

MASTERTON COMMUNITY TRUST ACCOUNTS 2019-20

The following Masterton Community Trust 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.

**Masterton Community Trust
Financial statements
for the year ended 31 March 2020**

UNAUDITED

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Masterton Community Trust
Income statement
For the year ended 31 March 2020

Income statement

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Group 2020 \$	Group 2019 \$
Continuing operations			
Revenue	5	30,369,927	29,287,859
Less cost of sales		<u>(4,361,879)</u>	<u>(4,117,225)</u>
Gross profit		<u>26,008,048</u>	<u>25,170,634</u>
Operating expenses	7	<u>(19,125,865)</u>	<u>(18,454,937)</u>
Operating profit		6,882,183	6,715,697
Finance costs	22	(1,119,611)	(1,007,197)
Finance income	22	<u>6,941</u>	<u>41,027</u>
Net finance costs	22	(1,112,670)	(966,170)
Net operating profit		5,769,513	5,749,527
Non-operating items	6	<u>5,345,490</u>	<u>6,730,887</u>
Net profit before charitable donations		<u>11,115,003</u>	<u>12,480,414</u>
Charitable donations		<u>(4,262,129)</u>	<u>(4,124,301)</u>
Net profit for year		<u>6,852,874</u>	<u>8,356,113</u>
Attributable to:			
Equity holders of Masterton Community Trust		6,459,643	7,876,624
Non-controlling interest		<u>393,231</u>	<u>479,489</u>
		<u>6,852,874</u>	<u>8,356,113</u>

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

Masterton Community Trust
Statement of comprehensive income
For the year ended 31 March 2020

Statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2020

	Group 2020 \$	Group 2019 \$
Net profit / (loss)	6,852,874	8,356,113
Other comprehensive income:		
Total other comprehensive income / (expense)	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>6,852,874</u>	<u>8,356,113</u>
Attributable to:		
Equity Holders of Masterton Community Trust	6,459,643	7,876,624
Non-controlling interest	<u>393,231</u>	<u>479,489</u>
	<u>6,852,874</u>	<u>8,356,113</u>

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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
Attributable to:		
Masterton Community Trust	18	6,459,643
Minority Interest	18	<u>393,231</u>
		6,852,874
Equity at the end of the year	18	<u>82,457,748</u>
Group		2019 \$
Equity at the start of the year		67,248,761
Total comprehensive income / (expense)		8,356,113
Attributable to:		
Masterton Community Trust	18	7,876,624
Minority Interest	18	<u>479,489</u>
		8,356,113
Equity at the end of the year	18	<u>75,604,874</u>

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

Masterton Community Trust
Statement of financial position
As at 31 March 2020

Statement of financial position

AS AT 31 MARCH 2020

	Notes	Group 2020 \$	Group 2019 \$
Current assets			
Cash and cash equivalents	8	882,216	763,439
Trade and other receivables	9	1,419,911	321,237
Prepayments		337,803	313,571
Inventories	10	387,409	399,277
Other investments	11	-	51,446
Assets held for sale		<u>420,000</u>	<u>696,000</u>
Total current assets		<u>3,447,339</u>	<u>2,544,970</u>
Non-current assets			
Investment properties	12	84,130,000	76,714,000
Property, plant and equipment	13	20,416,482	18,461,503
Intangible assets	14	<u>910,271</u>	<u>958,789</u>
Total non-current assets		<u>105,456,753</u>	<u>96,134,292</u>
Total assets		<u>108,904,092</u>	<u>98,679,262</u>
Current liabilities			
Trade and other payables	15	2,616,766	2,021,175
Employee entitlements	16	979,941	823,425
Borrowings	17	330,989	377,870
Lease liabilities	29	209,048	-
Charitable donations allocated		<u>732,946</u>	<u>615,482</u>
Total current liabilities		<u>4,869,690</u>	<u>3,837,952</u>
Non-current liabilities			
Employee entitlements	16	29,599	67,582
Borrowings	17	20,089,584	19,124,584
Lease liabilities	29	1,440,752	-
Provisions	24	<u>16,719</u>	<u>44,270</u>
Total non-current liabilities		<u>21,576,654</u>	<u>19,236,436</u>
Equity			
Retained earnings	18	77,453,322	70,993,679
Asset revaluation reserve	18	272,846	272,846
Non-controlling interest		<u>4,731,580</u>	<u>4,338,349</u>
Total equity		<u>82,457,748</u>	<u>75,604,874</u>
Total liabilities and equity		<u>108,904,092</u>	<u>98,679,262</u>

Signed on behalf of Masterton Community Trust

J Kershaw
TRUSTEE

L Griffiths
TRUSTEE

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

Masterton Community Trust
Statement of cash flows
For the year ended 31 March 2020

Statement of cash flows

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Group 2020 \$	Group 2019 \$
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		30,237,237	29,319,435
Interest received		<u>6,941</u>	<u>41,027</u>
		30,244,178	29,360,462
Cash was applied to:			
Payments to suppliers and employees		21,883,869	20,897,219
Charitable donations		4,144,665	4,128,734
Interest paid		1,028,184	1,008,632
Lease interest paid		<u>95,592</u>	<u>-</u>
		<u>(27,152,310)</u>	<u>(26,034,585)</u>
Net cash flows from operating activities	21	<u>3,091,868</u>	<u>3,325,877</u>
Cash flows from investing activities			
Cash was provided from:			
Sale of plant, property and equipment		956,119	75,210
Sale of intangibles		24,045	16,000
Sale of investment property		360,444	-
Vendor loan repayment		<u>-</u>	<u>650,000</u>
		1,340,608	741,210
Cash was applied to:			
Purchase of plant, property and equipment		3,777,823	1,690,162
Purchase of intangible assets		130,596	126,626
Cash sold with business		-	-
Upgrading of investment property		<u>1,227,510</u>	<u>726,113</u>
		<u>(5,135,929)</u>	<u>(2,542,901)</u>
Net cash flows from investing activities		<u>(3,795,321)</u>	<u>(1,801,691)</u>
Cash flows from financing activities			
Proceeds from borrowings			
Lease debt entered into		1,000,000	-
		<u>88,215</u>	<u>-</u>
		1,088,215	-
Cash was applied to:			
Repayment of borrowings		65,000	1,065,000
Repayment of lease debt		<u>184,104</u>	<u>-</u>
		<u>(249,104)</u>	<u>(1,065,000)</u>
Net cash flows from financing activities		<u>839,111</u>	<u>(1,065,000)</u>
Net (decrease) / increase in cash held		135,658	459,186
Opening cash balance		<u>450,569</u>	<u>(8,617)</u>
Closing cash balance		<u>586,227</u>	<u>450,569</u>
Closing cash is made up of			
Cash and cash equivalents		<u>586,227</u>	<u>450,569</u>
	8	<u>586,227</u>	<u>450,569</u>

Notes to the Financial Statements

1 REPORTING ENTITY

These financial statements have been prepared in accordance with the Sale and Supply of Alcohol Act 2012. The consolidated financial statements of Masterton Community Trust as at and for the year ended 31 March 2019 comprise of Masterton Community Trust, Trust House Limited (94.3% owned) and Trust House Foundation (a controlled entity).

The Masterton Community Trust is a community trust established in accordance with the Sale of Supply of Alcohol Act 2012 and through its subsidiary Trust House Limited is primarily involved in the hospitality industry running a number of bars, restaurants, bottle stores a hotel and a large rental housing portfolio.

2 BASIS OF PREPARATION

(a) Statement of compliance

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

The financial statements were approved by the Board of Trustees on 5 October 2021.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). For the purposes of complying with NZ GAAP the entity is a for-profit entity. Under the Accounting Standards Framework, the Trust has determined that it is a 'tier two' entity, as the Trust has expenses less than \$30 million, however, the Trust elects to report under 'tier one' accounting standards.

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

(b) Measurement base

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

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

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

Functional and presentation currency

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

(c) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

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

Changes in accounting policy and disclosures

New and amended standards adopted by the Trust

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 a change in depreciation policy for the Trust House Limited (refer to depreciation policy)

Basis of consolidation

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

The Group financial statements consolidate the financial statement of subsidiaries.

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

Subsidiaries

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

Transactions eliminated on consolidation

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

Financial instruments

The Group has the following financial instruments:

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

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

Financial instruments are measured as described below.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Trust House Limited 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of receivables

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

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 classified 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 bottle store, 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.

Income Tax

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The measurement of deferred tax reflects the tax consequences that would flow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Trust can control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax is charged or credited to the Income Statement, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Goods and Services Tax

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

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

Charitable donations

Charitable donations are recognised when approval is given.

Held for sale assets

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

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

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

New standards, amendments and interpretations not yet effective

There are no standards or amendments that have been issued but are not yet effective that are expected to have a significant impact on the Group.

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.

UNAUDITED

5 REVENUE

	Group 2020	Group 2019
	\$	\$
Revenue from contracts with customers	23,472,929	23,214,515
Revenue from other sources	598,394	261,064
Residential rental revenue	<u>6,298,604</u>	<u>5,812,280</u>
Total revenue	<u>30,369,927</u>	<u>29,287,859</u>

Disaggregation of revenue from contracts with customers

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

	Revenue recognised at a point in time	Revenue recognised over time	Total
	\$	\$	\$
Group 2020			
Hospitality	13,194,465	-	13,194,465
Gaming income	9,902,629	-	9,902,629
Other	<u>337,348</u>	<u>38,487</u>	<u>375,835</u>
Total	<u>23,434,442</u>	<u>38,487</u>	<u>23,472,929</u>
2019			
Hospitality	12,872,125	-	12,872,125
Residential rents	-	-	-
Gaming income	9,924,107	-	9,924,107
Other	<u>356,134</u>	<u>62,149</u>	<u>418,283</u>
Total	<u>23,152,366</u>	<u>62,149</u>	<u>23,214,515</u>

Performance obligations

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

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

Trust House Limited receives 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 Group has the following revenue recognised at a point in time:

Hospitality revenue is received from the supply of food, beverage 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 \$
Change in fair value of investment property	12	<u>5,345,490</u>	<u>6,730,887</u>
		<u>5,345,490</u>	<u>6,730,887</u>

7 OPERATING EXPENSES

		Group 2020 \$	Group 2019 \$
Administration and financial		1,263,854	1,268,581
Advertising and promotion		852,367	897,120
Audit Fees		102,053	98,090
Audit Fees - Masterton Community Trust		4,322	5,250
Prospective financial statement review*		4,210	4,210
Bad debts		204	23,428
Movement in provision for doubtful debts		21,928	805
Depreciation		1,732,750	1,546,805
Amortisation		112,351	114,160
Impairment of property, plant and equipment		5,000	4,000
Impairment of investment property		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	-
Property expenses		4,406,361	4,092,312
Rent and lease expenses		351,000	809,491
Employee costs		7,335,976	6,760,104
Directors and Trustees Fees		327,230	311,935
Gaming Machine Duty and Licenses		<u>2,527,232</u>	<u>2,575,817</u>
		<u>19,125,865</u>	<u>18,454,937</u>

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

8 CASH AND CASH EQUIVALENTS

	Group 2020 \$	Group 2019 \$
Bank balances	656,370	544,093
Cash floats	<u>225,846</u>	<u>219,346</u>
Cash and cash equivalents	<u>882,216</u>	<u>763,439</u>
	Group 2020 \$	Group 2019 \$
Cash and cash equivalents	882,216	763,439
Bank overdrafts used for cash management purposes	<u>(295,989)</u>	<u>(312,870)</u>
Cash and cash equivalents	<u>586,227</u>	<u>450,569</u>

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

9 TRADE AND OTHER RECEIVABLES

	Group 2020 \$	Group 2019 \$
Trade receivables	266,971	263,351
Less provision for impairment	<u>(48,660)</u>	<u>(26,732)</u>
	218,311	236,619
Sundry receivables	<u>1,201,600</u>	<u>84,618</u>
	<u>1,419,911</u>	<u>321,237</u>
	2020 \$	2019 \$

Aging of trade receivables

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

Not past due	132,711	158,067
1-30 days	50,943	51,980
31-60 days	11,048	7,728
60 days+	<u>72,269</u>	<u>45,577</u>
	<u>266,971</u>	<u>263,352</u>

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
	\$	\$
As at 1 April	26,732	25,927
Additional provisions made during the year	21,928	23,838
Receivables written off during the year	<u>-</u>	<u>(23,033)</u>
Balance at the end of the year	<u>48,660</u>	<u>26,732</u>

Amounts charged to the provision are generally written off when there is no expectation of recovering additional cash.

The individually impaired receivables relate mainly to customers that are in difficult economic circumstances.

10 INVENTORIES

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

Inventory comprises goods available for sale and food ingredients.

No inventories are pledged as security for liabilities (2019 \$nil). However, some inventories are subject to retention of title clauses.

11 OTHER INVESTMENTS

	Group 2020	Group 2019
	\$	\$
Current investments (at amortised cost)		
Foodstuffs Ltd - deferred rebates	<u>-</u>	<u>51,446</u>
Total investments	<u>-</u>	<u>51,446</u>

12 INVESTMENT PROPERTY

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

(a) Residential properties

	Group 2020 \$	Group 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	<u>5,159,220</u>	<u>6,534,118</u>
	<u>81,075,000</u>	<u>75,244,000</u>

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 2020 \$	Group 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 commercial properties has been designated as an investment property.

	Group 2020 \$	Group 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	<u>186,270</u>	<u>196,769</u>
Balance at 31 March	<u>3,055,000</u>	<u>1,470,000</u>
Classified as:		
Non Current	<u>3,055,000</u>	<u>1,470,000</u>
	<u>3,055,000</u>	<u>1,470,000</u>

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

The fair value of the buildings at 31 March 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 experienced valuers with extensive market knowledge in the types of investment properties owned by the Group.

	Group 2020 \$	Group 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	<u>15,950,385</u>	<u>8,825,288</u>	<u>996,437</u>	<u>98,139</u>	<u>25,870,249</u>
Balance at 31 March 2019	15,950,385	8,825,288	996,437	98,139	25,870,249
IFRS 16 Adjustment	<u>306,356</u>	<u>170,322</u>	-	<u>112,248</u>	<u>588,926</u>
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	<u>18,534,945</u>	<u>9,038,434</u>	<u>1,004,002</u>	<u>286,431</u>	<u>28,863,812</u>
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	<u>726,707</u>	<u>6,075,507</u>	<u>543,206</u>	<u>63,326</u>	<u>7,408,746</u>
Balance at 1 April 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	<u>1,276,508</u>	<u>6,468,747</u>	<u>576,864</u>	<u>125,211</u>	<u>8,447,330</u>
Carrying amounts					
As at 31 March 2019	<u>15,223,678</u>	<u>2,749,781</u>	<u>453,231</u>	<u>34,813</u>	<u>18,461,503</u>
As at 31 March 2020	<u>17,258,437</u>	<u>2,569,687</u>	<u>427,138</u>	<u>161,220</u>	<u>20,416,482</u>

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation - land and buildings

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

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

The valuations were primarily based on the rental capitalisation methodology, depreciated replacement cost is used as a support method.

The total fair value of land and buildings valued by J McKeefry for the Group at 31 March 2018 was \$15,720,000. The valuation uses Level 2 observable inputs in arriving at fair value.

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

Impairment

Net impairment losses for the Group of \$5,000 were recognised in 2019/20 (2018/19 \$4000).

Insurance

The Group is part of an 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	<u>770,000</u>	<u>831,800</u>	<u>1,601,800</u>
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	<u>770,000</u>	<u>869,772</u>	<u>1,639,772</u>
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	<u>114,286</u>	<u>528,725</u>	<u>643,011</u>
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	<u>120,636</u>	<u>608,865</u>	<u>729,501</u>
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)

(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

The 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 2020 \$	Group 2019 \$
The Ledge	79,364	85,714
Post Office Hotel	395,000	395,000
Jackson Street Bar	<u>175,000</u>	<u>175,000</u>
Total Goodwill	<u>649,364</u>	<u>655,714</u>

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

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

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

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

14 INTANGIBLE ASSETS (continued)

(iv) Sensitivity to changes in assumptions

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

15 TRADE AND OTHER PAYABLES

	Group 2020 \$	Group 2019 \$
Trade creditors	785,550	1,094,167
Interest payable	5,026	9,191
Capital payables	161,100	32,838
Accrued expenses	539,101	743,803
Intangible payables	472	44,850
Revenue in advance	1,125,517	96,326
	2,616,766	2,021,175

16 EMPLOYEE ENTITLEMENTS

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

17 BORROWINGS

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

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

All movements in borrowings are cash.

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Nominal interest rate	Year of maturity	Face value 2020 \$	Carrying amount 2020 \$	Face value 2019 \$	Carrying amount 2019 \$
Group						
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	5,000,000	5,000,000	5,000,000	5,000,000
Other loans	0.0%	2020-2024	124,584	124,584	189,584	189,584
Bank overdrafts	5.83%-7.35%		<u>295,989</u>	<u>295,989</u>	<u>312,870</u>	<u>312,870</u>
Total interest-bearing liabilities			<u>20,420,573</u>	<u>20,420,573</u>	<u>19,502,454</u>	<u>19,502,454</u>

The ANZ National Bank overdrafts are secured with registered first mortgages over land and buildings with a carrying amount of \$7,156,390 (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	Revaluation reserve \$	Retained earnings \$	Total equity \$
Balance at 1 April 2018	272,846	63,117,055	63,389,901
Total comprehensive income / (expense)	<u>-</u>	<u>7,876,624</u>	<u>7,876,624</u>
Balance at 31 March 2018	<u>272,846</u>	<u>70,993,679</u>	<u>71,266,525</u>
Balance at 1 April 2019	272,846	70,993,679	71,266,525
Total comprehensive income / (expense)	<u>-</u>	<u>6,459,643</u>	<u>6,459,643</u>
Balance at 31 March 2020	<u>272,846</u>	<u>77,453,322</u>	<u>77,726,168</u>
Minority interest	Revaluation reserve \$	Retained earnings \$	Total equity \$
Balance at 1 April 2018	16,609	3,842,251	3,858,860
Total comprehensive income / (expense)	<u>-</u>	<u>479,489</u>	<u>479,489</u>
Balance at 31 March 2019	<u>16,609</u>	<u>4,321,740</u>	<u>4,338,349</u>
Balance at 1 April 2019	16,609	4,321,740	4,338,349
Total comprehensive income / (expense)	<u>-</u>	<u>393,231</u>	<u>393,231</u>
Balance at 31 March 2020	<u>16,609</u>	<u>4,714,971</u>	<u>4,731,580</u>

19 FINANCIAL INSTRUMENTS

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

Market Risk

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

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a finance instalment 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 sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

	Group 2020 \$	Group 2019 \$
Overdrafts and credit lines in place	2,000,000	2,000,000
Term facilities undrawn	1,000,000	2,000,000

Since balance date the Group 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	<u>2,328,417</u>	<u>941,900</u>	<u>21,222,187</u>	<u>-</u>	<u>24,492,504</u>	<u>21,501,101</u>
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	<u>2,652,215</u>	<u>982,500</u>	<u>21,231,240</u>	<u>14,584</u>	<u>24,880,539</u>	<u>20,829,299</u>

(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).

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	1,419,911	1,419,911
Cash and cash equivalents	<u>882,216</u>	<u>882,216</u>
	<u>2,302,127</u>	<u>2,302,127</u>
2019		
Assets		
Available for sale financial assets	51,446	51,446
Trade and other receivables	321,238	321,238
Cash and cash equivalents	<u>763,439</u>	<u>763,439</u>
	<u>1,136,123</u>	<u>1,136,123</u>

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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	<u>20,420,573</u>	<u>20,420,573</u>
Total liabilities	<u>21,501,101</u>	<u>21,501,101</u>
2019		
Liabilities		
Trade and other payables	1,326,845	1,326,845
Borrowings	<u>19,502,454</u>	<u>19,502,454</u>
Total liabilities	<u>20,829,299</u>	<u>20,829,299</u>

20 COMMITMENTS AND CONTINGENCIES

The Group had capital commitments of \$Nil at 31 March 2020 (2019; \$Nil).

The Group had contingent liabilities of \$55,000 as at 31 March 2020 (2019: \$55,000)

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

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

	Group 2020 \$	Group 2019 \$
Net Profit/(Loss) for year	6,852,874	8,356,113
Add (less) non-cash items:		
Depreciation	1,732,750	1,546,805
Amortisation of intangibles	112,351	114,160
Revaluation of investment properties	(5,345,490)	(6,730,887)
Provisions	(27,551)	2,701
Fixed assets impairment / (reversal)	5,000	4,000
Investment property impairment	164,000	-
(Gain) loss on sale of intangibles	(1,660)	480
(Gain) loss on sale of fixed assets	(111,073)	(36,530)
Gain on sale of investment property	22,556	-
Investments issued in lieu of rebates	<u>51,446</u>	<u>48,907</u>
	(3,397,671)	(5,050,364)
Add (less) movements in working capital items:		
(Increase) / decrease in receivables and prepayments	(1,147,383)	(14,161)
(Increase)/ decrease in inventories	11,868	(408)
Increase / (decrease) in charitable distributions payable	117,464	(4,433)
Increase/ (decrease) in employee entitlements	118,534	71,595
Increase/ (decrease) in trade and other payables	<u>536,182</u>	<u>(32,465)</u>
	(363,335)	20,128
Net cash inflow from operating activities	<u>3,091,868</u>	<u>3,325,877</u>

22 FINANCE INCOME AND EXPENSES

	Group 2020 \$	Group 2019 \$
Finance costs		
Interest expense	1,024,947	1,007,197
Lease interest expense	<u>94,664</u>	<u>-</u>
Total finance costs	<u>1,119,611</u>	<u>1,007,197</u>
Interest income	<u>(6,941)</u>	<u>(41,027)</u>
Total finance income	<u>(6,941)</u>	<u>(41,027)</u>
Net finance costs	<u>1,112,670</u>	<u>966,170</u>

23 RELATED PARTY TRANSACTIONS

(i) Parent and ultimate controlling party

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

(ii) Transactions with key management personnel

Several of the Directors of Trust House Limited and Trustees of Masterton Community Trust own or run businesses in their own right. A number of these entities transacted 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 Diaspora 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 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
	\$	\$
Salaries and other short-term benefits	1,021,300	992,903
Post-employment benefits	18,764	18,070
Termination benefits	-	-
	<u>1,040,064</u>	<u>1,010,973</u>

Key management personnel compensation comprises that of the Directors, Trustees, Chief Executive and other senior managers.

Employee Remuneration

The following table shows the number of employees whose total remuneration (including benefits) exceeds \$100,000 per annum.

	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
	<u>5</u>	<u>5</u>

23 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 distributions	4,283,189	4,118,736
Grants unclaimed	134,036	140,077
Grants approved	<u>(4,355,665)</u>	<u>(4,234,379)</u>
	<u>755,894</u>	<u>694,334</u>

For a full list of these grants please refer to Note 28.
Trust House Limited (THL) is responsible for administering Trust House Foundation (THF)

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).

24 PROVISIONS

	Group 2020	Group 2019
	\$	\$
Property reinstatement provisions	<u>16,719</u>	<u>44,270</u>
	<u>16,719</u>	<u>44,270</u>

Trust House Limited leases one premise. A condition of the lease 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 2020	
Non-current	
Opening balance as at 1 April 2019	44,270
Provisions added	3,635
Previously leased building purchased	<u>(31,186)</u>
Closing provision at 31 March 2020	<u>16,719</u>
2019	
Non-current	
At 1 April 2018	41,569
Additional provisions	<u>2,701</u>
At 31 March 2019	<u>44,270</u>

UNAUDITED

25 GROUP ENTITIES

Subsidiaries

Trust House Limited is a subsidiary.

Trust House Foundation is a controlled entity.

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

26 CAPITAL MANAGEMENT

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

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

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

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

27 GRANTS APPROVED

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

	Group 2020 \$	Group 2019 \$
Trust House Foundation - (see below for full grants listing)	4,221,629	4,094,301
Trust House Limited		
Te Timatanga Ararau Trust (Iron Maori)	30,000	30,000
Wairarapa free budgeting service	10,000	-
Fostering Kids NZ	500	-
Group Charitable distributions	<u>4,262,129</u>	<u>4,124,301</u>

Trust House Foundation grants by region:

Grants approved Masterton

Abbeyfield Masterton Inc	30,000
Access Radio Wairarapa Charitable Trust	14,000
Age Concern Wairarapa WOOPS Inc	10,000
Air Training Corps Assn Masterton Branch 21 Squadron	1,254
All Kiwi Sports Club Inc	160,000
Alzheimers Wairarapa Inc	10,000
Aquajets	750
Aratoi Regional Trust	55,000
Arthritis New Zealand	2,500
Athletics Masterton Inc	1,500
Autism New Zealand - Wellington and Wairarapa	4,000
Autism Wairarapa Charitable Trust	20,000
Ballance School Board of Trustees	1,000
Bowls New Zealand Inc	1,000
Bowls Wairarapa Inc	2,000
Brain Injury Association Central Districts Inc	1,200
Bush Blue Light	1,742
Bush Multisports Trust	20,000
Bush Netball Club	5,000
Bush Riders Motorcycle Club Inc	9,000
Bush Saturday Morning Rugby	1,000

27 GRANTS APPROVED (continued)

Bush Sports Club Inc	6,500
Camp Quality Wellington/Central Districts	5,000
Carterton Association Football and Sports Club	2,624
Carterton Community Food Collaborative Inc	1,200
Carterton District Council	60,000
Carterton Golf Club Inc	8,000
Carterton Tennis Club Inc	500
Castlepoint Church Trust	506
Castlepoint Fishing Club Inc	2,262
CCS Disability Action Wairarapa Inc	5,000
Celtic Marist Netball Club	1,422
Central Wairarapa Indoor Bowls Association	4,000
ChangeAbility Inc	29,000
Cobblestone Trust	3,000
Community Networks Wairarapa Inc	15,000
Crisis Pregnancy Support Wairarapa Trust	5,000
Dalefield Hockey Club	12,500
Dannevirke Amateur Swimming Club	1,500
Destination Wairarapa Inc	160,000
Digital Seniors	15,000
Douglas Villa Association Football Club Inc	5,000
Dress for Success Wellington	5,000
Dressage Wellington	3,200
Eketahuna & Districts Early Settlers Museum Society Inc	1,200
Eketahuna Rugby Football Club	5,000
Eketahuna Tui's Womens Hockey Team	1,000
Epilepsy Association of New Zealand Inc	2,000
Eventing Wairarapa	5,000
Featherston Amateur Wrestling Club Inc	4,000
Featherston Hockey Club Inc	2,000
Friends of Queen Elizabeth Park Inc	1,500
Friends of the ANZAC Bridge	2,500
Giants Softball Club	7,000
Girlguiding New Zealand	8,000
Gladstone School Board of Trustees	5,000
Gladstone Womens Hockey Club	450
Golden Shears International Shearing Championships Society Inc	47,000
Greytown Bowling Club Inc	520
Greytown Cricket Club Inc	3,000
Greytown Heritage Community Trust	1,000
Greytown Lioness Club	800
Greytown Menz Shed	3,000
Greytown Rugby Football Club	5,000
Greytown School Board of Trustees	7,000
Greytown Sport & Leisure Society Inc	7,500
Hadlow Board of Trustees	2,000
He Kahui Wairarapa Inc	12,000
Heart Kids Wellington	3,000
Hospice Wairarapa Community Trust	10,000
House of Science Wairarapa Charitable Trust	6,000
IDFNZ Kids Foundation	1,539
Ikaroa Ki Te Tonga Maori Netball	680
Island Bay Bowling Club Inc	10,000
Island Bay Softball Club Inc	2,438
Jazz in Martinborough	3,500
Kaibosh Food Rescue	5,000
Kidz Need Dadz Charitable Trust Wellington Inc	1,500
Kidzone	1,000
Kuranui College Board of Trustees	5,000
Lansdowne Bowling Club Inc	20,000
Lansdowne Cricket Club Inc	2,517

27 GRANTS APPROVED (continued)

Learn and Live Ministries Charitable Trust Inc	63,000
Learning Disabilities Assn Wai Inc	7,000
Lions Club of Martinborough Charitable Trust	2,078
Literacy Wairarapa Inc	2,210
Mahunga Golf Club Inc	5,000
Makoura College Board of Trustees	21,800
Marist Old Boys	2,000
Marist Rugby Football Club Masterton Inc	12,000
Martinborough Business Association Inc	7,000
Martinborough Hockey Club	1,200
Martinborough Mens Shed Inc	8,500
Martinborough Music Festival	3,500
Masterton Amateur Theatrical Society Inc (MATS)	15,000
Masterton Bowling Club Inc	50,000
Masterton Community Church	2,500
Masterton Community Patrol	10,000
Masterton District Council	5,000
Masterton Eketahuna Pro-am	4,000
Masterton Family Education and Support Centre	8,000
Masterton Foodbank Inc	15,000
Masterton Motorplex Inc	22,000
Masterton Racing Club Inc	5,000
Masterton Red Star Rugby Club	9,000
Masterton Squash Club	10,000
Masterton Tennis Centre	15,000
Masterton Young Citizens Club Inc	6,248
Mauriceville School Board of Trustees	4,000
Mountains To Sea Wellington Trust	5,040
MS Primary Schools Sports	1,287
Muscular Dystrophy Assn of NZ	10,000
Netball Wairarapa Inc	30,000
New Zealand Red Cross Inc	10,000
New Zealand Suzuki Institute - Wellington Branch	1,500
Ngai Tumapuhia-a-Rangi Ki Okautete Inc	7,210
NZ Council of Victim Support Groups - Wairarapa	4,000
NZ Council of Victim Support Groups Palmerston North	1,000
Oasis Trust	6,000
Opaki Netball Club	900
Opaki School Board of Trustees	3,000
Outward Bound Trust of New Zealand	10,000
Pahiatua Community Services Trust	10,000
Pahiatua Football Club	2,880
Pahiatua Golf Club Inc	10,000
Papawai Marae Kaumatua Housing Trust	16,000
Parkinson's New Zealand	7,098
Philips Search and Rescue Trust	8,000
Presbyterian Support Central	3,000
Project M Charitable Trust	200
Pukaha Mount Bruce Board	100,000
Red Star Cricket Club	8,000
Red Star Sports Association Inc	12,000
Red Star Womens Hockey	1,000
Riversdale Beach Golf Club	4,000
Riversdale Beach Surf Lifesaving Club Inc	6,120
Road Safety Education Ltd	2,500
Ronald McDonald House Charities New Zealand Trust	4,000
Royal New Zealand Foundation of the Blind	6,000
Royal New Zealand Society for Prevention of Cruelty to Animals	8,143
Ruamahanga Restoration Trust	4,000
Saint Marks Churchwardens Seasons Grief & Loss Programme	2,000
Seniornet Wairarapa	2,500

27 GRANTS APPROVED (continued)

Shear History Trust	4,700
Sport Wellington	10,000
St John Wairarapa District	7,641
St Mary's School	2,000
St Matthews Collegiate School	3,500
St Matthews Equestrian Team	2,000
Starjam Charitable Trust	4,000
Stroke Central Region Inc	4,000
Tararua College Board of Trustees	20,000
Tararua Squash Club Inc	477
Te Awhina Cameron Community House Inc	21,500
Te Kura o Papatuanuku Wairarapa Earth School Charitable Trust	10,000
The Carter Society Inc	1,816
The Catwalk Trust	4,000
The Lions Club of Featherston Charitable Trust	1,500
The Masterton Savage Club Inc	1,933
The Mauriceville/Kopuaranga Fair Assn Inc	1,000
The New Zealand Sport & Vintage Aviation Society Inc	7,000
The Pahiatua Marae Inc	10,000
The Parenting Place - Attitude Division	2,000
The Scout Association of New Zealand	4,000
The Songbirds	1,500
Tinui Parish ANZAC Trust	2,500
Trinity Schools Trust Board	10,000
Waihinga Charitable Trust	10,000
Wairarapa Aero Club Inc	8,000
Wairarapa Agricultural & Pastoral Society Inc	7,000
Wairarapa Arts Festival Trust	30,000
Wairarapa Balloon Society Inc	30,000
Wairarapa Bird Club Inc	1,100
Wairarapa Branch Black & Coloured Sheep Breeders Assn	2,500
Wairarapa Bush Rugby Football Union Inc	60,000
Wairarapa Citizens Advice Bureau	3,000
Wairarapa Community Centre Trust	3,000
Wairarapa Cricket Association Inc	35,500
Wairarapa Diamonds Marching Team	1,000
Wairarapa Dragon Boat Club Inc	3,500
Wairarapa Green Dollar Exchange Inc	1,000
Wairarapa Harness Racing Club Inc	3,500
Wairarapa Inter-Collegiate Speech Competition	1,240
Wairarapa Kennel Association Inc	1,305
Wairarapa Mathematics Association	1,500
Wairarapa Parents Centre Inc	4,636
Wairarapa Pony Club Inc	1,370
Wairarapa Racing Club Inc	22,000
Wairarapa Rape and Sexual Abuse Collective Inc	8,000
Wairarapa REAP	8,000
Wairarapa Region Darts	3,000
Wairarapa Safer Community Trust	10,000
Wairarapa Singers Inc	3,200
Wairarapa Southern Hawke's Bay Sheep Dog Trial Club	5,000
Wairarapa Spitfires Baseball Club Inc	4,000
Wairarapa Tennis Assn Inc	15,000
Wairarapa Track and Field Inc	9,500
Wairarapa United Football Club Inc	40,000
Wairarapa Vintage Aviation Hub Community Trust	8,000
Wairarapa Volunteer Centre Inc	2,300
Wairarapa Waka Ama Canoe Club	10,000
Wairarapa Welsh Pony and Cob Show Group	800
Wairarapa Whanua Trust	20,000
Wairarapa Women's Centre	2,000

27 GRANTS APPROVED (continued)

Wairarapa Youth Charitable Trust	50,000
Waiwaste Inc	10,000
Wellington Free Ambulance Service Inc	35,000
Wellington Repertory Theatre Inc	1,000
Wellington Swimming Association	4,000
Westside Playcentre	4,000
Whaiora Whanui GP Services	12,000
Whanau Manaaki Kindergartens - York Street	3,190
Wings Over Wairarapa Community Trust	80,000
World Marudao Karate Organisation	22,487
Y M C A Masterton	5,500
Total grants approved Masterton	<u>2,275,413</u>

Grants approved Porirua

Adventure School	5,000
Age Concern Wellington	8,000
Ahu Charitable Trust ki Pukerua Bay	7,137
Arthritis New Zealand	1,500
Asert-Tatou Development Trust	17,531
Asthma New Zealand Inc	10,000
Barnardos New Zealand	10,000
Bellyful New Zealand Trust Porirua	1,000
Big Buddy Mentoring Trust	3,000
Cannons Creek School	3,559
Cannons Creek Youth Charitable Trust	15,000
Choirs Aotearoa New Zealand Trust	3,000
Citizens Advice Bureau Porirua Inc	8,549
College Sport Wellington	5,000
Dementia Wellington Charitable Trust	5,000
Diabetes Wellington Inc	1,000
English Language Partners NZ Trust - Porirua Centre	13,412
Environmental Education for Resource Sustainability Trust	2,565
First Titahi Bay Scout Group	5,000
Glennette Marching Club	5,000
Glenview School	1,874
Heart Kids New Zealand	2,000
Holy Family School	12,038
Kerry Fundraisers	1,000
Kickback Touch Football Club Rugby Inc	5,000
Kiwi Community Assistance Charitable Trust	13,786
Life Education Trust North Wellington	15,000
Linden School	3,750
Lions Club of Mana Charitable Trust	16,749
Literacy Aotearoa Charitable Trust	20,000
Little Sprouts Charitable Trust	12,000
Louise Perkins Foundation - Sweet Louise	1,000
Mana Amateur Athletic Club	5,749
Mana Kayak Racing Club Inc	4,000
Mana Marlins Masters Swim Club Inc	3,552
Mana Squash Rackets Club Inc	2,591
Mary Potter Hospice	105,000
New Zealand Barbarians Tag Football Inc	10,000
Ngati Toa Sea Scout Unit	4,000
Ngatitua Tennis Club Inc	4,000
North City Cricket Club Inc	4,351
Northern United Netball Club	6,462
NZ Council of Victim Support Groups Porirua	4,769
Outdoor Participation 2018 Trust	2,000
Pacific Heat Sports Club	2,340
Parafed Wellington Inc	7,564

27 GRANTS APPROVED (continued)

Paremata Plimmerton Junior Softball Club	2,346
Paremata Plimmerton RFC	60,000
Parent to Parent Wellington Region	5,000
Parkinson's New Zealand	10,000
Plimmerton Bowling Club Inc	5,000
Porirua Arabic Study Centre Inc	10,000
Porirua Basketball Association	20,320
Porirua Canoe Kayak Club Inc	9,345
Porirua City Classic Touch	3,483
Porirua City Community IT Education Trust Inc	10,000
Porirua City Council	45,000
Porirua City Junior Cricket Club	1,745
Porirua City Tag NZTFI Module Inc	6,000
Porirua East Eagles Netball Club	4,310
Porirua Foundation Inc	23,800
Porirua Grand Traverse Trust	20,000
Porirua Ladies Indoor Netball	4,773
Porirua Primary Schools Sports Association	1,390
Porirua Tag NZTFI Reps Inc	10,000
Porirua Vikings Rugby League Community Club Inc	10,000
Porirua Whanau Centre Trust	20,000
Pukerua Bay School	2,480
Rangikura School	4,680
Redwood School	4,000
Sailability Wellington Trust	10,000
Sir Edmund Hillary Outdoor Pursuits Centre	5,000
Special Olympics Mana	22,194
Special Olympics Wellington	1,200
Sri Lanka Senior Association Inc NZ	500
St George Rugby League Football Club	20,000
St Theresa's School Board of Trustees	4,744
Tawa Bowling Club Inc	2,300
Tawa College Board of Trustees	10,000
Tawa Hockey Club Inc	1,000
Tawa Progressive and Ratepayers Assn Inc	5,000
Tawa Rugby Football Club Inc	7,000
Tawa School Board of Trustees	5,000
Tawa Swimming Club	5,000
Tawa-Lyndhurst Tennis Club	10,000
Te Whare Tiaki Wahine Refuge	25,833
Tennis Central Region Inc	1,000
The Black Grace Trust	10,000
The House of Grace Trust Inc	5,000
The Orpheus Choir of Wellington Inc	4,000
The Parenting Place	3,881
The Scout Association of New Zealand	4,000
Titahi Bay Amateur Athletics Club	20,000
Titahi Bay North School	5,000
Titahi Bay School Board of Trustees	7,500
Titahi Golf Club Inc	11,000
Trust Porirua City Brass Inc	13,974
Wellfed NZ Trust	12,396
Wellington City Mission Anglican Trust Board	48,244
Wellington Maori Cultural Society Inc	25,335
Wellington North Badminton Association Inc	15,000
Wellington Riding For The Disabled Assn Inc	19,000
Wellington Rugby League Masters	3,000
Wellington Sexual Abuse HELP Foundation	5,000
Wellington Touch Association Inc	5,000
Wellington Volunteer Centre	12,000
Wesley Wellington Mission Inc	10,000

27 GRANTS APPROVED (continued)

Western Suburbs Soccer Club	30,000
Whanau Manaaki Kindergartens	50,000
Whanau Manaaki Kindergartens - Nuanua	3,600
Whanau Manaaki Kindergartens - Plimmerton	3,308
Whanau Manaaki Kindergartens - Titahi Bay	3,000
Whanau Manaaki Kindergartens - Toru Fetu	2,500
Whitby Tennis Club	3,000
Whitford Brown Community Workshop Trust	16,978
YMCA of Greater Wellington Inc	8,127
Youth Development Trust Wellington	11,200
Zonta Club Of Mana Area Inc	1,345

Total grants approved Porirua **1,202,659**

Grants approved Rimutaka

4 A Better City Charitable Trust	1,000
Akatarawa Scout Group	5,775
Arthritis New Zealand	1,000
Big Buddy Mentoring Trust	4,000
Expressions Arts & Entertainment Centre	15,000
Heretaunga Players Inc	1,000
Mangaroa School	6,338
Maoribank School Board of Trustees	6,933
Riding for the Disabled Association Hutt Valley Group Inc	9,520
Rimutaka Inline Hockey Club Inc	3,500
Rimutaka Steppers Leisure Marchers	4,024
Seniornet Upper Hutt Inc	2,731
Tararua Sports Club	25,000
Te Marua Golf Club Inc	3,130
Te Omanga Hospice Trust	20,000
Totara Park Playcentre	1,005
Trentham Boxing Club	1,070
Trentham United Harrier Club Inc	5,339
Upper Hutt City of Song Charitable Club	40,804
Upper Hutt Community Children's Centre Trust	1,823
Upper Hutt Rams Rugby Football Club	20,000
Upper Hutt Toy Library Inc	2,500
Upper Hutt Women's Centre Inc	18,000
Wellington Kart Club Inc	9,600
Whanau Manaaki Kindergartens - Doris Nicholson	1,418

Total grants approved Rimutaka **210,510**

Grants approved Flaxmere

Age Concern Flaxmere Inc	32,000
Anahera O Te Rangī Charitable Trust	2,016
Arthritis New Zealand	1,500
Arts Inc Heretaunga Inc	8,000
Basketball Hawke's Bay Inc	13,000
Big Brothers Big Sisters of Hawke's Bay	3,000
Birchleigh Polo	7,731
Brain Injury Association (HB) Inc	6,000
Bridge Pa School	4,000
Christian Lovelink	1,000
Citizens Advice Bureau Hastings Inc	10,000
Disability Resource Centre (HB) Trust	3,000
Family Works Hawke's Bay (Presbyterian Support East Coast)	20,000
Fastpitch Softball Club	2,036

27 GRANTS APPROVED (continued)

Flaxmere Baptist Church Community Trust	5,500
Flaxmere College	5,000
Flaxmere Community Patrol	6,000
Flaxmere Maori Wardens	10,000
Flaxmere Schools Cluster	200,000
Hanley Productions Ltd	5,000
Hastings Art and Culture Trust	2,000
Hastings Artists Group Inc	2,000
Hastings District Council	25,000
Hastings Group Riding for the Disabled Assn Inc	5,000
Hastings Hibernian AFC Inc	5,000
Hawke's Bay Community Fitness Centre Trust	30,000
Hawke's Bay Multisports Club	960
Hawke's Bay Softball Association	6,000
Heretaunga Kindergarten Association Inc Peterhead Kindergarten	4,000
Heretaunga Swimming Club	10,000
Heretaunga Women's Centre	1,500
Hikoi Koutou Charitable Trust	10,000
In Solidarity Charitable Trust	10,000
Kimi Ora Community School	50,000
Leg-Up Trust	20,000
Life Education Trust Hawke's Bay	5,000
Morgan Educare Centre Ltd 2nd	3,519
Morgan Educare Centre Ltd	1,324
Napier Civic Choir Inc	1,000
National Youth Drama School	2,000
Ngati Kahungunu Iwi Inc	11,000
Nourished for Nil Ltd	1,200
NZ Council of Victim Support Groups Hawke's Bay	3,692
Ocean Beach Kiwi Surf Life Saving Club Inc	2,250
Orchestrate Hawke's Bay	3,000
Outward Bound Trust of New Zealand	10,000
Prima Volta Charitable Trust	8,000
Purena Koa Rehua Youth Services	7,843
Road Safety Education Ltd	1,150
Taiao Combat Academy	2,689
Tamatea Rugby League Club Inc	7,000
Taradale Volunteer Brigade	8,000
Te Kohanga Reo O Mere Karena	2,500
Te Tai Timu Trust	3,500
Te Whare Aroha O Nga Mokopuna Inc	10,000
The Hearing Association - Hastings Branch Inc	5,000
The Order of St John - Hawke's Bay District	3,757
The Parenting Place - Attitude Youth Division	1,416
The Zimbelstern Foundation	1,000
Volleyball Hawke's Bay	5,000
Wharariki (Flax) Trust	20,000
Youth Development Trust Hawke's Bay	4,000
Zeal Education Trust (Hawke's Bay)	6,000
Total grants approved Flaxmere	<u>667,083</u>
Total grants approved	4,355,665
Reversed / reduced	<u>(134,036)</u>
	<u>4,221,629</u>

28 INCOME TAX

	Consolidated	
	2020	2019
	\$	\$
(a) Income tax expense		
Current tax:		
Current tax on profits for the year	-	-
Adjustments in respect of prior years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	-	-
Impact of change in New Zealand tax rate	-	-
Total deferred tax	-	-
Income tax expense	-	-
 (b) Numerical reconciliation of income tax expense to prima facie tax payable		
Surplus / (deficit) before tax and donations	11,115,003	12,480,414
Charitable donations	(4,262,129)	(4,124,301)
Surplus before tax	6,852,874	8,356,113
Income tax @ 28%	1,918,805	2,339,712
Tax effect of a change in tax rates	-	-
Tax effects of:		
Non-taxable income	(1,918,805)	(2,339,712)
	-	-

UNAUDITED

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 \$
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	<u>1,140,403</u>
Discount using incremental borrowing rate	<u>(132,194)</u>
Operating lease liabilities	<u>1,008,209</u>
Reasonably certain extension options	<u>970,717</u>
Total lease liabilities recognised under IFRS 16 at 1 April 2019	<u>1,978,926</u>
In relation property plant & equipment	588,926
In relation to investment property	<u>1,390,000</u>
	<u>1,978,926</u>

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 2020 \$	Group 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 2020 \$	Group 1 April 2019 \$
Current	209,048	341,258
Non-current	<u>1,440,752</u>	<u>1,637,668</u>
	<u>1,649,800</u>	<u>1,978,926</u>

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	<u>(184,104)</u>
Lease liabilities at 31 March at Net Present Value	<u>1,649,800</u>

At 31 March 2020 the Group 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 liabilities for the Group 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 the Group 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	<u>(34,657)</u>	<u>(68,452)</u>	<u>(76,479)</u>	<u>(179,588)</u>
	<u>37,226</u>	<u>96,534</u>	<u>129,320</u>	<u>263,080</u>

	Group 2020 \$	Group 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	<u>417,083</u>	<u>-</u>
	<u>2,029,408</u>	<u>395,958</u>

The Group has a 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.

30 SUBSEQUENT EVENTS

The Group has three subsequent events:

Land Sale

The conditional sale of land at The Farriers in Masterton for \$425,000 was expected to settle in 2020. However, the purchaser failed to meet its contractual obligations and the Group exercised its right under the sale and purchase agreement to terminate the agreement. This cancellation of the contract is now a matter of dispute between the original purchaser and the Group.

Finance facilities

As a precautionary measure Trust House Limited 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.

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, restaurants and gaming operations of the group to cease trading. The Solway Park hotel continued to trade on a limited basis as it provided accommodation and meals for essential workers. The residential housing services stayed open as an essential service.

The group applied for and received 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 was expected to have the biggest impact on its trading (with conference and large events cancelled) for the full year and so the group subsequently completed a restructure of the hotel to reduce 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 \$360,000 for the Group.

Our valuer, Jerome McKeefry of Telfer Young Wellington noted in his valuation of the residential housing portfolio dated 31 March 2020 that:

"The Covid-19 virus is currently having a major impact on the New Zealand economy and is a significant risk to property markets. Property is a lagged asset class and the effects of Covid-19 are yet to embody in transactions by an amount able to be quantified. Given the unknown future impact of Covid-19 on the property market , a greater degree of uncertainty is attached to our valuation"

Since reopening, trading has been significantly better than forecast. This alongside deliberate reductions in non-essential spending has resulted in a record trading profit for the company for the year 2020/21.