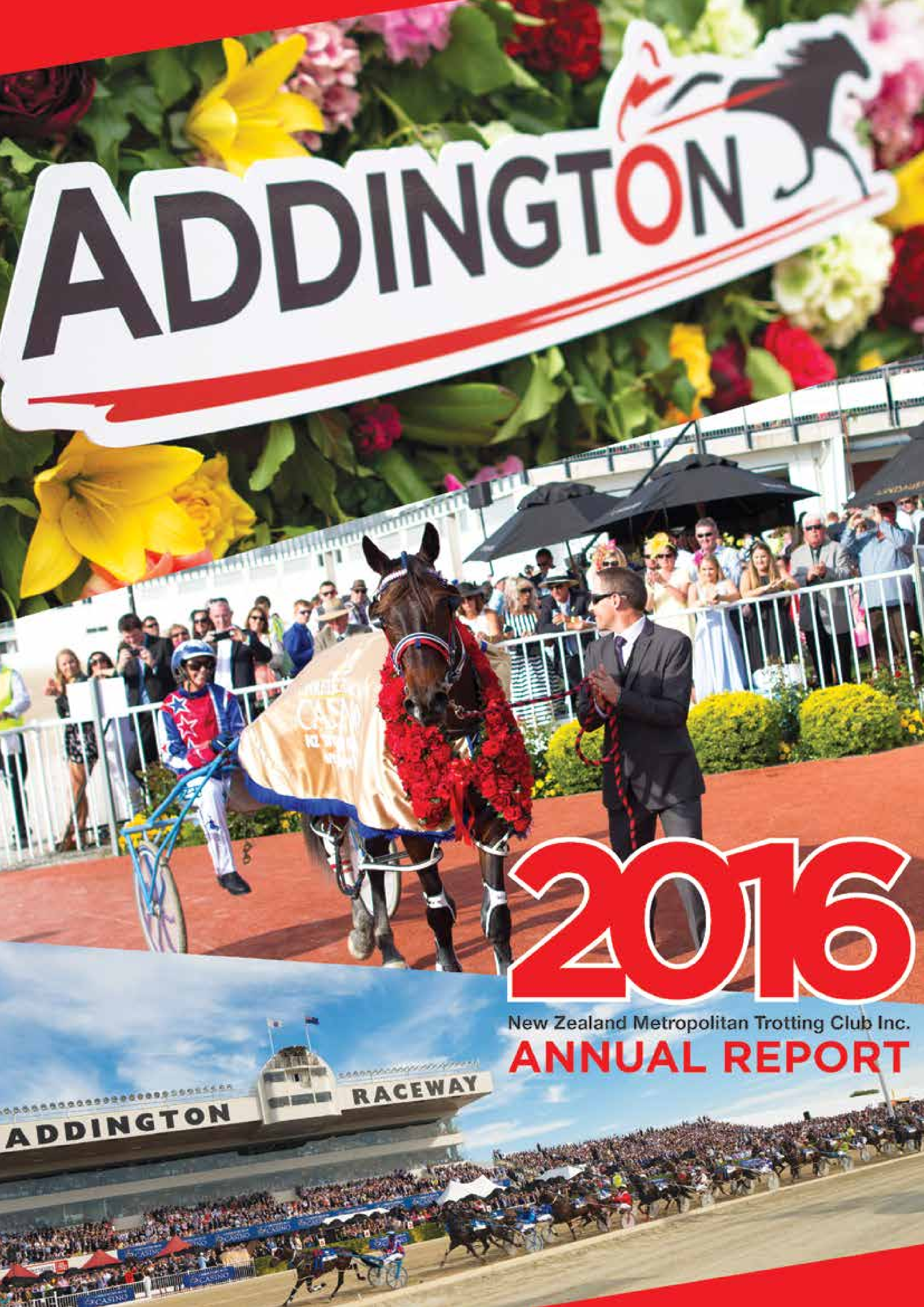

2016

New Zealand Metropolitan Trotting Club Inc.

ANNUAL REPORT


ADDINGTO
SPECTATORS
CHRISTCHURCH CASINO

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CHAIR'S REPORT

It is with pleasure that I present the Annual Report of the New Zealand Metropolitan Trotting Club for the 2015-2016 season.

When searching for the best term to describe the period under review it is always extremely difficult to settle on a single word or sentence that best sums up such a long period of time, where so much happens in such a diverse business/sport as ours. In the past season however, after a significant period of sustained growth, our Club has successfully focused on consolidating the gains we have made and as a result we are now strategically poised to unveil a number of exciting initiatives in the near future. So, I guess if there was only one word that best represents the last 12 months then that word would be 'consolidation'.

The resulting operating surplus for 2015-2016 of $72,065 was achieved in an operating environment that continues to present challenges on an almost daily basis with flat industry funding, increased regulatory compliance, an increasingly competitive local hospitality market, rapidly changing local commercial property trends and ongoing strengthening and refurbishment commitments.

Although operationally the Club enjoyed another successful year, amounts recorded below the line represent the negative impact from revaluations of Club property. These revaluations show the direct impact of general post-quake readjustments in commercial property values in Christchurch, with property in the Addington area now trending back towards more historic pre-quake values. The properties, other than 128 Wrights Road which was only completed towards the end of the financial year, are well tenanted with a strong mix of long term tenants and are producing strong cash flows. After recording approximately $9.3 million in gains since 2007, including approximately $5.2 million since 2011, this correction was not unanticipated.

A number of significant and unique challenges faced the Club as stage one of the Metropolitan Stand refurbishment and strengthening programme was ongoing through a good part of the financial year. Started soon after Cup Week and Christmas at the Races festivities were tidied up, the project was completed on time and on budget and most importantly without any undue impact on profitability through the seven months or so the project was underway. We now look forward to confirming the remaining steps to enable stage two to commence in 2017 with the hope that this stage will be substantially less intrusive than the first stage. We formally acknowledge the support of the Racing Minister and the Racing Safety Development Fund in progressing stage two.

Despite these many challenges the Club has continued to build on the commercial success it has enjoyed in recent years by sticking steadfastly to the principles established in the Strategic Plan adopted in 2012. The key focus areas that underpin our plan are:

- Strengthening the core business of racing
- Continuing to diversify the revenue base
- Developing and commercially future proofing the Addington footprint
- Operating an appropriate organisational structure that drives the business forward.

This season saw the Club commit significant additional funds to further improve returns for stakeholders, with total stakes and bonuses now up over 23% since 2012. The country's biggest race meeting, Christchurch Casino New Zealand Trotting Cup Day, remains the flagship day for our Club and our industry and the 2015 Cup, with an increase in prize money to $750,000, was certainly no exception.

A special thank you to Christchurch Casino and in particular their Racing Ambassador Barry Thomas and Chief Executive Brett Anderson, for their on-going support of such a great event. We are all tremendously proud of this day and the support the local community continues to show for such an iconic event, it definitely makes the second Tuesday in November a standout day on the national major events calendar. There is no doubt that without this day our Club and our industry would be much worse off, that is for certain.

Cup Week in general was again very pleasing for the Club with strong performances across the board in crowd numbers, wagering and hospitality, on both Cup Day and Show Day. Show Day continues to strengthen and clearly remains the second largest day in harness racing, behind Cup Day. The addition of the Kiwi Punters Championship (KPC) in 2014, increased prize money for the Woodlands New Zealand Free For All and Dominion Trot, the South of the Waitaki race and Show Day Futurity Final, which is New Zealand's richest race for non-winners at $32,000, have all contributed to this renaissance.

Racing is certainly not only about Cup Week and we also conducted 38 race meetings in the last season with an average stake/distribution of $20,291 per race, which continues to be the highest in the country. With average field sizes at the raceway now over 11 starters per race for the first time in many many years, defying industry trends, the blend of initiatives that have been implemented in recent years where owners, trainers, breeders and stakeholder loyalty are all recognised have most definitely contributed to this pleasing result. The racing season in general is covered in more detail in the racing section of this report on page 7.

The increases we have been able to pass on to stakeholders in recent years have, due to flat industry funding, had to be sourced from our non-racing revenue which now accounts for over 53% of our total revenue. With our commercial property investments and award winning Events Centre underpinning this non-racing revenue we have further diversified this to include substantial contributions from car parking and storage with additional projects currently in the advanced stage.

Spectators continues to show strong revenue growth and the decision to open the bar and bistro in 2013, having been identified in our Strategic Plan as a key initiative to be undertaken, is repaying the Club every year in spades. A strong and growing events schedule at both AMI Stadium and Horncastle Arena underpin the success of this venture in addition to the core equine and dog racing events we traditionally hold.

The old stables and float parking area has been tidied up and is now beginning to contribute to the revenue base of the Club – being used for commercial storage and parking. Options remain open for the future redevelopment of the block and we are currently in the process of doing some further background work to put the Club in the position to progress these should the right opportunity arise. On-going work concerning evaluating the best options for the Twiggers Stand continues, with resolution regarding firming up long term plans likely in the next 12 months.

It is absolutely essential that we continue to search for opportunities to further diversify our revenue base. With the latest New Zealand Racing Board 'Statement of Intent' (SOI) setting out total distributions to the three codes for the coming season being increased by only $1.3 million to $136.2 million, it is obvious that our key prospects to diversify lie outside the more traditional industry based revenue sources.

As detailed above, the current Addington Raceway footprint bears little visual resemblance to that which existed only five years ago but it is also vastly different behind the scenes with the Club now enjoying an extremely productive relationship with Vbase, operators of Horncastle Arena, AMI Stadium and the wider Raceway carpark. Although not as obvious as a new hotel, a new commercial building in Wrights Road or the old stables and float parking area being cleared and redeveloped, make no mistake that being able to work from the same page in a collaborative manner with Vbase is extremely important not just for our Club but also for the wider community.

Many, many events are now being seamlessly planned and delivered on the footprint virtually on a daily basis, making it literally the beating heart of Christchurch's sporting, entertainment and cultural well-being. It is fabulous to see and a credit to the vision of those that came before us and the current operational teams at the Club, AMI Stadium and Horncastle Arena, who are working so well together to manage this significant increase in activity. A fine example of this was on one particularly fine Saturday afternoon in May when AMI Stadium hosted a NRL fixture, which commenced virtually the same time a premier card of harness racing was coming to its conclusion here at the Raceway itself. The vibe around the footprint and in our facilities from late morning that day was just superb and a real advertisement for the 'Sportsville' like scenario that now exists here at Addington. Thank you again to Vbase and the Stadium Trust for your ongoing efforts, this really is vintage times for the Addington area.

Governance, or more particularly good governance, has long been a challenge for not only our Club but also for the wider harness racing industry and indeed the racing industry in general. Without being so bold to say the latter is solved, we are certainly proud of the initiatives we have undertaken as a Club to ensure we exhibit all the hallmarks of an organisation with good governance practices in place. Although not quite complete, the recommendations that emanated from the Governance Review undertaken in 2012 have largely been put in place, including the adoption of our new Rules earlier this year by our membership.

This was an important step in aligning our Clubs governance framework and policies with best practice principles and has also placed us in good stead with regards proposed changes to the Incorporated Societies Act. Taking a wider view, we believe the harness racing industry, in particular, however should continue to explore all options available to it to ensure such a vibrant and important sport for New Zealand prospers into the future under the guidance of the best possible governance structure.

The resources now required for ongoing compliance in a number of areas is getting more significant each year, none more so than in the area of Health and Safety. The Club has dedicated significant resources over the last few years to ensure no stone is left unturned in the search for excellence in Health and Safety and we were particularly pleased to be awarded Tertiary level accreditation from our ACC Workplace Safety Management Practices audit in April this year. This independent acknowledgement of our Clubs approach to Health and Safety is reflective of the change in culture that has now become well established here at the Raceway.

Our Club continues to be ably governed by a highly capable Board who possess a wide range of skills that have directly contributed to the success we have enjoyed in recent years. A sincere thank you to all our Directors and their partners for their valued efforts during the season. I also formally acknowledge all Race Meeting Stewards and their partners for their ongoing contribution to race meeting hosting and related duties, it is certainly greatly appreciated. The day to day management of Club affairs is in capable hands, under the leadership of Chief Executive Dean McKenzie, with his hard working team, striving to build on what is already a very successful Club on a daily basis. A sincere thank you for all your hard work and energy.

We are fortunate to enjoy a strong and effective working relationship with our governing bodies the New Zealand Racing Board and Harness Racing New Zealand; we thank them for their on-going assistance and support.

As is custom, I also take the opportunity to extend from the Club our sympathy to the families of Members who have passed away during the year.

I particularly thank all Members of the Club for their support over the last season. It is very much appreciated.

Barry Dent
CHAIR

RACING

It was certainly another memorable racing season at Addington Raceway with a total of 38 race meetings conducted by the Club, including eight premier fixtures, the highlight of course being Cup Week. To complete the remaining key seasonal statistics, the Club held a total of 382 races which included 36 Group or Listed races and increased its average field size to 11.03 starters, above 11 per race for the first time in many years and significantly against the national trend.

There are a number of reasons behind this success with the continued increase in stakes and incentives paid by the Club a key factor. The minimum stake paid increased during the season to $7,500 with all starters in all races guaranteed a pay-out of 2% of the stake for the race they competed in due to the continuation of the “You Start We Pay” initiative. This is the last season Addington will be the sole promotor of the initiative with the entire industry moving to that model for the 2016-2017 season and beyond, a tribute to the success that we have enjoyed with it over the last couple of seasons.

Our diverse menu of racing initiatives also directly contributed to the increase in horse traffic with the now famous Met Multiplier Bonus and also the Met Breeders Bonus both playing integral parts. The Met Multiplier once again proved popular with 31 horses earning the bonus for their connections, with a grand total of $232,500 being paid out for the season. When Arran Chief, owned by Ray Warwick and trained by Andy Faulks won its Met Multiplier Bonus in May, he became the 100th recipient of this award since its inception in August 2012. This represents an average of 25 horses a season picking up the award which is a startling increase on the four horses that would have met the same criteria in the 2011-2012 season, the period immediately prior to this initiative being put in place.

In January 2014 we introduced the Met Breeders Bonus which this season has seen a total of 142 bonuses distributed and $71,000 paid out directly to Breeders. Although we don’t perceive for one moment that this will revolutionise the breeding game in the country, we strongly believe that as the premier club in the game we need to be doing our bit to address one of the biggest challenges the sport faces and that of course is dwindling breeding numbers. Since its inception a total of approximately $237,000 has been paid to breeders and we value the partnership and close working relationship we now have with the New Zealand Standardbred Breeders Association, the Canterbury Branch and many, many breeders from the major players to the hobbyist, all of us with a vested interest in retaining a strong supply of quality Standardbreds.

Other key racing initiatives underlying this increase in horse numbers included the very popular Alabar Seasonal Super Series which was held on four occasions through the season, with total stakes of $282,000 up for grabs. This series sees lower class pacers and trotters who have supported the

Club by racing here being given the opportunity to race for $23,500, whilst at the same time being guaranteed at least $500 for competing. The quality of these races are now a feature of the racing year and many up and coming horses have had their value substantially increased by showing they are competitive in this class, with many also going on to enjoy very successful careers.

Combined with these initiatives, the Show Day Futurity, the second running of the South of the Waitaki race also on Show Day, an earlier nomination period for The Breeders' New Zealand Oaks, A Rocknroll Dance New Zealand Derby, Christchurch Casino New Zealand Trotting Cup and Hellers Dominion, together with the Christchurch Casino New Zealand Trotting Cup and Hellers Dominion ranking process have all contributed to raising the profile of our industry, Club and sponsors of these events.

Our eight premier meetings saw all races once again run for a minimum stake of $20,000, with the feature race of course being the Christchurch Casino New Zealand Trotting Cup. This year saw the great race have its stake level increased by $50,000 to $750,000 as the final act of a three year plan to bring the race back into line with other major races conducted in Australasia. As the flagship race for our industry and the focus of New Zealand's biggest racing day of the year, it is vitally important for the health of our sport that this race remains competitive with other feature international races. Together with the increase in the stake level for the Woodlands New Zealand Free For All held on Show Day to $250,000, New Zealand connections now have the opportunity to run for $1 million at Addington Raceway during Cup Week, hopefully enough of a carrot to keep buyers engaged at the yearling sales every February.

Racing action throughout the season was again of the highest quality especially at this elite Group One level. Early season lead up features to the Christchurch Casino New Zealand Trotting Cup were won by Christen Me and Tiger Tara with Sheemon and Master Lavros scoring notable wins on their way to flagship Cup Week trotting events.

The Christchurch Casino New Zealand Trotting Cup itself was won by (adopted) Australian raider Arden Rooney, for leading owners Merv and Meg Butterworth and was superbly driven by Kerryn Manning. This in itself created a bit of history with Kerryn becoming the first female to drive the winner of our great race, following hard on the heels of fellow Australian Michelle Payne becoming the first female to ride the winner of Australia's greatest race, the Melbourne Cup, only a week earlier.

Both Lazarus and Monbet commenced their march to complete seasonal domination in their respective grades by winning the NRM Sires' Stakes 3YO Colts and Geldings Final and the

Granite Benchtop Company New Zealand Trotting Free For All respectively.

On Show Day, Tiger Tara took out the $250,000 Woodlands New Zealand Free For All and rejuvenated squaregaiter Master Lavros was victorious for the second time in three years in New Zealand's richest trotting race the $250,000 Hellers Dominion Trot. Autumn staying feature, the $100,000 Breckon Farms/All Stars Racing Stables Easter Cup, was won in gritty fashion by comeback horse Locharburn.

Our autumn premier racing was once again of the highest quality and on the first night we were treated to some outstanding performances, notably Wilma's Mate in the Storer Motors New Zealand Trotting Oaks, Lazarus in the Vero Flying Stakes and Luisanabelle Midfrew created her own bit of history by becoming the first 3YO filly to win the PGG Wrightson New Zealand Breeders Stakes. The second night saw Pacing Major taking out the Avon City Ford New Zealand Welcome Stakes, Monbet continued on his winning way in the Fred Shaw Memorial New Zealand Trotting Championship and Marcoola and Lazarus were outstanding winners of the Paintlab Racing for Jonty New Zealand Trotting Derby, and A Rocknroll Dance New Zealand Pacing Derby.

Our last premier meetings for the season, held in May, saw three horses pick up feature race doubles. Enghien in the PGG Wrightson Sales Series and the Lone Star Sires Stakes Final for 2YO trotters, More The Better in the PGG Wrightson Sales Series Open and the Garrards Sires Stakes Final for 2YO pacers and Dream About Me completed the feature race double for 3YO fillies by winning the Nevele R Fillies Final and The Breeders New Zealand Oaks to cap off a great season of feature racing at Addington.

The season saw numerous New Zealand records broken on the lightning fast Addington track. These included pacers Dream About Me (Nevele R Fillies Final), Layton's Lass, Lazarus (New Zealand Derby), Lochaburn, More The Better (Sales Series Final), and trotters Harriet Of Mot, Marcoola (New Zealand Trotting Derby) and Petite One.

Also of note was Sunny Ruby being awarded the Canterbury Standardbred Breeders / Canterbury Trotting Owners Addington filly or mare of the season with Stevie Golding taking home the Canterbury Equine Clinic Maurice Holmes Memorial Junior Drivers Trophy. The Islington Tavern Trainers and Drivers Premierships went to the all-conquering Mark Purdon / Natalie Rasmussen partnership with 60 wins and world champion Dexter Dunn with 50 wins respectively.

Two new inductees joined the Addington Harness Hall of Fame in the 2015-2016 season; Colin DeFilippi for his outstanding lifetime service to the harness racing industry as a horseman, and former iron horse of yesteryear Hands Down.

GROUP ONE WINNERS

ARDEN ROONEY
Christchurch Casino New Zealand Trotting Cup

MASTER LAVROS
Hellers Dominion Trot

DREAM ABOUT ME
The Breeders' New Zealand Oaks

MORE THE BETTER
Garrards Sires Stakes Series No.33 Final

LUISANABELLE MIDFREW
PGG Wrightson New Zealand Breeders Stakes

LAZARUS
NRM Sires Stakes Series No.32 Final

MARCOOLA
Paintlab Racing 4 Jonty New Zealand Trotting Derby

MONBET
Granite Benchtop Company New Zealand Trotting Free For All

TIGER TARA
Woodlands New Zealand Free For All

DREAM ABOUT ME
Nevele R Fillies Final (Series 38)

RACING & CHARITY PARTNERS

Racing Partners

123 Gaming
Active Electrical Christchurch
Adgraphix
Armourguard
Air New Zealand
Ainger Tomlin Chartered Accountants
Alabar (NZ)
Allied Security
All Stars Racing Stables
Anthony Shearer
Armitage Williams Construction
Avon City Ford
Barry Dent Superannuation Consulting
Benchmark Homes
Bishopdale & Bush Inn TAB's & Tavern Harewood
Blue Star Taxis
Breckon Farms
Brent Cowan Plumbers
Bromac Lodge – Bob McArdle
C B Norwood Distributors
Canterbury Copy Services
Canterbury Standardbred Breeders' Association
Canterbury Equine Clinic
Canterbury Trotting Owners' Association
Cavell Leitch
Chesters Plumbing & Bathrooms
Chevron Quality Cars
Christchurch Casino
Christchurch City Council
Clark Boyce Lawyers
Clarkson Sign Studio
Coca Cola Amatil (NZ)
Crombie Lockwood
Cullen Breeding
Diamond Creek Farm
Dakins Group
Dominion Trading Company
Dress-Smart Hornby
Dux Industries
Eastgate Shopping Centre
Estate Fred Shaw
Equine Investments
Fahey Fence Hire
Farmlands Co-operative Society
Faulks Investments
FLAIR
Four Winds Foundation
Gabby & Julie Maghzal
Garden City Florist
Garrards (NZ)
Garry Thompson - Purnell Creighton
Glenbrook Park Standardbreds
Gold Bar Racing
Go Harness

Granite Benchtop Company South Island
Graphite Developments
Hamptons ITM
Harness Racing New Zealand
Hellers
HRS Construction
Hydroflow
Independent Fisheries
International Racehorse Transport
Islington Tavern
Jacobs Douwe Egberts
Jeff Dermott Painting & Decorating
John Paul II Centre For Life
Keith & Bevan Grice
Lamb & Hayward
Lion - Beer, Spirits & Wine (NZ)
Lone Star Riccarton
Macca Lodge
Magness Benrow
Mainly Waste
Master Cleaning
McMillan Equine Feeds
Mediaworks
NZ Metalcraft Roofing
Metropol
Mico Plumbing
Mortlock McCormack Law
Nevele R Stud
Nexia New Zealand
New Zealand Amateur Drivers' Association
New Zealand Racing Board
New Zealand Standardbred Breeders' Association
New Zealand Sires' Stakes Board Inc
Noel Leeming
NRM (NZ)
NZME
One Over Lodge – Lex & Heather Williams
Paintlab Hornby
Pascoes The Jewellers
Paul & Pauline Renwick
Paul Renwick Kitchen & Joinery Centre
Peek Exhibition
Peninsular Beachfront Resort Mooloolaba
PGG Wrightson
PI & GJ Kennard Bloodstock
Pinelea Farm
Plumbing World
Prime Panels NZ
Resource Recycling Technologies NZ
Rheem
Ricoh NZ
RNP Construction
RNP Homes
Rosedale Farm – Ken & Anne-Marie Spicer
Seiko
Sheppard & Rout
Sims Pacific Metals
Southern Bred, Southern Reared
Spreydon Lodge
Stallions Australasian
Star Scaffolding
Storer Motors
T McDonald Bloodstock
Tabcorp Inter Dominion Series
Teltrac Communications
The Main Report Group
The Recruitment Network
The Trust Community Foundation
Total Drainage & Excavation
Trevinos Restaurant & Bar
Trillian Trust
Tyre General
United Steel
Vero Insurance NZ
Walker Davey & Searells
Westfield Riccarton
Woodlands Stud
XCM Sport
Yaldhurst Hotel
Zilco NZ

Charity Partners

Aranui & Linwood High School Breakfast Clubs
Bookarama
Christchurch City Mission
Dress For Success
Fostering Kids
NZ Heart Kids New Zealand
Home & Family
Jonty's Journey
Lions Club of Christchurch South
New Zealand Wishbone Trust
Neonatal Trust
Nurse Maude
Pink Ribbon Breakfast
Red Cross – Nepal Earthquake
Ronald McDonald House South Island
Rotary Club of Avonhead
Rotary Club of Christchurch Sunrise
St John
Zonta

EVENTS CENTRE

It has been another great year for the Events Centre, highlighted by the successful management of over 900 non racing events spread across a wide range of activities. In addition, both revenue and client satisfaction measurements have exceeded results achieved in recent years.

Events Centre

Throughout 2015-2016 season the Event Centre team has done an amazing job across all areas of our business. Between Cup Day and Christmas alone we served 24,000 plus diners (a 9% increase on 2014-2015). During this period we also recorded an 81.7% satisfaction rating in overall guest experience for our Christmas at the Races product a 6.1% increase on the average across all clubs.

We have also further strengthened already strong relationships with existing business partners and new clients alike, such as Lincoln University, Canterbury Employers' Chamber of Commerce, Mico Plumbing, Chesters Plumbing & Bathrooms, Ernst & Young, Placemakers, Hydroflow, Vbase, Enth Degree and Southern Response. In particular we would like to thank Lamb & Hayward, The Experience Group, and Canterbury Rugby Football Union for all their continued support. From a race day perspective we have also had a prosperous year with revenue well exceeding both budget and previous year's results. This has been achieved through an increase in numbers of FunRaisers, race night functions and also through being flexible with the use of our rooms ensuring great trackside dining attendance numbers.

Costs across all areas, especially labour remain under review, whilst ensuring our products are consistent and above our clients' expectations is a goal we are constantly focused on achieving.

Metropolitan Stand

We continued to invest in our facilities during 2015-2016, with a focus on progressing improvements to the Metropolitan Stand with the commencement of stage one of our strengthening and refurbishment programme in December 2015. Although this project is not yet complete feedback from our customers indicates they appreciate the improvements and we are receiving positive favourable comments on a regular basis. We are grateful to and thank the team on the ground at Addington for managing this complex project and also our Members, business partners and clients for their patience during this period of disruption.

Cup Day

Christchurch Casino New Zealand Trotting Cup Day is a premier event in New Zealand sport and remains our most profitable and most enjoyable event to deliver. It is a must attend event on social calendars locally and nationally.

It was an exceptional year for our hospitality packages in 2015 which sold out three weeks prior to the event, (a week earlier then 2014) with over 75% of bookings from returning customers. The overall customer satisfaction on the day was excellent with the following feedback typical of the comments:

- "Cup Day continues to be the best event on offer in Christchurch, well done Addington,"
- "We experienced great food & beverage served by attentive staff which will ensure we return next year"
- "Great food, great atmosphere, what more can we ask for"
- "Wonderful to see a large presence of police/ security assisting to ensure all could enjoy the day".

As we are always looking at ways we can enhance our customers' experience, the following initiatives were implemented on Cup Day:

- Buffet options for guests in Christian Cullen Lounge and Silks Lounge
- Increased shade and casual seating in public areas as well as Lindauer Lawn
- Live band on Lindauer roof top, replacing DJ
- Public alcohol free area
- Red Frog intervention team, providing assistance, food and non-alcoholic beverages to those patrons requiring this
- Changing the theming in private marquees and Monte Carlo

Spectators

Our 7-day a week bar and bistro "Spectators", continues to show impressive growth in revenue with our Supporters Club loyalty programme also well up on budget. The Spectators team has successfully increased support from many local business groups including Elite 6, High5 and BoB. Spectators has also become the meeting place for local businesses Ngai Tahu Holdings, 2Degrees, JB Joinery, Arrow International, Southern Response, Westpac and Ernst & Young.

The focus for the Spectators team remains on ensuring our systems and processes are well developed and communicated and the products and services we provide consistently exceed our guest expectations. There is still work to be done on ensuring our marketing and social media campaigns are relevant and target the right segments ensuring we continue to have a strong loyal base of supporters.

The Team

The management team is aware it has a hard working team of employees committed to delivering high quality events in a safe environment. It is recognised that the demand for talented people throughout the hospitality industry is extremely competitive. In a bid to retain and attract the right team members a large focus has been placed on reinventing our employment and induction process to ensure our team are being recognised and rewarded for the contribution they make and for our management team to provide visible and supportive leadership. This approach has resulted in us having a more engaged and skilled workforce with corresponding results.

PROPERTY

As you will have read in the Chair's report, this year the Club experienced its first negative readjustment of $3.9 million to its entire property portfolio after a prolonged period of substantial gains. Overall net gains since 2007, after allowing for this year's correction, still amount to approximately $9.3 million, and this year's correction is without doubt in summary, predominantly a direct consequence of the post-earthquake Christchurch suburban property market returning to levels nearer pre-quake marks. The unrealised loss applicable to the newly completed building at 128 Wrights Rd will effectively reverse out once fully tenanted. An aggressive multi-layer marketing program is presently being undertaken to achieve this outcome.

The Joint Venture focus in the last 12 months has been on completing the development at 128 Wrights Road, which was formally signed off in late June/early July, and undertaking remaining earthquake repair projects at a number of the Wrights Road properties.

The new property at 128 Wrights Road looks absolutely stunning and was already partially leased before being completed and handed over by the construction company. Although the commercial property market in the city remains very fluid and extremely competitive, buildings of this calibre with that amount of onsite car parking simply don't come available that often so we are very optimistic the remaining space in the building will be leased in the very near future. All up the Joint Venture property portfolio sits at approximately 86% leased, so we remain in a very strong position with significant cashflow being generated on an annual basis, which is presently being directed to reduce long term debt.

The low interest rate environment at present is also a positive influence on our property investments both in terms of cashflow and with regards the return we are presently enjoying. In saying all of that, no new projects are on the drawing board at the present time with the vast majority of Joint Venture land now redeveloped.

A large amount of time in the last 12 months has also been taken up with ongoing earthquake repairs on the commercial buildings on Wrights Road, these have largely now been completed.

It has also been a busy year on the Raceway footprint with completion of stage one of the Metropolitan Stand strengthening and refurbishment project, earthquake repairs being largely completed in the new stable block and work has recently commenced to subdivide the old stables and float parking block off the main title in preparation for future potential redevelopment. The old administration building has also had work commence on it to strengthen and refurbish its appearance for an incoming new commercial tenant in early 2017.

Deliberations continue on the best course of action to take on the long term use of the Twiggers Stand, with a number of options available to us to redevelop and continue its use as a mixed use facility. It is hoped these discussions will be concluded in the next 12 months to enable the completion of the Raceway footprint masterplan.


ADDINGTON


UNITED STEEL .co.nz
RRT SCRAP METAL
JEFF DERMOTT
torerMotors.c

CONSOLIDATED FINANCIAL STATEMENTS

NEW ZEALAND METROPOLITAN TROTTING CLUB (Inc)
CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
For the year ended 31 July 2016

	Note	Group 2016 $	Group 2015 $
Revenue			
Operating revenue			
- Race meeting revenue		**10,284,570**	10,365,248
- Events Centre revenue	**6**	**7,475,302**	7,551,102
Interest revenue		**58,216**	143,269
Income from investment and development properties		**2,618,583**	2,366,683
Other rental revenue		**716,698**	601,825
Membership (subscriptions/badges) revenue		**119,044**	123,422
Other revenue		**553,155**	586,004
Total revenue		**21,825,568**	21,737,553
Expenses			
Raw materials and consumables used		**2,092,667**	2,112,275
Employee benefits expense		**5,132,165**	5,023,332
Interest expense		**1,028,297**	1,067,933
Depreciation and amortisation expense	**8**	**983,040**	945,808
Directors fees	**16**	**133,250**	113,000
Insurance and rates		**393,616**	407,738
Marketing expense		**688,022**	716,309
Power expense		**326,281**	335,883
Repairs and maintenance		**326,068**	231,708
Stakes, bonuses and incentives		**7,751,205**	7,554,879
Expenses from investment properties		**474,513**	446,625
Other expenses		**2,424,379**	2,507,693
Total expenses		**21,753,503**	21,463,182
Operating surplus		**72,065**	274,371
Other gains/(losses)			
Net unrealised fair value gains/(losses) on investment properties - land and buildings	**9**	**(3,008,742)**	153,265
Net unrealised fair value loss on investment property - new building	**9**	**(923,973)**	-
Net unrealised loss on interest rate swaps		**(56,342)**	(463,306)
Loss on disposal of property, plant and equipment		**(2,366)**	(11,456)
Deficit before income tax		**(3,919,358)**	(47,126)
Income tax expense	**7**	**-**	-
Net deficit for the year including unrealised gains/(losses)		**(3,919,358)**	(47,126)
Other comprehensive revenue and expense		**-**	-
Total comprehensive revenue and expense for the year		**(3,919,358)**	(47,126)
Total comprehensive revenue and expense for the year is attributable to:			
Non-controlling interest		**18**	7
Members of the Parent		**(3,919,376)**	(47,133)
		(3,919,358)	(47,126)

The above financial statements should be read in conjunction with the accompanying notes

NEW ZEALAND METROPOLITAN TROTTING CLUB (Inc)

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS/EQUITY

For the year ended 31 July 2016

	Group			
	Asset revaluation reserve	**Retained earnings**	**Non-controlling interest**	**Total**
	$	**$**	**$**	**$**
At 1 August 2015	**38,388,966**	**30,983,290**	**361**	**69,372,617**
Total comprehensive revenue and expense for the year	**-**	**(3,919,376)**	**18**	**(3,919,358)**
At 31 July 2016	**38,388,966**	**27,063,914**	**379**	**65,453,259**

	Asset revaluation reserve	Retained earnings	Non-controlling interest	Total
	$	$	$	$
At 1 August 2014	38,388,966	31,030,423	354	69,419,743
Total comprehensive revenue and expense for the year	-	(47,133)	7	(47,126)
At 31 July 2015	38,388,966	30,983,290	361	69,372,617

The above financial statements should be read in conjunction with the accompanying notes

NEW ZEALAND METROPOLITAN TROTTING CLUB (Inc)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 July 2016

	Note	Group 2016	Group 2015
		$	$
Assets			
Non-current assets			
Trade and other receivables		**11,532**	11,239
Property, plant and equipment	**8**	**45,236,323**	44,145,138
Investment properties	**9**	**39,813,333**	38,335,000
Investment properties under construction	**10**	**4,311**	1,935,126
Intangible assets		**18,217**	16,383
Total non-current assets		**85,083,716**	84,442,886
Current assets			
Inventories (food and beverage)		**304,226**	350,804
Trade and other receivables	**11**	**981,096**	1,000,466
Derivative financial instruments		**-**	638
Cash and cash equivalents	**12**	**1,203,204**	2,960,027
Total current assets		**2,488,526**	4,311,935
Total assets		**87,572,242**	88,754,821
Liabilities			
Non-current liabilities			
Trade and other payables		**10,311**	15,771
Loans & borrowings	**13**	**19,139,877**	16,275,705
Total non-current liabilities		**19,150,188**	16,291,476
Current liabilities			
Trade and other payables	**14**	**2,237,332**	2,112,395
Loans & borrowings	**13**	**-**	297,852
Employee benefit liability		**300,480**	305,202
Derivative financial instruments		**430,983**	375,279
Total current liabilities		**2,968,795**	3,090,728
Total liabilities		**22,118,983**	19,382,204
Net assets		**65,453,259**	69,372,617
Equity			
Equity attributable to equity holders of the parent			
Accumulated comprehensive revenue and expense		**27,063,914**	30,983,290
Reserves		**38,388,966**	38,388,966
Total equity attributable to members of the parent		**65,452,880**	69,372,256
Non-controlling interests		**379**	361
Total equity		**65,453,259**	69,372,617

The above financial statements should be read in conjunction with the accompanying notes
For and on behalf of the Board, who authorise the issue of these financial statements on 16 September 2016

B Dent
Director

B Smith
Director

NEW ZEALAND METROPOLITAN TROTTING CLUB (Inc)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 July 2016

	Note	Group 2016	Group 2015
		$	$
Cash flows from operating activities			
Receipts from customers		**21,786,429**	21,753,451
Payments to suppliers		**(14,544,912)**	(14,606,149)
Payments to employees		**(5,136,887)**	(5,031,611)
Interest received		**58,216**	143,269
Interest paid		**(1,014,293)**	(1,093,877)
Net cash flows from operating activities		**1,148,553**	1,165,083
Cash flows from investing activities			
Refurbishment and strengthening of the Metropolitan Stand		**(1,697,824)**	(9,223)
Purchase of property, plant and equipment		**(293,639)**	(749,758)
Purchase of investment properties		**(3,475,922)**	(158,979)
Property development costs paid		**(4,311)**	(1,353,610)
Net cash flows used in investing activities		**(5,471,696)**	(2,271,570)
Cash flows from financing activities			
Proceeds/(Repayment) from borrowings		**2,566,320**	(331,657)
Net cash flows from/(used in) financing activities		**2,566,320**	(331,657)
Net decrease in cash and cash equivalents		**(1,756,823)**	(1,438,144)
Cash and cash equivalents at 1 August	**12**	**2,960,027**	4,398,171
Cash and cash equivalents at 31 July	**12**	**1,203,204**	2,960,027

The above financial statements should be read in conjunction with the accompanying notes

1 Reporting entity

The financial statements of the New Zealand Metropolitan Trotting Club (Inc) (the Parent) and its subsidiaries (collectively the Group) for the year ended 31 July 2016 were authorised for issue in accordance with a resolution of the Directors on 16 September 2016.

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements have been prepared as Special Purpose Reports given the Group has no requirement to prepare GAAP compliant financial statements under the Financial Reporting Act 2013.

The consolidated financial statements of the Group have utilised the Tier 2 Public Benefit Entity (PBE) Standards framework as a guideline, with the exception of:

- IPSAS 16 Investment Property, where the Directors have elected to state Investment Properties under construction at cost. The Directors believe fair value will be most reliably measured when the property is complete.
- IPSAS 20 Related Party Disclosure, where the Directors have elected not to comply with full disclosure requirements of this Standard.

The Directors are not aware of any material uncertainties that may cast significant doubt on the Groups ability to continue as a going concern. The financial statements have therefore been prepared on a going concern basis.

Measurement base:
The financial statements have been prepared on a historical cost basis, except for freehold land and buildings, track lighting, investment properties and interest rate swaps, which have been measured at fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

b) Changes in accounting policies and disclosures

There have been no changes in the accounting policies of the Group in the year ended 31 July 2016. All accounting policies and disclosures are consistent with those applied by the Group in the previous financial year.

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of New Zealand Metropolitan Trotting Club (Inc) and its subsidiaries (as outlined in note 4) as at 31 July each year (the Group).

Subsidiaries are all those entities over which the Group has control.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and surplus and deficits resulting from intra-group transactions have been eliminated in full, with the exception of Events Centre revenue as outlined in note 6.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.
Non-controlling interests not held by the Group are allocated their share of surplus/deficit after tax in the consolidated statement of comprehensive revenue and expense and are presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

d) Interest in joint ventures

The Group has an interest in a joint venture entity. The Group's investment in the joint venture entity is accounted for using the proportional consolidation method. This recognises the Group's interest in the operation by recognising its interest in the assets and the liabilities of the joint venture entity. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture entity.

The financial statements of the joint venture entity are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring accounting policies in line with those of the Group.

e) Financial instruments

All financial instruments are initially recognized at the fair value of the consideration received less, in the case of financial assets and liabilities not recorded at fair value through the profit or loss, directly attributable transaction costs. Subsequently the Group apply the following accounting policies for financial instruments:

i) Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

ii) Loans and receivables
Loans and receivables consist of trade receivables.

Trade receivables, generally have 30-60 day terms, and are subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

iii) Financial liabilities at amortised cost
Financial liabilities at amortised cost consist of trade and other payables and loans and borrowings.

Trade and other payables:
Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Loans and borrowings:
Interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.
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 statement of financial position date.

Borrowing costs:
Borrowing costs are recognised as an expense when incurred. The Group does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

iv) Derivative financial instruments
The Group uses derivative financial instruments such as interest rate swaps to economically hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivative assets and liabilities are classified as non-current when the remaining maturity is more than 12 months, or current when the remaining maturity is less than 12 months.
The fair values of interest rate swap contracts are determined by reference to market values for similar instruments. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss for the year.

The Group does not apply hedge accounting.

f) Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. All other repairs and maintenance are recognised in profit or loss as incurred.
Land and buildings are measured at fair value, based on periodic but at least five yearly valuations by external independent valuers who apply the International Valuations Standards Committee International Valuation Standards, less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Depreciation on property, plant and equipment is calculated on a combination of straight-line and diminishing value basis using the useful lives permitted for income tax purposes. Useful lives are as follows:

Land - not depreciated
Buildings - over 5 to 50 years
Plant and equipment - over 1.5 to 67 years
Motor vehicles - over 1 to 9 years
Computer equipment - over 1 to 5 years

Revaluations of land, buildings and track lighting
Any revaluation increment is recorded in other comprehensive income, credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.
Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of comprehensive revenue and expense.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

g) Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the statement of financial position date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to Investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

h) Investment properties under construction
Investment properties under construction are measured at cost, including transaction costs until completed and then transferred to Investment property where they are measured at fair value.
Transfers are made from Investment properties under construction to Investment properties when, and only when, there is a change in use, evidenced by commencement of an operating lease to another party or ending of construction.

i) Leases
Group as a lessor
Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

j) Impairment of non-financial assets other than goodwill
Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An annual internal review of asset values is conducted, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill, that suffered an impairment, are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

k) Employee leave benefits
Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such, a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Defined contribution expenses are included within the definition of employee benefits.

l) Revenue recognition
Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i) Sale of goods
Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed.

ii) Rendering of services
Revenue from the use of the facilities is recognised when there is persuasive evidence, usually in the form of an executed sales agreement, at the time of use of the facilities and the price is fixed.

iii) Rental revenue
Rental revenue from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

iv) Subsidies and sponsorships
Subsidies and sponsorship is deferred only when there is both future performance obligations and return obligations attached. When there are no performance and return obligations attached, the subsidies and sponsorships are recognised in the period they become receivable.

m) Income tax and other taxes
Income tax is accounted for using the taxes payable method. The income tax expense recorded in the consolidated statement of comprehensive revenue and expense for the period represents the income tax payable for the period. The current income tax asset or liability recognised on the statement of financial position represents the current income tax balance due from or obligation to the Inland Revenue Department at balance date.

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

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.
Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

n) Equity
No one person has any residual interest in the Club. On the dissolution of the Club, the assets would be disposed of in accordance with the provisions of Section 27 of the Racing Act 2003.

o) Reserves
The asset revaluation reserve is used to record increments and decrements in the fair value of property, plant and equipment to the extent that they offset one another.

3 Significant accounting estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.
The value in use calculation is based on a discounted cashflow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to, or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Estimation of useful lives of assets
The estimation of the useful lives of property, plant and equipment has been based on historical experience. Adjustments to useful lives are made when considered necessary.

Valuation of property
The Group measures investment property and certain classes of property, plant and equipment at fair value. Fair value is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. The Group engaged independent valuation specialists to assess fair value as at balance date. The valuations were based on market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

4 Group information – subsidiaries

The consolidated financial statements of New Zealand Metropolitan Trotting Club (Inc) include the financial statements of the following subsidiaries:

	Equity Interest	
	2016	2015
Addington Raceway Limited	100%	100%
Addington Raceway Properties Limited	100%	100%
NZ Metropolitan Properties Management Limited	67%	67%
NZ Metropolitan Properties Limited*	67%	67%

*There are no transactions through this company.
All companies are incorporated in New Zealand.

5 Interest in a joint venture

The Groups interest in NZ Metropolitan Properties – joint venture is accounted for using the proportional consolidation method in the Group financial statements.

Summarised financial information of the joint venture are set out below:

Summarised statement of financial position of NZ Metropolitan Properties - joint venture (proportion of Group's ownership)	**2016**	2015
	$	$
Current assets	**143,551**	152,386
Non-current assets (at revaluation)	**32,817,620**	32,395,126
Current liabilities	**(178,295)**	(957,102)
Non-current liabilities	**(19,139,877)**	(16,275,705)
Equity	**13,642,999**	15,314,705

Summarised statement of financial performance of NZ Metropolitan Properties - joint venture (proportion of Group's share of surplus)	**2016**	2015
	$	$
Revenue	**2,675,129**	2,499,165
Expenses	**(1,674,725)**	(1,756,895)
Operating surplus	**1,000,404**	742,270
Other (losses)/gains	**(3,105,273)**	(738,896)
Surplus for the year	**(2,104,869)**	3,374

6 Events centre revenue

Events Centre revenue includes an amount of $354,638 (2015: $389,406), relating to inter-entity transactions.

7 Income Tax

Reconciliation of tax expense and the accounting profit multiplied by the domestic tax rate for 2016 and 2015:

	Group	
	2016	2015
	$	$
Deficit before income tax	**(3,919,358)**	(47,126)
Operating tax exempt portion	**3,994,111**	198,148
Operating surplus subject to income tax	**74,753**	151,022
At statutory income tax rate of @ 28% (2015: 28%)	**20,931**	42,286
Utilisation of previously unrecognised tax losses	**(20,931)**	(42,286)
Income tax expense reported in the statement of comprehensive revenue and expense	**-**	-

The future tax benefit on group tax losses carried forward in 2016 amounted to $2,022,308 (2015: $1,991,863). These have not been recorded in the consolidated statement of comprehensive revenue and expense or the consolidated statement of financial position as the Club is exempt from income tax.

8 Property, plant and equipment

Group	Freehold land	Buildings - Revalued	Buildings- Non revalued	Furniture & fittings	Plant & equipment	Track Lighting - Revalued	Work in progress	Total
	$	$	$	$	$	$	$	$
Year ended 31 July 2015								
Depreciation charge for the year	-	581,944	74,169	74,076	180,358	23,395	-	933,942
Amortisation of software charge for the year								11,866
								945,808
Year ended 31 July 2016								
Depreciation charge for the year	**-**	581,944	76,458	75,815	213,325	23,395	**-**	**970,937**
Amortisation of software charge for the year								**12,103**
								983,040
Year ended 31 July 2016								
Cost or fair value	**23,710,000**	**17,400,000**	**2,111,569**	**982,195**	**3,880,744**	**500,750**	**105,284**	**48,690,542**
Net additions/(disposals)	-	-	-	**71,136**	**128,606**	-	**1,862,376**	**2,062,118**
Accumulated depreciation and impairment	**-**	**(1,752,833)**	**(226,720)**	**(762,908)**	**(2,703,692)**	**(70,185)**	**-**	**(5,516,337)**
Net carrying amount	**23,710,000**	**15,647,167**	**1,884,850**	**290,422**	**1,305,659**	**430,565**	**1,967,660**	**45,236,323**

At balance date the Group had capital commitments of $104,553 (2015: $Nil).

Revaluation of property, plant and equipment

The Group engages Binns, Barber & Keenan Ltd, an accredited independent valuer that uses the International Valuation Standards Committee, International Valuation Standards as a reference, to determine the fair value of its freehold land and buildings. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Group, and to market based yields for comparable properties. The effective date of the revaluation was 31 July 2013. Club policy is to revalue on a 3 yearly basis, however due to various projects currently under consideration, the Board of the New Zealand Metropolitan Trotting Club Inc. has elected to defer revaluation for a year, until 31 July 2017.

The depreciation charge for the year on revalued buildings is calculated over the estimated useful life of those buildings as stated by Binns, Barber & Keenan Ltd.

The Group engaged Jones Lang LaSalle, an accredited independent valuer that uses the International Valuation Standards Committee, International Valuation Standards as a reference, to determine the fair value of its track lighting. Fair value for track lighting has been determined on a depreciated replacement cost basis, which is the best available approximation of the track lighting's market value, given that there is no active market for this type of equipment. The effective date of the revaluation was 31 July 2013. Club policy is not to revalue the track lighting on a regular basis.

9 Investment properties

	Group 2016 $
Opening balance as at 1 August	**38,335,000**
Additions	**427,075**
Transfer from investment properties under construction	**4,983,973**
Net unrealised fair value losses on investment properties - land and buildings	**(3,008,742)**
Net unrealised fair value loss on investment property - new building	**(923,973)**
Closing balance as at 31 July	**39,813,333**

Investment properties with a carrying value of $32,813,333 (2015: $30,460,000) are subject to a first charge from the Group's bank loans**.**

Investment properties are carried at fair value based on valuations performed by GR Sellars FNZIV, FPINZ, of the firm Colliers International Valuation (Chch) Ltd as at 31 July 2016 (commercial property - Wrights Road) and by S Campen ANZIV, SPINZ of the firm Jones Lang LaSalle (old stables land - Wrights Road).
The valuations were prepared in accordance with International Valuation Standards and in accordance with the provisions of PBE IPSAS 16 Investment Property.
Valuations are determined by a reference to observable market data, such as sale of properties in the same location and condition and with similar lease profiles. The capitalisation approach uses market rentals and capitalisation rates. The inputs are considered to be level 2 in hierarchy.

Key assumptions and inputs used in measuring the fair value of the investment properties are as follows:-

Discounted cash flow model	10 years	
Discount rates	9.00% -	9.25%
Occupancy – existing buildings	100.00%	
Occupancy – new building	20.60%	
Effective market yield	7.75% -	8.00%

At balance date there were group capital commitments for Investment properties of $147,978 ($2015; $168,910).

10 Investment properties under construction

	Group 2016 $
Opening balance as at 1 August	**1,935,126**
Additions	**3,053,158**
Transferred to Investment property	**(4,983,973)**
Closing balance as at 31 July	**4,311**

At balance date there were group capital commitments for Investment properties under construction of $Nil (2015: $2,646,316).

11 Current assets – trade and other receivables

	Group 2016 $	2015 $
Trade receivables	**923,857**	944,207
Prepayments	**49,813**	48,776
Redeemable preference shares	**7,426**	7,483
	981,096	1,000,466

The terms and conditions of related party receivables are stated in note 15.

12 Current assets – cash and cash equivalents

	Group	
	2016	2015
	$	$
Cash at bank and on hand	**1,203,204**	960,027
Short-term deposits	**-**	2,000,000
	1,203,204	2,960,027

13 Loans and borrowings

	Group	
	2016	2015
	$	$
Non-current		
Secured bank loans	**19,139,877**	16,275,705
Current		
Secured bank loans	**-**	297,852

At balance date the Group had drawn down $19,139,877 (2015: $16,573,557) from secured bank loan facilities. Of this $Nil (2015: $297,852) is due to mature within the next financial year. At balance date, the Group had available secured loan facilities from the bank of $19,699,123 (2015: $20,359,379). New Zealand Metropolitan Properties Limited guarantees the external borrowings of the unincorporated Joint Venture between New Zealand Metropolitan Trotting Club Inc and Trophy Metropolitan Limited. New Zealand Metropolitan Properties Limited is a non-trading company

14 Current liabilities – trade and other payables

	Group	
	2016	2015
	$	$
Trade payables	**1,461,211**	1,310,734
Deferred income (short term)	**776,121**	801,661
Carrying amount of trade and other payables	**2,237,332**	2,112,395

The terms and conditions of related party payables are stated in note 15

15 Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

		Group	
		Sales to Related Parties	**Purchases from Related Parties**
		$	$
NZ Metropolitan Properties Management Ltd - management services	**2016**	**64,803**	
	2015	25,097	
NZ Metropolitan Properties Management Ltd - management fees	**2016**	**137,560**	
	2015	161,440	
Cavell Leitch - legal services provided by Cavell Leitch, as partner of whom was also a Director of NZ Metropolitan Properties Management Ltd	**2016**		**48,402**
	2015		48,486
Winchester & Associates - consultant services from a partner who is also a Director of NZ Metropolitan Properties Management Ltd	**2016**		**71,693**
	2015		116,667

Directors may transact with the Club via stakes payments and stakes initiatives.

Joint venture in which the entity is a venturer
NZ Metropolitan Properties – Joint Venture
The Group has a 67% interest in the assets, liabilities and output of the NZ Metropolitan Properties – Joint Venture (2015: 67%).

Terms and conditions of transactions with related parties
There were no outstanding balances at year-end (2015: Nil).

Allowance for impairment loss on trade receivables
For the year ended 31 July 2016, the Group has not made any allowance for impairment loss relating to amounts owed by related parties as the payment history has been excellent (2015: $nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

16 Directors Fees

	Group 2016	NZMTC 2016	NZMPML 2016
	$	$	$
S Cain	**9,500**	9,500	-
B Dent	**22,000**	22,000	-
P Evans	**9,500**	9,500	-
K Fordyce	**9,500**	9,500	-
J Grainger	**15,500**	9,500	6,000
J McDermott	**9,500**	9,500	-
D Rankin	**19,750**	9,500	10,250
B Smith	**24,250**	17,000	7,250
Non associated directors	**13,750**	-	13,750
	133,250	96,000	37,250

17 Contingencies

There are no contingent assets or liabilities.

18 Earthquake matters

The Canterbury earthquakes of 2010-2011 resulted in damage to property, plant and equipment, as well as losses due to business interruption. Several matters are still outstanding relating to the Club facilities and to the joint venture investment. In addition, the Club is progressing with a long term earthquake strengthening programme.

19 Subsequent events

There were no material events subsequent to balance date.

AUDITOR'S REPORT

Building a better working world

Chartered Accountants

Independent Auditor's Report

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

We have audited the accompanying special purpose financial statements of the New Zealand Metropolitan Trotting Club (Inc) ("the Club"), which comprise the consolidated statement of financial position as at 31 July 2016, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in net assets/equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies, other explanatory information. The special purpose financial statements have been prepared based on the stated accounting policies contained in Note 2 of the special purpose financial statements.

Directors' Responsibility for the Special Purpose Financial Report

The Board of Directors of the Club are responsible for the preparation of the special purpose consolidated financial statements in accordance with the stated accounting policies and for such internal control as they determine is necessary to enable the preparation of special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the special purpose consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the special purpose consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of the special purpose consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the special purpose consolidated financial statements.

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

Ernst & Young provides taxation advice to the Group. We have no other relationship with, or interest in, the Group.

Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group.

Opinion

In our opinion the special purpose consolidated financial statements of the New Zealand Metropolitan Trotting Club (Inc) for the year ended 31 July 2016 have been prepared, in all material respects, in accordance with the stated accounting policies.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our audit opinion, we draw attention to Note 2 of the special purpose consolidated financial statements which describes the basis of accounting. The special purpose consolidated financial statements are prepared for distribution to the members of the New Zealand Metropolitan Trotting Club (Inc). As a result the special purpose consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the members of the New Zealand Metropolitan Trotting Club (Inc) and should not be distributed or used by other parties.

Ernst + Young

Christchurch
16 September 2016

NOTICE OF 2016 ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Members of the New Zealand Metropolitan Trotting Club Inc. will be held in the Terror To Love Lounge, Metropolitan Stand, Addington Raceway, Christchurch on Monday 17 October 2016 at 5.30 p.m.

ORDER OF BUSINESS

1. Financial Statements
   To receive and adopt the Annual Report for the year ended 31 July 2016

   To receive and adopt the audited Consolidated Financial Statements for the year ended 31 July 2016

2. Election of Life Members
   To approve the following Members for Life Membership:
   Jim Keegan, Garry Thompson, Jim Wakefield

3. Member Subscriptions for the 2017-2018 year
   To approve that the Member subscription for Ordinary Members remain at $175 including GST and at $90 including GST for Metro Members

4. Appointment of Directors
   The following nominations have been received:
   John Grainger, Struan Cain, Tim Sissons, Aidan Johnstone, Barry Dent
   As the nominations exceed the number required (four) an election will be necessary

5. Auditors
   To approve the appointment of an auditor for the 2016-2017 year be left with the Board to approve and to fix the remuneration

6. Directors Fees
   To approve remuneration to be paid to the Directors of the New Zealand Metropolitan Trotting Club Inc for the year 1 November 2016 to 31 October 2017, be $120,000. The allocation of such funds to be at the discretion of the Directors

7. General Business

For and on behalf of the Board:
Dean McKenzie
Chief Executive Officer
Christchurch
16 September 2016

Registered Office:	New Zealand Metropolitan Trotting Club Inc, 75 Jack Hinton Drive, Addington, Christchurch 8024
Solicitors:	Cavell Leitch, 6 Hazeldean Road, Addington, Christchurch 8024
Auditors:	Ernst & Young Chartered Accountants, 20 Twigger Street, Addington, Christchurch 8024
Bankers:	ANZ National Bank Ltd, Lincoln Road, Addington, Christchurch 8024
	BNZ Cashel & Fitzgerald Store, 114 Fitzgerald Ave, Linwood, Christchurch 8011