

NEW ZEALAND METROPOLITAN TROTTHING CLUB (INC.)

FINANCIAL STATEMENTS 2007

RACEMEETING STATEMENT	1
FINANCIAL PERFORMANCE & MOVEMENTS IN EQUITY	2
FINANCIAL POSITION	3
CASH FLOWS	4
NOTES TO THE FINANCIAL STATEMENTS	5-17
AUDITOR'S REPORT	18

NEW ZEALAND METROPOLITAN TROTTING CLUB (INC.)

RACE MEETING ACCOUNT

For the year ended 31 July 2007

Number of Race Meetings	39	35
	2007	2006
	\$	\$
Racing Income		
Acceptances	277,161	382,327
Gates	182,214	172,982
NZRB & Sires Stake Subsidies	2,009,730	1,645,620
NZRB Product Payments	5,200,281	4,033,461
Privileges & Sales	210,400	174,157
Sponsorship/Donations	1,526,148	1,499,768
Tote Income	1,109,934	997,872
Other	151,860	229,390
Total Income	10,667,728	9,135,577
Racing Expenditure		
Advertising & Promotion	553,494	577,258
HRNZ Levies & charges	349,127	369,837
Printing	8,500	15,586
Racebooks	40,365	41,746
Racenight Expenses	447,633	395,880
Racenight Wages	452,997	383,951
Stakes/Travel Subsidies	7,014,207	5,865,643
Tote Expenses	206,915	187,053
Inter-Dominion Levy	80,000	77,525
Total Expenditure	9,153,238	7,914,479
Net Race Meeting Surplus	1,514,490	1,221,098

The accompanying notes form part of these financial statements

NEW ZEALAND METROPOLITAN TROTTING CLUB (INC.)

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 July 2007

	Notes	Group		Club	
		2007 \$	2006 \$	2007 \$	2006 \$
General Operating Revenue		1,514,490	1,221,098	1,514,490	1,221,098
Other Operating Revenue	2	795,995	840,079	346,620	305,641
ARPL Operating Revenue	2	210,359	63,838	0	0
Gain on sale of property, plant & equipment		699,378	0	0	0
		3,220,222	2,125,015	1,861,110	1,526,739
General Operating Expenditure					
Operating Expenses		374,381	347,525	374,381	347,525
Repairs & Maintenance		271,649	260,681	271,649	260,681
Administration Expenses		396,006	395,784	269,471	275,351
Employment Expenses		739,139	750,865	717,858	725,788
Other Expenses (Incl Rates, Insurance, Power)		370,453	402,930	238,702	272,111
ARPL Operating Expenses		540,321	229,560	0	0
Loss on sale of property, plant & equipment		0	54,978	0	0
Depreciation					
- Freehold Buildings		511,336	496,171	0	0
- Furniture & Fittings		56,752	46,626	0	0
- Plant & Improvements		206,858	191,598	0	0
		3,466,895	3,176,718	1,872,061	1,881,456
General Operating (Deficit)	3	(246,673)	(1,051,703)	(10,951)	(354,717)
Net Events Centre Surplus		342,578	348,923	0	0
Operating Surplus / (Deficit) Before Tax & Minority Interest		95,905	(702,780)	(10,951)	(354,717)
Tax expense	4	(25)	(65)	0	0
Surplus / (Deficit) Before Minority Interest		95,880	(702,845)	(10,951)	(354,717)
(Surplus) attributable to Minority Interest		(17)	(44)	0	0
Surplus / (Deficit) attributable to the Club		95,863	(702,889)	(10,951)	(354,717)

STATEMENT OF MOVEMENTS IN EQUITY

For the year ended 31 July 2007

	Group		Club	
	2007 \$	2006 \$	2007 \$	2006 \$
Equity at 1 August	20,077,326	20,780,171	10,838,786	11,193,503
Surplus / (deficit) attributable to the Club	95,863	(702,889)	(10,951)	(354,717)
Revaluation of land and buildings	8,684,407	0	0	0
Net current value revaluation of investment properties	1,296,263	0	0	0
Surplus attributable to Minority Interest	17	44	0	0
Total Recognised Revenues and Expenses for the year	10,076,550	(702,845)	(10,951)	(354,717)
Equity at 31 July	30,153,876	20,077,326	10,827,835	10,838,786

The accompanying notes form part of these financial statements

NEW ZEALAND METROPOLITAN TROTTING CLUB (INC.)

STATEMENT OF FINANCIAL POSITION

As at 31 July 2007

	Notes	Group		Club	
		2007 \$	2006 \$	2007 \$	2006 \$
Accumulated Funds	5	30,153,876	20,077,326	10,827,835	10,838,786
Current Liabilities					
Trade payables		1,071,924	415,069	168,845	119,814
Sundry payables & accruals		558,447	471,857	489,837	320,030
Payable to Trophy Metropolitan Limited		4,345	0	0	0
Company Tax Payable		25	219	0	0
Current portion of term liabilities	6	86,321	274,652	46,718	263,911
Employee entitlements		129,715	107,870	56,626	46,553
		1,850,777	1,269,667	762,026	750,308
Non-Current Liabilities					
Term Liabilities	6	4,760,623	1,058,942	2,334	3,267
		4,760,623	1,058,942	2,334	3,267
		36,765,276	22,405,935	11,592,195	11,592,361
Current Assets					
Cash/Bank		1,218,490	430,865	1,283,742	392,329
Trade receivables		503,743	397,473	253,443	99,846
Sundry receivables & prepayments		164,577	130,281	66,853	34,094
Receivable from Addington Raceway Ltd		0	1,667	806,723	1,885,102
Inventories	7	106,623	109,445	0	0
		1,993,433	1,069,731	2,410,761	2,411,371
Non-Current Assets					
Property, Plant & Equipment	8	28,173,875	20,024,254	0	0
Investment Properties*	9	6,575,641	1,293,332	0	0
Related party advance		0	0	2,678,571	2,678,571
Investments	10	22,327	18,618	6,502,863	6,502,419
		34,771,843	21,336,204	9,181,434	9,180,990
		36,765,276	22,405,935	11,592,195	11,592,361

*Undeveloped land is included at a cost of \$176,337; the Club has a valuation for this land from BBK of \$4,133,333.

For and on behalf of the Board of Directors which authorises the issue of the financial report on 28 September 2007



Director



Director

The accompanying notes form part of these financial statements

NEW ZEALAND METROPOLITAN TROTTING CLUB (INC.)

STATEMENT OF CASH FLOWS

For the year ended 31 July 2007

	Notes	Group		Club	
		2007 \$	2006 \$	2007 \$	2006 \$
Cash Flows from Operating Activities					
<i>Cash was provided from:</i>					
Receipts from customers		14,831,550	13,289,237	10,607,269	9,318,901
Rent received		415,630	379,702	0	0
Interest received		65,229	4,942	136,548	97,400
Dividends received		262	204,198	0	0
		15,312,671	13,878,079	10,743,817	9,416,301
<i>Cash was disbursed to:</i>					
Payments to suppliers & employees		14,752,017	13,350,479	10,664,801	9,749,960
Interest		277,536	51,763	10,126	51,755
Rent		60,204	60,204	0	0
		15,089,757	13,462,446	10,674,927	9,801,715
Net Cash Inflow / (Outflow) from Operating Activities	18	222,914	415,633	68,890	(385,414)
Cash Flows from Investing Activities					
<i>Cash was provided from:</i>					
Sale of Investments		0	37,500	0	0
Sale of Property, Plant & Equipment		875,000	747,815	0	0
		875,000	785,315	0	0
<i>Cash was disbursed to:</i>					
Purchase of Property, Plant & Equipment		415,782	605,151	0	0
Purchase of Investment Properties by ARPL		3,367,274	1,063,317	0	0
Purchase of Shares		3,265	3,861	0	0
Southland Building Society		444	622	444	621
		3,786,765	1,672,951	444	621
Net Cash Outflow from Investing Activities		(2,911,765)	(887,636)	(444)	(621)
Cash Flows from Financing Activities					
<i>Cash was provided from:</i>					
Term Loan by ARPL		3,742,217	1,025,296	0	0
Funding from Addington Raceway Limited		0	0	1,077,967	931,288
		3,742,217	1,025,296	1,077,967	931,288
<i>Cash was disbursed to:</i>					
Repayment of Lease Liability		10,741	9,606	0	0
Repayment of Term Loan		255,000	620,528	255,000	620,528
		265,741	630,134	255,000	620,528
Net Cash Inflow from Financing Activities		3,476,476	395,162	822,967	310,760
Net Increase / (Decrease) in Cash Held		787,625	(76,841)	891,413	(75,275)
Add opening cash brought forward		430,865	507,706	392,329	467,604
Ending Cash Carried Forward		1,218,490	430,865	1,283,742	392,329
<i>Represented by:</i>					
Cash/Bank		1,218,490	430,865	1,283,742	392,329
		1,218,490	430,865	1,283,742	392,329

The accompanying notes form part of these financial statements

NEW ZEALAND METROPOLITAN TROTTHING CLUB (INC.)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 July 2007

I. Statement of Accounting policies

Reporting Entity

New Zealand Metropolitan Trotting Club (Inc) is an incorporated society, registered under the Incorporated Societies Act 1908.

The New Zealand Metropolitan Trotting Club (Inc) Group consists of the New Zealand Metropolitan Trotting Club (Inc), its subsidiary, Addington Raceway Limited, its subsidiary Addington Raceway Properties Limited (incorporated on 27 July 2004) and its subsidiary NZ Metropolitan Properties Management Limited (incorporated on 12 May 2005).

The financial statements and Group financial statements of the New Zealand Metropolitan Trotting Club (Inc) have been prepared in accordance with generally accepted accounting principles.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the Group, with the exception that certain non current assets as specified below have been revalued.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied.

a) Basis of Consolidation – Purchase method

The consolidated financial statements include the holding entity and its subsidiary accounted for using the purchase method. All significant inter-entity transactions are eliminated on consolidation. In the parent entity financial statements the investment in the subsidiary is stated at cost.

b) Joint Ventures

Joint ventures are joint arrangements with other parties in which the company has several liability in respect of costs and liabilities, and shares in any resulting output. The company's share in these items is incorporated into the statement of financial performance and financial position.

c) Property, Plant & Equipment

The Group has the following classes of property, plant & equipment:

- Freehold land
- Freehold buildings
- Furniture and fittings
- Plant and improvements
- Assets subject to finance lease
- Work In Progress (Raceway improvements)

All property, plant & equipment are recorded at cost, except for land and buildings which are to be revalued every five years.

When property, plant & equipment is disposed of, the gain or loss recognised in the statement of financial performance is calculated as the difference between the sale price and the carrying value of the property, plant and equipment.

Depreciation is provided using a mixture of straight line and diminishing value bases on all tangible property, plant & equipment other than freehold land, at rates calculated to allocate the assets' cost over their estimated useful lives.

Leased assets are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the assets.

NEW ZEALAND METROPOLITAN TROTTHING CLUB (INC.)

Major depreciation periods are:

- Freehold buildings 10 to 50 years
- Furniture and fittings 5 to 12 years
- Plant and improvements 5 to 66 years

d) Investment Properties

Investment properties intended to be held by an entity, are stated at net current value, which reflects market conditions at the balance sheet date. Development properties and undeveloped land are measured at cost, until they are over 80% pre let. Increases/decreases in net current values are recognised in the property Revaluation Reserve in the year in which they arise.

e) Receivables

Receivables are stated at their estimated realisable value.

f) Income Tax

The income tax expense charged to the statement of financial performance includes both the current year's provision and the income tax effect of timing differences calculated using the liability method.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

The New Zealand Metropolitan Trotting Club (Inc) is exempt from paying income tax.

g) Inventories

Inventories are stated at the lower of cost, determined on a first in first out basis, and net realisable value.

h) Leases

The Group entities lease certain plant and equipment.

Finance leases, which effectively transfer to the entity substantially all of the risks and benefits incident to ownership of the leased item, are capitalised at the present value of the minimum lease payments. The leased assets and corresponding liabilities are disclosed and the leased assets are depreciated over the period the entity is expected to benefit from their use.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal installments over the lease term.

i) Financial Instruments

The Group is party to financial instruments to meet its operating and financing needs. All financial instruments are recorded at their estimated fair value.

j) Cash Flows

Included in the definition of cash for the purpose of preparing the Statement of Cash Flow are the Current Accounts of the New Zealand Metropolitan Trotting Club, Addington Raceway Ltd and NZ Metropolitan Properties Management Limited, Foodstuffs (SI) Ltd call account, and cash on hand, and a share in the bank account held by NZ Metropolitan Properties Joint Venture.

Changes in Accounting Policies / Comparatives

Investment Properties have been reclassified from Property, Plant and Equipment (work in progress). This has resulted in an amount of \$1,293,332 being transferred from Property, Plant and Equipment and included in Investment Properties in the comparative figures. Other than this there have been no changes in accounting policies between the 2006 and 2007 accounting years.

NEW ZEALAND METROPOLITAN TROTTING CLUB (INC.)

2. Other Operating Revenue

	Group		Club	
	2007	2006	2007	2006
	\$	\$	\$	\$
Interest Revenue	64,538	4,826	136,548	97,400
Members subscriptions	144,650	144,541	144,650	144,541
Rent received	270,396	377,113	0	0
Track advertising	76,100	74,800	0	0
Surplus distribution from car parking joint venture	40,000	40,000	0	0
Management fee from joint venture	4,627	4,333	0	0
Dividend revenue	262	156	0	0
Other	195,422	194,310	65,422	63,700
	795,995	840,079	346,620	305,641
Gross Turnover	60,120,268	54,494,081	56,196,901	50,806,066

Addington Raceway Properties Ltd Operating Revenue

	Group		Club	
	2007	2006	2007	2006
	\$	\$	\$	\$
Rent received	145,235	2,589	0	0
Management fee from subsidiaries	64,433	61,133	0	0
Interest revenue	691	116	0	0
Total Operating Revenue	210,359	63,838	0	0
Gross Turnover	0	0	0	0

3. General Operating Surplus/(Deficit)

	Group		Club	
	2007	2006	2007	2006
	\$	\$	\$	\$
After charging:				
Bad debts written off	108,336	9,611	58,060	6,915
Directors Fees	65,500	65,500	0	0
Finance charges on finance leases	4,187	5,321	0	0
Interest	10,126	35,311	10,126	51,755
Interest ex joint venture	267,417	16,452	0	0
Rental expense	60,204	60,204	0	0
Audit fees	37,246	34,831	15,350	18,408
Fees paid to auditors for other services	14,656	13,439	6,250	2,600

NEW ZEALAND METROPOLITAN TROTTING CLUB (INC.)

4. Tax Expense

	Group		Club	
	2007	2006	2007	2006
	\$	\$	\$	\$
Operating surplus/(deficit) before tax & Minority Interest	95,905	(702,780)	(10,951)	(354,717)
Operating tax exempt portion	10,951	354,717	10,951	354,717
Operating surplus/(deficit) deficit subject to income tax	106,856	(348,063)	0	0
Prima facie taxation @ 33%	35,262	(114,861)	0	0
Tax effect on differences:				
Non taxable gain on sale of property, plant and equipment	(230,795)	0	0	0
Other permanent and timing differences including tax losses not recognised in deferred tax	195,558	114,926	0	0
Income Tax Expense/(Benefit)	25	65	0	0
The income tax expense is represented by:				
Current tax	25	65	0	0
Deferred tax	0	0	0	0
Income Tax Expense/(Benefit)	25	65	0	0

The future tax benefit on tax losses in 2007 amounted to \$1,281,153 (2006 \$1,338,550). These have not been recorded in the Statement of Financial Performance and Statement of Financial Position as they are only recognised where there is virtual certainty of realisation.

On 21 May 2007 legislation was enacted reducing the company tax rate to 30% with effect from the 2008-09 year. The tax effect of the unrecognised losses at 30% would be \$1,164,685.

NEW ZEALAND METROPOLITAN TROTTING CLUB (INC.)

5. Accumulated Funds

	Group		Club	
	2007 \$	2006 \$	2007 \$	2006 \$
Balance at beginning of the year	8,449,792	9,152,637	10,838,786	11,193,503
Net Surplus/(Deficit) attributable to the Club	95,863	(702,889)	(10,951)	(354,717)
Net Surplus attributable to Minority Interest	17	44	0	0
Transfer from Land Revaluation Reserve	128,267	0	0	0
	8,673,939	8,449,792	10,827,835	10,838,786
Asset Revaluation Reserves (as below)	21,479,937	11,627,534	0	0
Balance at end of the year	30,153,876	20,077,326	10,827,835	10,838,786
Allocated as follows:				
Accumulated Funds attributable to the Club	30,153,671	20,077,138	10,827,835	10,838,786
Minority Interests	205	188	0	0
	30,153,876	20,077,326	10,827,835	10,838,786

Asset Revaluation Reserves

	Group		Club	
	2007 \$	2006 \$	2007 \$	2006 \$
Land Revaluation Reserve				
Balance at beginning of the year	2,825,969	2,825,969	0	0
Revaluation of land	13,967,443	0	0	0
Realisation on land sales transferred to Accumulated Funds	(128,267)	0	0	0
Balance at end of the year	16,665,145	2,825,969	0	0
Building Revaluation Reserve				
Balance at beginning of the year	8,801,565	8,801,565	0	0
Revaluation of buildings	(5,283,036)	0	0	0
Balance at end of the year	3,518,529	8,801,565	0	0
Investment Property Revaluation Reserve				
Balance at beginning of the year	0	0	0	0
Net current value revaluation of developed properties	1,296,263	0	0	0
Balance at end of the year	1,296,263	0	0	0
Total Asset Revaluation Reserves	21,479,937	11,627,534	0	0

NEW ZEALAND METROPOLITAN TROTTING CLUB (INC.)

6. Term Liabilities

	Group		Club	
	2007 \$	2006 \$	2007 \$	2006 \$
Lease Commitments	30,379	41,120	0	0
Prepaid membership	44,052	7,178	44,052	7,178
Term Loans	4,772,513	1,285,296	5,000	260,000
Total liability	4,846,944	1,333,594	49,052	267,178
Less current portion	86,321	274,652	46,718	263,911
Total term liabilities	4,760,623	1,058,942	2,334	3,267
Repayable as follows:				
Less than 1 year	86,321	274,652	46,718	263,911
1-2 years	3,923,529	12,962	778	933
2-5 years	696,148	789,177	1,245	1,867
More than 5 years	140,946	256,803	311	467
	4,846,944	1,333,594	49,052	267,178

Of the term loans, \$5,000 is secured by registered first mortgage over the freehold land and buildings of the Addington Raceway Limited. The interest rate for this loan averaged 10.21% (2006 10.5%) per annum and is repayable on 2 May 2008. The balance of the term loans are secured by a mortgage against the land held by Addington Raceway Properties Limited which forms part of the joint venture, and represents two-thirds of the total value of the loans held by the Joint Venture. The interest rate for these loans averaged 9.1 % (2006 8.9%) per annum and are repayable at varying dates between 27 November 2007 and 10 March 2011.

The finance lease is secured over the item being leased, an Isuzu Truck. The interest rate applicable to the lease is 11.5%. There are no financing restrictions, renewal or purchase options relating to this asset.

7. Inventory

	Group		Club	
	2007 \$	2006 \$	2007 \$	2006 \$
Food & Beverage	94,079	96,901	0	0
Other	12,544	12,544	0	0
Total Inventory	106,623	109,445	0	0

Approximately 60% of the inventories are subject to retention clauses.

NEW ZEALAND METROPOLITAN TROTTING CLUB (INC.)

8. Property, Plant & Equipment

	Group			Club		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
	\$	\$	\$	\$	\$	\$
2007						
Freehold Land (at valuation)	17,215,000	0	17,215,000	0	0	0
Freehold Buildings (at valuation)	11,859,009	2,494,423	9,364,586	0	0	0
Furniture & Fittings	1,237,998	1,068,066	169,932	0	0	0
Plant & Improvements	4,455,109	3,168,882	1,286,227	0	0	0
Assets subject to finance leases	50,298	22,635	27,663	0	0	0
Work In Progress (Raceway improvements)	110,467	0	110,467	0	0	0
	34,927,881	6,754,006	28,173,875	0	0	0
2006						
Freehold Land (at valuation)	3,387,557	0	3,387,557	0	0	0
Freehold Buildings (at valuation)	16,591,860	1,865,250	14,726,610	0	0	0
Furniture & Fittings	1,359,202	1,073,151	286,051	0	0	0
Plant & Improvements	4,492,911	3,024,586	1,468,325	0	0	0
Assets subject to finance leases	50,298	15,090	35,208	0	0	0
Work In Progress (Raceway improvements)	120,503	0	120,503	0	0	0
	26,002,331	5,978,077	20,024,254	0	0	0

There are no restrictions on the use or disposal of assets, or legal title to assets.

Revalued freehold land and buildings on hand at balance date are stated at their net current value as determined by an independent registered valuer, PJ Smith FNZPI, of the firm Binns, Barber & Keenan Ltd, as at 31 July 2007.

9. Investment Properties

	Group		Club	
	2007	2006	2007	2006
	\$	\$	\$	\$
Investment Properties	6,000,000	0	0	0
Development Properties	399,304	1,063,317	0	0
Undeveloped Land	176,337	230,015	0	0
	6,575,641	1,293,332	0	0

Investment properties are carried at net current value, which has been determined based on valuations performed by PJ Smith FNZPI, of the firm Binns Barber & Keenan Limited as at 31 July 2007 for the current year.

The net current value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation, in accordance with New Zealand Valuation Standards.

Development properties and undeveloped land are carried at cost.

Current accounting standards require development properties intended to be held by an entity, to have 80% of total expected rental revenues pre-let before development margins can be recognised. This was not the case as at 31 July 2007. A valuation performed by PJ Smith FNZPI, of the firm Binns Barber & Keenan Limited as at 31 July 2007 has given the undeveloped land a net current value of \$4,133,333. This, combined with completed developments, would value Investment Properties at \$10,532,637.

The comparative figures were previously classified as property, plant and equipment.

NEW ZEALAND METROPOLITAN TROTTING CLUB (INC.)

10. Investments

	Group		Club	
	2007	2006	2007	2006
	\$	\$	\$	\$
Investment in Addington Raceway Limited	0	0	6,493,282	6,493,282
Other Investments	22,327	18,618	9,581	9,137
Total investments	22,327	18,618	6,502,863	6,502,419

Investments in Subsidiary	Percent Held		Balance Date
	2007	2006	
Addington Raceway Limited	100%	100%	31 July

Addington Raceway Ltd is involved in racecourse ownership and entertainment.

Subsidiary of Addington Raceway Limited	2007	2006	Balance Date
	Addington Raceway Properties Limited	100%	

Addington Raceway Properties Limited is involved in commercial property investing. Addington Raceway Properties Limited (previously known as Wrights Road Developments Limited) was incorporated on 27 July 2004.

Subsidiary of Addington Raceway Property Limited

NZ Metropolitan Properties Management Limited	67%	67%	31 July
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NZ Metropolitan Properties Management Limited is involved in providing management services and was incorporated on 12 May 2005.

NZ Metropolitan Properties Limited	67%	67%	31 March
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NZ Metropolitan Properties Limited is a nominee company holding titles to land owned by Addington Raceway Properties Limited and Trophy Metropolitan Limited, and was incorporated on 12 May 2005.

There are no financial transactions through this company.

NZ Metropolitan Trotting Club (Inc) is jointly and severally liable for the liabilities of all these subsidiary companies. The increase in the individual assets and liabilities relating to the subsidiaries is reflected in the group statement of financial position.

The subsidiaries hold no interest in the net assets held by the Club.

NEW ZEALAND METROPOLITAN TROTTING CLUB (INC.)

11. Joint Ventures

Addington Raceway Limited has entered into a joint venture with the Christchurch City Council where they share equally in any surplus generated managing the car park owned by Addington Raceway Limited, after deducting a management fee payable to Vbase Venue Management Group Limited and providing for future repairs and maintenance of the car park. The Christchurch City Council has guaranteed Addington Raceway Limited a minimum surplus distribution of \$40,000 per annum. The joint venture was entered into on 1 September 1998. The joint venture has been audited, and has a balance date of 30 June. Operating results, assets and liabilities for the joint venture with the Christchurch City Council are not proportionately consolidated within the financial statements of Addington Raceway Limited. Of the minimum annual surplus of \$40,000 as guaranteed by the Christchurch City Council, \$40,000 was outstanding at year end.

Addington Raceway Limited has a 67% interest in NZ Metropolitan Properties, an unincorporated joint venture with Trophy Metropolitan Limited. NZ Metropolitan Properties is a commercial property investor. The operating results for the year ended 31 July 2007 have been included in NZ Metropolitan Trotting Club's group financial statements. NZ Metropolitan Trotting Club (Inc) is severally liable for its share of liabilities.

Operating results, assets and liabilities for the joint venture with Trophy Metropolitan Limited are proportionately consolidated within the financial statements as follows:

	Group		Club	
	2007	2006	2007	2006
	\$	\$	\$	\$
Receivables	74,199	81,341	0	0
Investment Properties	6,575,641	1,293,332	0	0
Total share of assets	6,649,840	1,374,673	0	0
Less:Liabilities				
Bank Overdraft	116,697	159,851	0	0
Creditors	687,628	68,499	0	0
Bank Loan	4,767,513	1,025,296	0	0
Total share of liabilities	5,571,838	1,253,646	0	0
Net investment in joint venture	1,078,002	121,027	0	0
Share of revenue	145,926	2,705	0	0
Share of expenses	485,215	177,290	0	0

As previously stated in note 9, the undeveloped land has been recorded at cost, as current accounting standards require development properties intended to be held by an entity to have 80% of total expected rental revenues pre-let before development margins can be recognised. This was not the case as at 31 July 2007. A valuation performed by PJ Smith FNZPI, of the firm Binns Barber & Keenan Limited as at 31 July 2007, has given the undeveloped land a net current value of \$4,133,333. This, combined with completed developments, would value Investment Properties at \$10,532,637, and increase the Net investment in the joint venture to \$5,034,998.

The comparative figures for Investment Properties were previously classified as Property, Plant and Equipment.

NEW ZEALAND METROPOLITAN TROTTHING CLUB (INC.)

12. Contingent Liabilities and Capital Commitments

As at balance date \$1,113,221 (2006 \$459,233) is committed for the completion of Investment Properties by the NZ Metropolitan Properties Joint Venture.

13. Transactions with Related Parties

Addington Raceway Limited has previously advanced \$180,000 to Addington Raceway Properties Limited for working capital. This is repayable on demand and is interest free.

Addington Raceway Limited has loaned \$4,692,156 (2006 \$4,309,185) to Addington Raceway Properties Limited towards purchase of land. The loan is repayable on demand and attracts an interest rate calculated at the 90 day bank bill rate at drawdown and each annual anniversary plus 1%.

Addington Raceway Limited received a management fee of \$12,000 (2006 \$12,000), and interest of \$370,971 (2006 \$324,056) from Addington Raceway Properties Limited. These were added to the loan from Addington Raceway Limited.

Addington Raceway Limited received a management fee of \$13,879 (2006 \$13,000) from NZ Metropolitan Properties Management Limited.

Addington Raceway Limited paid rates to Christchurch City Council. These amounted to \$68,350 (2006 \$74,111) during the year of which \$22,672 (2006 \$19,375) was outstanding at year end. Addington Raceway Limited charge the Christchurch City Council rental of \$3,333 (2006 \$3,333) per month for the lease of the land on which the Westpac Centre has been built. One month's rent was owing at 31 July 2007.

The New Zealand Metropolitan Trotting Club (Inc) has advanced \$2,678,571 (2004 \$2,678,571) to Addington Raceway Limited for expenditure on amenities for the Raceway. The advance is repayable on demand and is interest free.

NZ Metropolitan Properties Joint Venture paid legal fees to Cavell Leitch Pringle and Boyle, one of whose partners, Jim Keegan, is a director of Addington Raceway Limited

NZ Metropolitan Properties Management Limited received a management fee from NZ Metropolitan Properties – Joint Venture. This amounted to \$128,867 (2006 \$122,267) during the year.

NZ Metropolitan Properties Management Limited paid a fee to Winchester & Associates for a Consultant CEO, who is also a Director of NZ Metropolitan Properties Management Limited. These amounted to \$106,107 (2006 \$100,000) during the year.

All transactions were performed on an arm's length basis and no related party debts, were written off or forgiven during the year.

NEW ZEALAND METROPOLITAN TROTTING CLUB (INC.)

14. Financial Instruments

Credit Risk

Financial instruments which potentially subject the group to credit risk principally consist of bank balances, receivables and investments.

The group has a credit policy which is used to manage its exposure to credit risk. The group performs credit evaluations on customers requiring significant credit and generally does not require collateral.

Maximum exposures to credit risk as at balance date are:

	Group		Club	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash/Bank	1,218,490	430,865	1,283,742	392,329
Trade receivables	503,243	397,473	253,443	99,846
Sundry receivables & prepayments	164,577	130,281	66,853	34,094
Receivable from Addington Raceway Ltd	0	1,667	806,723	1,885,102
Shareholder advance	0	0	2,678,571	2,678,571
Investments	22,327	18,618	6,502,863	6,502,419

The above maximum exposures are net of any recognised provision for losses on these financial instruments. No collateral is held on the above amounts.

Concentrations of credit risk

The parent has a \$6,493,282 (2006 \$6,493,282) investment in Addington Raceway Limited and has advanced \$2,678,571 (2006 \$2,678,571) to them. The group does not have any other significant concentrations of credit risk.

Interest rate risk

The interest rate on the bank overdraft held by the group is floating. The interest rate at year end was 12.75%. The interest rates on the loans held by the Joint Venture are fixed for interest periods of 3 months.

Credit Facilities

As at year end the group has a bank overdraft facility of \$250,000 (2006 \$166,667).

Fair Values

The financial instruments are recorded at their fair values in the Statement of Financial Position.

NEW ZEALAND METROPOLITAN TROTTING CLUB (INC.)

15. Segment Information

The group operates predominantly in the entertainment and harness racing segments. The entertainment operation comprises of catering and functions. The harness racing operations comprise the provision of raceday services and other ancillary services to the industry.

All activities are carried out in New Zealand.

	Harness Racing		Event Centre		Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$
Segment Operating Result	92,583	(885,981)	342,578	348,923	(339,256)	(165,722)	95,905	(702,780)
Segment Assets	29,689,177	20,297,039	537,229	657,062	6,538,870	1,451,834	36,765,276	22,405,935

The activities include both external and internal intersegmental transactions, which are conducted on an arms length basis.

16. Operating Lease Commitments

	Group		Club	
	2007	2006	2007	2006
	\$	\$	\$	\$
Less than 1 year	21,281	28,807	0	0
1-2 years	9,732	16,228	0	0
2-5 years	5,500	3,145	0	0
	<u>36,513</u>	<u>48,180</u>	<u>0</u>	<u>0</u>

There are no financing restrictions, renewal or purchase options relating to these assets.

17. NZ International Financial Reporting Standards

The Club and group will not be electing for early adoption of NZ IFRS. A full review is currently being undertaken of any changes required to existing accounting policies necessary to ensure compliance with NZ IFRS. At this stage, the key differences are not known. Likewise, any impact on the financial statements is similarly unknown.

NEW ZEALAND METROPOLITAN TROTTING CLUB (INC.)

18.Statement of Cash Flows Reconciliations

Reconciliation of operating surplus / (deficit) after tax with cash inflow / (outflow)

	Group		Club	
	2007	2006	2007	2006
	\$	\$	\$	\$
Reported surplus / (deficit)	95,863	(702,889)	(10,951)	(354,717)
Add / (less) non-cash and non-operating items				
-depreciation	774,946	734,395	0	0
-bad debts written off	108,336	9,611	58,060	6,915
-net (gain)/loss on sale of property, plant & equipment	(699,378)	54,978	0	0
-movement in retained surplus of associate company	0	204,042	0	0
Movement in working capital				
-(increase) / decrease in receivables	(247,235)	5,808	(230,167)	16,829
-(increase) / decrease in inventory	2,822	(17,534)	0	0
-increase / (decrease) in payables	187,560	127,222	251,948	(54,441)
Net Cash Inflow (outflow) from Operating Activities	222,914	415,633	68,890	(385,414)

AUDITOR'S REPORT

To the Members of New Zealand Metropolitan Trotting Club (Incorporated)

We have audited the financial statements on pages 2 to 17. The financial statements provide information about the past financial performance of the club and group and their financial position as at 31 July 2007. This information is stated in accordance with the accounting policies set out on pages 5 and 6.

This report is made solely to the club's members, as a body, in accordance with the Constitution and Rules of the Club and the Incorporated Societies Act 1908. Our audit has been undertaken so that we might state to the club's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the club and the club's members as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibilities

The board of directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and fairly present the financial position of the club and group as at 31 July 2007 and their financial performance and cash flows for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the board of directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing: the significant estimates and judgements made by the board of directors in the preparation of the financial statements; and whether the accounting policies are appropriate to the club and group circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

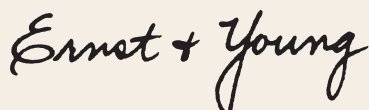
Ernst & Young have provided taxation advice to the club and group

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements on pages 2 to 17: comply with generally accepted accounting practice in New Zealand; and fairly present the financial position of the club and group as at 31 July 2007 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 28 September 2007 and our unqualified opinion is expressed as at that date.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

Christchurch