049	320,003	316,049
	387,409	399,277	387,409	399,277

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 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Current investments (at amortised cost)				
Foodstuffs Ltd - deferred rebates	-	51,446	-	51,446
Total investments	-	51,446	-	51,446

12 INVESTMENT PROPERTY

	Group and Parent	
	2020	**2019**
	$	**$**
Investment property is comprised of		
Residential property	81,075,000	75,244,000
Commercial property	3,055,000	1,470,000
	84,130,000	76,714,000
Classified as:		
Current - available for sale at 31 March	-	-
Non Current	84,130,000	76,714,000
	84,130,000	76,714,000

(a) Residential properties

	Group and Parent	
	2020	**2019**
	$	**$**
Balance at 1 April	75,244,000	68,007,000
Impairments due to fires	(164,000)	-
Properties sold during the year	(383,000)	-
Improvements	1,218,780	702,882
Change in fair value - recognised in Income statement	5,159,220	6,534,118
	81,075,000	75,244,000

Residential investment property comprises 483 (2019: 485) rental houses in the lower North Island.
The Group's investment properties are valued annually at fair market value effective 31st March 2020.

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 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.

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	
	2020	**2019**
	$	**$**
Rental income	6,270,935	5,810,012
Other income	300,687	2,268
Expenses from investment property generating income	2,639,394	2,365,356

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	
	2020	**2019**
	$	$
Balance at 1 April	1,470,000	1,250,000
Land right of use asset recognised on adoption of IFRS 16 Leases (see note 29)	1,390,000	-
Improvements	8,730	23,231
Change in fair value - recognised in Income statement	186,270	196,769
Balance at 31 March	3,055,000	1,470,000
Classified as:		
Non Current	3,055,000	1,470,000
	3,055,000	1,470,000

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 2020 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	
	2020	**2019**
	$	**$**
Rental income	247,750	247,750
Tenant recharge income	31,541	29,670
Expenses from investment property generating income	128,927	133,426

13 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings $	Furniture and plant $	Hydro assets $	Motor vehicles $	Total $
Cost or valuation					
Balance at 1 April 2018	15,918,952	8,517,928	967,123	92,697	25,496,700
Additions	731,433	841,261	29,314	13,142	1,615,150
Disposals	-	(533,901)	-	(7,700)	(541,601)
Reclassified to 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**
Balance at 31 March 2019	15,950,385	8,825,288	996,437	98,139	25,870,249
IFRS 16 Adjustment	306,356	170,322	-	112,248	588,926
Adjusted opening balance 1 April 2019	16,256,741	8,995,610	996,437	210,387	26,459,175
Additions	2,952,332	848,575	7,565	97,613	3,906,085
Disposals	(949,128)	(805,751)	-	(21,569)	(1,776,448)
Reclassified from available for sale	700,000	-	-	-	700,000
Reclassified as available for sale	(425,000)	-	-	-	(425,000)
Balance at 31 March 2020	**18,534,945**	**9,038,434**	**1,004,002**	**286,431**	**28,863,812**
Depreciation and impairment losses					
Balance as 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 from available for sale	(4,000)	-	-	-	4,000
Balance at 31 March 2019	**726,707**	**6,075,507**	**543,206**	**63,326**	**7,408,746**
Balance at 31 March 2019	726,707	6,075,507	543,206	63,326	7,408,746
Depreciation for the year	559,323	1,056,315	33,658	83,454	1,732,750
Disposals	(13,522)	(663,075)	-	(21,569)	(698,166)
Impairments	5,000	-	-	-	5,000
Reclassified from available for sale	4,000	-	-	-	4,000
Reclassified as available for sale	(5,000)	-	-	-	(5,000)
Balance at 31 March 2020	**1,276,508**	**6,468,747**	**576,864**	**125,211**	**8,447,330**
Carrying amounts					
As at 31 March 2019	15,223,678	2,749,781	453,231	34,813	18,461,503
As at 31 March 2020	17,258,437	2,569,687	427,138	161,220	20,416,482

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	Land and buildings $	Furniture and plant $	Hydro assets $	Motor vehicles $	Total $
Cost or valuation					
Balance as at 1 April 2018	15,918,952	4,311,268	585,960	92,697	20,908,877
Acquisitions	-	-	-	-	-
Additions	731,433	357,367	29,314	13,142	1,131,256
Disposals	-	(102,089)	-	(7,700)	(109,789)
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**
Balance at 1 April 2019	15,950,385	4,566,546	615,274	98,139	21,230,344
IFRS 16 Opening balance adjustment	306,356	170,322	-	112,248	588,926
Additions	2,952,332	359,210	7,565	97,613	3,416,720
Disposals	(949,128)	(110,983)	-	(21,569)	(1,081,680)
Reclassified from available for sale	700,000	-	-	-	700,000
Reclassified as available for sale	(425,000)	-	-	-	(425,000)
Balance at 31 March 2020	**18,534,945**	**4,985,095**	**622,839**	**286,431**	**24,429,310**
Depreciation and impairment losses					
Balance as 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**
Balance at 1 April 2019	726,707	2,941,549	162,043	63,326	3,893,625
Depreciation for the year	559,323	551,501	33,658	83,454	1,227,936
Impairment loss - through income statement	5,000	-	-	-	5,000
Disposals	(13,522)	(104,965)	-	(21,569)	(140,056)
Reclassified from available for sale	4,000	-	-	-	4,000
Reclassified as available for sale	(5,000)	-	-	-	(5,000)
Balance at 31 March 2020	**1,276,508**	**3,388,085**	**195,701**	**125,211**	**4,985,505**
Carrying amounts					
As at 31 March 2019	**15,223,678**	**1,624,997**	**453,231**	**34,813**	**17,336,719**
As at 31 March 2020	**17,258,437**	**1,597,010**	**427,138**	**161,220**	**19,443,805**

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 $5,000 were recognised in 2019/20 (2018/19 $4,000).

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 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**
Balance at 1 April 2019	770,000	831,800	1,601,800
Additions	-	86,218	86,218
Disposals	-	(48,246)	(48,246)
Balance at 31 March 2020	**770,000**	**869,772**	**1,639,772**
Amortisation and impairment losses			
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**
Balance at 1 April 2019	114,286	528,725	643,011
Disposals	-	(25,861)	(25,861)
Amortisation for the year	6,350	106,001	112,351
Balance at 31 March 2020	**120,636**	**608,865**	**729,501**
Carrying amounts			
As at 31 March 2019	655,714	303,075	958,789
As at 31 March 2020	649,364	260,907	910,271

14 INTANGIBLE ASSETS (continued)

Parent	**Goodwill**	**Software**	**Total**
	$	**$**	**$**
Cost			
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**
Balance at 1 April 2019	770,000	481,949	1,251,949
Additions	-	24,403	24,403
Balance at 31 March 2020	**770,000**	**506,352**	**1,276,352**
Amortisation and impairment losses			
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**
Balance at 1 April 2019	114,286	386,625	500,911
Amortisation charge	6,350	29,945	36,295
Balance at 31 March 2020	**120,636**	**416,570**	**537,206**
Carrying amounts			
As at 31 March 2019	655,714	95,324	751,038
As at 31 March 2020	649,364	89,782	739,146

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:

Legends Sports Bar

Legends Sports Bar 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.

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 Street Bar provides to the Group.

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

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

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

	Group and Parent	
	2020	**2019**
	$	**$**
The Ledge	79,364	85,714
Post Office Hotel	395,000	395,000
Jackson Street Bar	175,000	175,000
Total Goodwill	649,364	655,714

(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 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Trade creditors	785,550	1,094,167	591,195	752,811
Interest payable	5,026	9,191	5,026	9,191
Capital payables	161,100	32,838	161,100	32,838
Accrued expenses	539,101	743,803	357,599	537,374
Intangible payables	472	44,850	472	-
Revenue in advance	1,125,517	96,326	1,125,517	96,326
	2,616,766	2,021,175	2,240,909	1,428,540

16 EMPLOYEE ENTITLEMENTS

	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Current portion				
Accrued pay	267,145	221,356	267,145	221,356
Accrued leave	688,026	583,027	688,026	583,027
Provision for staff long service / retirement benefits	20,881	12,970	20,881	12,970
Sick pay	3,889	6,072	3,889	6,072
	979,941	823,425	979,941	823,425
Non current portion				
Provision for long service / retirement benefits	29,599	67,582	29,599	67,582
	29,599	67,582	29,599	67,582
Total employee entitlements	1,009,540	891,007	1,009,540	891,007

17 BORROWINGS

	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Current liabilities				
Bank overdrafts	295,989	312,870	295,989	312,870
Other loans	35,000	65,000	35,000	65,000
	330,989	377,870	330,989	377,870
Non-current liabilities				
Secured bank loans	20,000,000	19,000,000	20,000,000	19,000,000
Other loans	89,584	124,584	89,584	124,584
	20,089,584	19,124,584	20,089,584	19,124,584

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 2020 $	Carrying amount 2020 $	Face value 2019 $	Carrying amount 2019 $
Group & Parent						
Secured BNZ Bank loans	3.19-5.64%	2023	15,000,000	15,000,000	14,000,000	14,000,000
Secured BNZ Bank loans	5.16	2022	500,000	5,000,000	5,000,000	5,000,000
Other loans	0.0%	2020-2024	-	189,584	189,584	189,584
Bank overdrafts	5.83%-7.35%		-	312,870	312,870	312,870
Total interest-bearing liabilities			15,500,000	20,502,454	19,502,454	19,502,454

The ANZ National Bank overdrafts are secured with registered first mortgages over land and buildings with a carrying amount of $7,547,571 (2019: $7,518,268). 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 2018	11,330,740	289,455	55,628,566	67,248,761
Total comprehensive income / (expense)	-	-	8,356,113	8,356,113
Balance at 1 April 2019	11,330,740	289,455	63,984,679	75,604,874
Total comprehensive income / (expense)	-	-	6,852,874	6,852,874
Balance at 31 March 2020	11,330,740	289,455	70,837,553	82,457,748

Parent	**Share capital** $	**Revaluation reserve** $	**Retained earnings** $	**Total equity** $
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
Balance at 1 April 2019	11,330,740	289,455	63,290,345	74,910,540
Total compehensive income / (expense)	-	-	6,791,314	6,791,314
Balance at 31 March 2020	11,330,740	289,455	70,081,659	81,701,854

Number of shares on issue at 31 March 2020 10,637,000 (2019: 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 2020 $	**Group 2019 $**	**Parent 2020 $**	**Parent 2019 $**
Overdrafts and credit lines in place	2,000,000	2,000,000	1,500,000	1,500,000
Term facilities undrawn	1,000,000	2,000,000	1,000,000	2,000,000

Since balance date the parent has secured an additional $2,000,000 of term debt facilities from the BNZ Bank for a period of three years.

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 2020	**12 months or less** $	**1-2 years** $	**2-5years** $	**More than 5 years** $	**Contractual cash flows** $	**Carrying Amount** $
Secured bank loans	916,900	916,900	21,157,603	-	22,991,403	20,000,000
Other loans	35,000	25,000	64,584	-	124,584	124,584
Trade and other payables	1,080,528	-	-	-	1,080,528	1,080,528
Bank overdraft	295,989	-	-	-	295,989	295,989
Total liabilities	2,328,417	941,900	21,222,187	-	24,492,504	21,501,101
Group 2019						
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

Parent 2020	**12 months or less** **$**	**1-2 years** $	**2-5years** $	**More than 5 years** $	**Contractual cash flows** $	**Carrying Amount** $
Secured bank loans	916,900	916,900	21,157,603	-	22,991,403	20,000,000
Other loans	35,000	25,000	64,584	-	124,584	124,584
Trade and other payables	1,044,666	-	-	-	1,044,666	1,044,666
Bank Overdraft	295,989	-	-	-	295,989	295,989
Total liabilities	2,292,555	941,900	21,222,187	-	24,456,642	21,465,239
Parent 2019						
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

(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 $63,550 (2019:$13,129) and for the parent a reduction in profit of $72,960 (2019:$10,278).

19 FINANCIAL INSTRUMENTS (continued)

(c) Classification and fair values

Group	Financial assets at amortised cost $	Total carrying value and fair value $
2020		
Assets		
Trade and other receivables	1,419,912	1,419,912
Cash and cash equivalents	882,216	882,216
	2,302,128	2,302,128
2019		
Assets		
Available for sale financial assets	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
Parent		
2020		
Assets		
Trade and other receivables	1,432,150	1,432,150
Cash and cash equivalents	225,915	225,915
	1,658,065	1,658,065
2019		
Assets		
Available for sale financial assets	51,446	51,446
Trade and other receivables	344,521	344,521
Cash and cash equivalents	245,245	245,245
	641,212	641,212

19 FINANCIAL INSTRUMENTS (continued)

Group	Financial liabilities at amortised cost $	Fair value amount $
2020		
Liabilities		
Trade and other payables	1,080,528	1,080,528
Borrowings	20,420,573	20,420,573
Total liabilities	21,501,101	21,501,101
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
Parent		
2020		
Liabilities		
Trade and other payables	1,044,666	1,044,666
Borrowings	20,420,573	20,420,573
Total liabilities	21,465,239	21,465,239
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

20 OPERATING LEASES

Leases as lessee

Non-cancellable operating leases are payable as follows:

	Group and Parent 2020 $	2019 $
Less than 1 year	247,904	362,255
Between 1and 2 years	187,111	298,109
Between 2 and 5 years	335,951	411,738
Over 5 years	37,750	128,350
Total	808,716	1,200,452

Leases as lessor

	Group and Parent 2020 $	2019 $
Less than one year	441,753	182,750
Between 1 and 2 years	432,528	182,750
Between 2 and 5 years	738,044	30,458
Over 5 years	417,083	-
	2,029,408	395,958

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 2020 (2019; $Nil).

The Group and Parent had contingent liabilities of $55,000 as at 31 March 2020 (2019: $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 2020 $	**Group 2019 $**	**Parent 2020 $**	**Parent 2019 $**
Net Profit/(Loss) for year	6,852,874	8,356,113	6,791,314	8,331,679
Add (less) non-cash items:				
Depreciation	1,732,750	1,546,805	1,227,936	989,513
Amortisation of intangibles	112,351	114,160	36,295	55,536
Revaluation of investment properties	(5,345,490)	(6,730,887)	(5,345,490)	(6,730,887)
Provisions	(27,551)	2,701	(27,551)	2,701
Fixed assets impairment / (reversal)	5,000	4,000	5,000	4,000
Investment property impairment	164,000	-	164,000	-
(Gain) loss on sale of intangibles	(1,660)	480	-	-
(Gain) loss on sale of fixed assets	(111,073)	(36,530)	12,796	21,121
Gain on sale of investment property	22,556	-	22,556	-
Investments issued in lieu of rebates	51,446	48,907	51,446	48,907
	(3,397,671)	(5,050,364)	(3,853,012)	(5,609,109)
Add (less) movements in working capital items:				
(Increase) / decrease in recievables and prepayments	(1,147,383)	(14,161)	(1,110,035)	(37,988)
(Increase)/ decrease in inventories	11,868	(408)	11,868	(408)
Increase / (decrease) in charitable distributions payable	117,464	(4,433)	-	(10,000)
Increase/ (decrease) in employee entitlements	118,534	71,595	118,534	71,595
Increase/ (decrease) in trade and other payables	536,182	(32,465)	683,635	(82,471)
	(363,335)	20,128	(295,998)	(59,272)
Net cash inflow from operating activities	3,091,868	3,325,877	2,642,304	2,663,298

23 FINANCE INCOME AND EXPENSES

	Consolidated		**Parent**	
	2020 $	2019 $	**2020 $**	2019 $
Finance costs				
Interest expense	1,107,702	1,007,197	1,106,449	1,007,197
Lease interest expense	11,909	-	11,909	-
Total finance costs	1,119,611	1,007,197	1,118,358	1,007,197
Interest income	(6,941)	(41,027)	(6,440)	(40,089)
Total finance income	(6,941)	(41,027)	(6,440)	(40,089)
Net finance costs	1,112,670	966,170	1,111,918	967,108

24 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 $Nil (2019: $2,430). The amount outstanding at year end was $Nil (2019: $2,300).

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 $202,545 (2019: $268,156). The amount outstanding at year end was $17,531 (2019: $16,105).Trust House Group paid $206,889 (2019: $275,005) during the year and the amount outstanding at year end was $18,329 (2019: $16,105)

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 $4,300 (2019: $Nil). The amount outstanding at year end was $Nil (2019: $Nil).Trust House Group paid $4,300 (2019: $Nil) during the year and the amount outstanding at year end was $Nil (2019: $Nil)

(iii) Key management and personnel compensation

	2020 $	2019 $	Total $
Salaries and other short term benefits	1,021,300	992,903	2,014,203
Post employment benefits	18,764	18,070	36,834
Termination benefits	-	-	-
	1,040,064	1,010,973	2,051,037

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.

	2020	2019
$130,000 - $140,000	1	-
$140,000 - $150,000	-	1
$150,000 - $160,000	-	1
$160,000 - $170,000	2	1
$190,000 - $200,000	1	-
$200,000 - $210,000	-	1
$300,000 - $310,000	1	1
	5	5

24 RELATED PARTY TRANSACTIONS (continued)

(iv) Other related party transactions

	2020 $	2019 $
(a) Sales of goods and services: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	16,920	15,000

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.

	2020 $	2019 $
Funds available 1st April	694,334	669,900
Net surplus before charitable distribtuions	4,283,189	4,118,736
Grants unclaimed	134,036	140,077
Grants approved	(4,355,665)	(4,234,379)
	755,894	694,334

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)

	2020	2019
Site rentals paid by THF to THL	1,233,489	1,166,253
Management Fees paid by THF to THL	500,000	500,000

As at 31 March 2020, Trust House Foundation owed Trust House Limited $12,238 (2019: $23,963).

25 PROVISIONS

	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Property reinstatement provisions	16,719	44,270	16,719	44,270
	16,719	44,270	16,719	44,270

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 2020	
Non-current	
Opening balance as at 1 April 2019	44,270
Provisions added	3,635
Previously leased building purchased	(31,186)
Closing provision at 31 March 2020	16,719
Group and Parent 2019	
Non-current	
Opening at 1 April 2018	41,569
Provisions added	2,701
Closing provision at 31 March 2019	44,270

26 GROUP ENTITIES

Subsidiaries

Trust House Foundation is a controlled entity.

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

27 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.

28 CHARITABLE DISTRIBUTIONS

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

	Parent	
	2020	**2019**
	$	**$**
Iron Maori	30,000	30,000
Wairarapa free budgeting service	10,000	-
Fostering Kids NZ	500	-
	40,500	30,000

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

29 LEASES

The group leases premises, equipment such as photocopiers and televisions, and vehicles as part of its normal trading activities.

The group also has a land right of use asset that is classified as an investment property.

On adoption of NZ IFRS 16 Leases the group utilised the following practical expedients available under the standard
a) applied a single discount rate to a portfolio of leases with similar terms and similar class of underlying asset
b) excluded initial direct costs from the measurement of the right of use assets at the date of initial application

The following is a reconciliation of operating lease commitments disclosed at 31 March 2019 to the lease liabilities recognised on 1 April 2019

	Group and Parent $
Total operating commitments disclosed at 31 March 2019	1,200,452
Intangible commitment where IFRS 16 not applied	(95,360)
Minor adjustments relating to commitment disclosures	35,311
Operating lease liabilities before discounting	1,140,403
Discount using incremental borrowing rate	(132,194)
Operating lease liabilities	1,008,209
Reasonably certain extension options	970,717
Total lease liabilities recognised under IFRS 16 at 1 April 2019	1,978,926
In relation property plant & equipment	588,926
In relation to investment property	1,390,000
	1,978,926

The weighted average incremental borrowing rate applied to lease liabilities at 1 April 2019 initial application was 5.48%. There was no impact on prior period results and no impact on equity at 31 March 2019.

Trust House Foundation (a controlled entity) paid Class IV gaming venue payments which are a lease by nature. The payments are variable dependent on gaming income. In these circumstances IFRS 16 permits payments to be classified as ordinary operating expenses and no right of use asset to be created.

	Group		**Parent**	
	2020 $	**2019 $**	**2020 $**	**2019 $**
Venue payments made	350,285	417,750	-	-

Lease liabilities are presented at net present value in the statement of financial position as follows

	Group and parent	
	2020 $	**1 April 2019** $
Current	209,048	341,258
Non-current	1,440,752	1,637,668
	1,649,800	1,978,926

29 LEASES (continued)

Reconciliation of liabilities arising from financing activities is as follows

	$
Liabilities created on adoption of IFRS 16 - 1 April 2019 at net present value.	1,978,926
Additional leases entered into	88,215
Liabilities extinguished on purchase of freehold	(233,237)
Lease debt repaid during the year	(184,104)
Lease liabilities at 31 March at Net Present Value	1,649,800

At 31 March 2020 the group and parent had no commitments to leases which had not commenced

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilties for group and parent at 31 March 2020 is as follows

	Within 1 year $	1-2 years $	2-5 years $	Over 5 years $	Total $
Lease payments					
31 March 2020	229,163	178,705	351,048	3,208,750	3,967,666
1 April 2019	348,809	281,789	446,106	3,299,350	4,376,054

The movement in leased assets included in note 13 Property, plant & equipment for group and parent is as follows

	Land & Buildings	Motor Vehicles	Plant & Equipment	Total
Added 1 April 2019 on adoption of IFRS 16	306,356	112,248	170,322	588,926
Right of use assets extinguished on purchase of freehold	(234,473)	-	-	(234,473)
Additions	-	52,738	35,477	88,215
Depreciation for the year	(34,657)	(68,452)	(76,479)	(179,588)
	37,226	96,534	129,320	263,080

30 SUBSEQUENT EVENTS

The Company and Group have three subsequent events:

Land Sale

A conditional sale of excess land at The Farriers in Masterton for $425,000 has been agreed and is expected to settle in September. A deposit of $42,500 has been recieved by the Group after year end and the remaining $382,500 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 $5,000.

30 SUBSEQUENT EVENTS (continued)

Covid-19

On the 24th March 2020 the New Zealand Government, in response to the coronavirus pandemic, put the country on alert level 3. Two days later the alert level was raised to level 4.

Alert level 3 required the public bar, bottle stores and gaming operations of the group to cease trading. The Solway Park hotel continued to trade on a limited basis providing accomodation and meals for essential workers. The residential housing services stayed open as an essential service.

As the alert levels have dropped the groups operations have progessively reopened but with social distancing restrictions limiting customer numbers and reduced gaming machines available to play. The closure and trading restrictions will have a large impact group profitability for the 2020-21 year, however due to the uncertainty over the length of the trading restrictions and the impact on the wider economy it is not possible to estimate this effect with any certainty.

The group applied for and recieved a government wages subsidy of $1,032,374 in April 2020. Of this subsidy $36,870 has been recognised in these accounts. The Solway Park Hotel is likely to have the biggest impact on its trading and the group has completed a restructure of the hotel reducing staff numbers.

The impact of the trading restrictions on results for the year ended 31 March 2020 are estimated as a reduction in profit of $200,000 for the parent and $360,000 for the group.

Finance facilities

As a precautionary measure Trust House Limited has put in place additional debt facilities of $2,000,000 with the BNZ Bank. These facilities are for a term of 3 years and on similar terms to the existing borrowings.