

New Zealand Metropolitan Trotting Club Inc

# 2020 ANNUAL REPORT





# CONTENTS

- 3 CHAIR & CEO'S REPORT**
- 10 GROUP ONE WINNERS**
- 12 CONSOLIDATED FINANCIAL STATEMENTS**
- 26 AUDITOR'S REPORT**
- 28 NOTICE OF 2020 ANNUAL GENERAL MEETING**



# CHAIR & CEO'S REPORT

The 2019-2020 season will be remembered as one which posed many challenges to both Addington and the wider industry, in the form of COVID-19. We are therefore pleased to report a net operating surplus after taxation of \$49,108 for this season.

On March 11, the World Health Organisation declared an official pandemic and it was communicated that large gatherings and events were a high-risk environment for the spread of infectious diseases like COVID-19. The Prime Minister announced on March 16 that indoor and outdoor gatherings of 500 or more should be cancelled; this was quickly followed with a ban on gatherings of more than 100 on March 19. Overnight we saw a dramatic decrease in our events business due to cancellations resulting from the government announcements. Further restrictions were forced onto our business on March 25 when the entire country was placed into Alert Level 4 lockdown. As we went into lockdown, the Board made the decision to protect our 50 plus permanent and salaried staff for three months, and we all committed to a pay reduction of 20%. At this time, we realised that events and hospitality could only operate profitably at Alert level 1, which we did not return to until June 8.

As a result of COVID 19, our club has made significant changes to both structure and operational delivery. Change is not easy and not always popular. It was, however, essential in order to provide Addington Raceway and Events Centre with a platform for future growth.

Prior to lockdown, our five-star meeting held on March 20 was the first race meeting ever to be held at Addington behind closed doors. During lockdown there was no racing for nine weeks, but work was carried out formulating plans to allow us to race under Alert Level 2. Although the country moved back into Level 2 on May 14, and we were able to hold trials on May 14, 20 and 21, we did not race again until May 28, when Addington

became the focal point for racing in New Zealand, becoming the first equine track to resume racing post COVID-19 lockdown. Although there was an eerie feeling on the footprint due to the lack of people, it was like a family reunion. It was amazing to be back racing.

During the period (May 28 - July 31) a total of 19 race meetings were conducted. To hold this number of race meetings during this short period was a remarkable feat and we would like to thank our staff and management for making this happen. We also acknowledge the support shown from owners and licence holders in making their horses and teams available to ensure we were able to race again. Thanks also to the marketing team for ensuring that those who could not attend the meetings were kept up to date via interviews with licence holders throughout the week and on race nights.

No matter the challenges we faced during the season, the team were always ready to capitalise on any opportunity and delivered exciting events, great racing, entertainment and great experiences to many. Our team have great heart and are our most valuable asset.

The highpoint of our season is always NZ Trotting Cup Day. Every season, our team invests a huge amount of effort to design and deliver this celebrated event. While a racing event at its core, the occasion transcends traditional sporting events with its unique combination of sport, fashion, entertainment, hospitality and business. The day continues to provide media exposure for our club both nationally and internationally and the positive impact this day has on our business and profit levels cannot be over-emphasised. Cup Week remains the reason we can execute so many racing initiatives for our stakeholders.

We would like to acknowledge the support we have received from Christchurch Casino during the 15 years they have been the sponsor of NZ Trotting Cup Day. It

has been a mutually rewarding relationship, and we thank them sincerely for their involvement with our club. We look forward to welcoming our new naming rights sponsor, IRT, to Addington in November 2020.

The Christchurch Casino NZ Trotting Cup was won in exciting fashion by Cruz Bromac. After finishing a luckless fourth the previous year, the son of Falcon Seelster made it four successive Cups for the All Stars team of Mark Purdon and Natalie Rasmussen. It was also the first success in the race for driver Blair Orange. The favourite, Spankem, made it a stable quinella; while there was a lot of merit in the run of the third placed Classie Brigade. The Commodore Airport Hotel NZ Trotting FFA was won by Australian raider Tough Monarch. Trained by Ricky Alchin he was perfectly driven by Anthony Butt who made it a remarkable six wins in the race.

The other Group One Feature was the McMillan Equine Feeds NZ Sires' Stakes Final won by One Change. Last season's star two-year-old held on in a tight finish over northern raiders Copy That and Line Up, both trained by Ray Green. This was career win number seven from just eight starts for the son of

Bettor's Delight and was the fourth win in succession in the race for his regular pilot Natalie Rasmussen.

The \$35,000 Gaze Commercial Junior FFA was won in outstanding fashion by Ultimate Sniper. In a keen contest the All Stars trained four-year-old smashed the clock in a race record winning time of 3:06.4 winning by three lengths over Triple Eight.

On Show Day, the \$300,000 Airpark Canterbury Dominion is the most sought-after trotting race in Australasia and the favourite was the lightly tried Oscar Bonovena. He had set tongues wagging in the lead up races but unfortunately for his connections, got things wrong not long after the start so there was opportunity for an upset. Paul Nairn's record in big trotting races is enviable and the win by Habibi Inta made it three wins in the great race for the master trainer. It completed a remarkable week for driver Blair Orange who completed the rare double, winning the race by over seven lengths. Brave in second was Tough Monarch completing a great week for the Aussie. Often the \$200,000 Woodlands NZ FFA is regarded as our feature sprint of the racing season and this edition was no let down. With his large group of owners looking



on Chase Auckland secured the dream run in the race behind Classie Brigade and was too sharp for him in the run home. The Cup winner Cruz Bromac was third after an early indiscretion cost him a winning chance.

Throughout the season we held a total of 44 race meetings including 5 five and six star (premier) fixtures. We conducted a total of 447 races, which included 23 group or listed races. Our average starter per race was 11, which is up on the industry average of 10.81. As a result of transitional funding arrangements with HRNZ on resumption of racing, our club made the decision to suspend both the Met Multiplier and Breeders Bonus initiatives. Since inception (Met Multiplier in 2012 and Breeders Bonus in 2014) our club has paid out more than \$2.45m combined.

Our annual awards saw Scorcha winning the Canterbury Standardbred Breeders'/Canterbury Trotting Owners Addington filly or mare of the season and Sarah O'Reilly taking home the Canterbury Equine Clinic Maurice Holmes Memorial Junior Drivers Trophy for the first time. The Trainers and Drivers Premierships went to the Mark Purdon/Natalie Rasmussen partnership with 60 wins, and Blair Orange with 43 wins.

We would also like to take this opportunity to express our appreciation for the assistance we receive from our many sponsors and wider business partners. We understand as a club that many of our racing achievements are a direct result of the support we receive from these groups. We also recognise that it would not be possible for our club to operate successfully without the cooperation and assistance of these organisations. As one of New Zealand's premier racing clubs, the health, treatment, and wellbeing of every horse involved in the races we host is extremely important to us. Our club tries to do all that is possible to guarantee that every racehorse that visits Addington is treated humanely, and with care and respect, in line with HRNZ's Health and Animal Welfare Policy. We understand that all our members, sponsors and business partners, and the thousands of people who enjoy racing at Addington every year all have a genuine interest in the care of our horses.



We look to the new racing season with interest. On July 1 the Racing Industry Act 2020 came into force, followed on August 1 by TAB NZ replacing the Racing Industry Transition Agency (RITA). TAB NZ will now have a greater focus on its commercial operations, its sustainability, revenue growth and efficiency gain, whilst also supporting Racing NZ and the codes to deliver racing excellence. Racing NZ, the codes and clubs will lead the planning and marketing of racing. We continue to enjoy an excellent working relationship with both TAB NZ and HRNZ, and accordingly, we record our appreciation and thanks to:

- The Minister of Racing, Rt Hon Winston Peters
- TAB NZ Executive Chair, Dean McKenzie and the Board
- HRNZ Chair, Ken Spicer, the Board and Interim Chief Executive, Phil Holden

Although many events returned to Addington in July, and Spectators benefited from an increase in races (both harness and greyhounds) in June and July and Super Rugby Aotearoa, the Events Centre and Spectators have been markedly affected by COVID-19. This season, total revenue for our events centre was down 27% compared with last year. Although total revenue was down, Cup Week performance was 4% up. As long as COVID-19 is present, the events industry will face uncertainty. Addington will therefore continue to operate with a lighter more agile team and continue to look for opportunities within this challenging environment. It is important to acknowledge the loyalty and commitment our events centre management and wider team displayed towards Addington during COVID-19. The service and the level of care our team continues to provide our clients is admirable. This is demonstrated by the favourable feedback we received pre and post COVID-19 and by the number of organisations that are now choosing to return and use our facilities on a regular basis. Moving forward into next season, the focus for the events centre 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.

We have made a significant investment during the year with the continued strengthening and refurbishment programme of our facilities. We are proud of the improvements the team have made to our top floor and Silks suite areas further elevating the customer experience. The main kitchen located in the Twiggers Stand has also been modernised with food safety the main driving force behind improvements. We see both investments going a long way to guarantee the events centre is given the best opportunity to make sure positive results are maintained as competition within Christchurch continues to increase. Our Stables project has also been completed this season including improvements being made to our drivers' facility. Throughout these projects we have considered ways we

can reduce our impact on the environment. We have continued the replacement of our old energy inefficient air-conditioning system and we have commenced a project to replace some of our track lights including emergency lighting with LED lights and ultimately looking at removing the use of diesel generators as a backup system. We would like to thank the Racing Safety Development Fund for their contributions to our projects. Although we have made a considerable start with the strengthening and refurbishment programme of our facilities, there is still much to achieve, and we foresee this programme continuing for another four years with considerable investment from the club.

Although the commercial property sector in Christchurch is more competitive than ever, the long-term strategy of continuing to strengthen our portfolio produces ongoing returns which underpin the long-term financial performance of the club. We continue to renegotiate leases with existing tenants as renewals fall due, and currently the Joint Venture is well placed, with 89% occupancy at the end of this financial year, to continue to provide a significant contribution to the clubs' ongoing revenue base. It is essential that we continue to search for opportunities to further diversify our revenue base. We are therefore working through options to develop part of our footprints with other interested parties which includes our centre track and old float park areas.

We extend our heartfelt thanks to every team member at every level for their contribution and the extraordinary service they provide our members, clients and partners. Special thanks goes to the management team for their professionalism and the support they give to the Chair, Chief Executive Officer and the Board, as well as their efforts in delivering another successful financial year; Catherine McLeavy - GM Finance, John Denton - Facilities and Property Manager, Carlo Gomez - Marketing and Brand Manager, Brian Rabbitt - Racing Secretary, Graeme Jones - Executive Chef, Joanne McMaster - Senior Event Consultant, Jennie Weller - Accountant, Glenda Allott - Health & Safety Coordinator and Andrew Ross - IT Manager.



The successes achieved throughout a season cannot be attributed to staff and management alone; there are many other people we wish to thank for their support. Firstly, we would like to thank our Members. You are passionate about your club and your loyalty is appreciated. We would also like to take the opportunity to extend from our club, our sympathy to the families of Members who have passed away during the season.

Thank you to the race meeting stewards and their partners who continue to do an amazing job ensuring our stakeholders are welcomed and taken care of along with the management of our Breckon's Winners Bar and presentation area. This year's race meeting stewards were Nigel Armstrong (& Brenda), Janis Hartley (& John Duxbury), Rebecca Mooney (& John), Stephen Brown (& Kay), Kane Grieg (& Hayley) and Carolyn Smolenski (& Mark).

Finally, to our NZMTC Directors; Deputy Chair Karen Fordyce, Barry Dent, Simon Doig, John Grainger, John Hartnell, David Rankin and Tim Sissons. The knowledge, passion, and guidance you provide our club is valuable and appreciated. Your continued and collective effort is paramount to the club's future success. We would also like to acknowledge and thank Barry Dent for the valuable contribution he has made to the industry and our club since joining our Board in 2007 especially during his tenure as Chair (2014-2017). Barry has decided to step down as a director and has therefore not put his name forward for re-election. We wish Barry all our very best wishes and sincerely thank him for his years of service.



Brent Smith  
Chair



Brian Thompson  
CEO

### 2019 - 2020 Board of Directors

(left to right) Simon Doig, Barry Dent, Tim Sissons, Karen Fordyce, John Grainger, Brent Smith, John Hartnell, David Rankin





# GROUP ONE WINNERS



## CRUZ BROMAC

Christchurch Casino New Zealand Trotting Cup



## ONE CHANGE

McMillian Equine Feed Sires Stakes Series No.36 Final



## TOUGH MONARCH

Commodore Airport Hotel New Zealand Trotting Free-For-All



## HABIBI INTA

Airpark Canterbury Dominion



## CHASE AUCKLAND

Woodlands New Zealand Free-For-All



## WAINUI CREEK

PGG Wrightson NZ Breeders Stakes

# **CONSOLIDATED FINANCIAL STATEMENTS**

- 13 CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**
- 14 CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE & EXPENSE**
- 14 CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS/EQUITY**
- 15 CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
- 16 CONSOLIDATED STATEMENT OF CASH FLOWS**
- 17 NOTES TO THE FINANCIAL STATEMENTS**
- 26 AUDITOR'S REPORT**

**NEW ZEALAND METROPOLITAN TROTTING CLUB (Inc)**  
**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**  
For the year ended 31 July 2020

|   | Note | Group             |                   |
|---|------|-------------------|-------------------|
|   |      | 2020              | 2019              |
|   |      | \$                | \$                |
| <b>Operating revenue</b>                                      |      |                   |                   |
| Revenue from non-exchange transactions                        |      | 1,095,151         | 831,597           |
| Revenue from exchange transactions:                           |      |                   |                   |
| - Race meeting revenue  |      | 9,809,575         | 13,122,747        |
| - Events Centre revenue                                       | 5    | 5,168,239         | 7,099,712         |
| Interest revenue  |      | 40,425            | 15,276            |
| Income from investment and development property               |      | 4,058,658         | 4,386,066         |
| Rental revenue  |      | 608,079           | 620,333           |
| Membership revenue  |      | 95,120            | 106,410           |
| Course advertising revenue                                    |      | 260,313           | 329,916           |
| Other revenue   |      | 72,325            | 124,336           |
| <b>Total operating revenue</b>                                |      | <b>21,207,885</b> | <b>26,636,393</b> |
| <b>Operating expenses</b>                                     |      |                   |                   |
| Raw materials and consumables used                            |      | 1,418,199         | 1,912,484         |
| Employee benefits expense                                     |      | 4,822,129         | 5,393,878         |
| Interest expense  |      | 933,085           | 1,391,100         |
| Depreciation and amortisation expense                         | 7    | 1,027,595         | 1,029,602         |
| Directors fees  | 15   | 172,775           | 179,375           |
| Operating expenses  |      | 2,869,054         | 3,260,830         |
| Marketing and administration expenses                         |      | 929,767           | 1,153,920         |
| Stakes and incentives   |      | 6,979,198         | 10,029,206        |
| Venue services charges  |      | 420,332           | 518,231           |
| Expenses from investment property                             |      | 915,194           | 905,016           |
| <b>Total operating expenses</b>                               |      | <b>20,487,328</b> | <b>25,773,642</b> |
| <b>Net operating surplus before tax</b>                       |      | <b>720,557</b>    | <b>862,751</b>    |
| Income tax expense  | 6    | 0                 | 0                 |
| <b>Net operating surplus for the year</b>                     |      | <b>720,557</b>    | <b>862,751</b>    |
| <b>Net operating surplus for the year is attributable to:</b> |      |                   |                   |
| Non-controlling interest                                      |      | 671,449           | 628,671           |
| Members of the Parent   |      | 49,108            | 234,080           |
|   |      | <b>720,557</b>    | <b>862,751</b>    |

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

**NEW ZEALAND METROPOLITAN TROTTHING CLUB (Inc)**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE & EXPENSE**  
For the year ended 31 July 2020

|   | Note | Group              |           |
|---|------|--------------------|-----------|
|   |      | 2020               | 2019      |
|   |      | \$                 | \$        |
| <b>Net operating surplus</b>  |      | <b>720,557</b>     | 862,751   |
| <b>Other comprehensive revenue and expense, net of tax</b>  |      |                    |           |
| Net unrealised fair value gains/(losses) on investment properties - land and buildings                    | 8    | (2,450,000)        | 872,771   |
| Net unrealised gain on interest rate swaps  |      | 0                  | 160,646   |
| Net losses on disposal of property, plant and equipment and investment properties                         |      | (41,344)           | (123,003) |
| Net proceeds from insurance related projects  |      | 18,449             | 7,498,573 |
| <b>Other comprehensive revenue and expense, net of tax</b>  |      | <b>(2,472,895)</b> | 8,408,987 |
| <b>Total comprehensive revenue and expense for the year</b>   |      | <b>(1,752,338)</b> | 9,271,738 |
| <b>Net surplus/(deficit) and total comprehensive revenue and expense for the year is attributable to:</b> |      |                    |           |
| Non-controlling interest  |      | (145,217)          | 479,810   |
| Members of the Parent   |      | (1,607,121)        | 8,791,928 |
|   |      | <b>(1,752,338)</b> | 9,271,738 |

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

**NEW ZEALAND METROPOLITAN TROTTHING CLUB (Inc)**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS/EQUITY**  
For the year ended 31 July 2020

| 2020  | Group                    |                   |                          |                   |
|---|--------------------------|-------------------|--------------------------|-------------------|
|   | Capital projects reserve | Retained earnings | Non-controlling interest | Total             |
|   | \$                       | \$                | \$                       | \$                |
| <b>At 1 August 2019</b>   | <b>5,448,773</b>         | <b>70,224,733</b> | <b>7,863,580</b>         | <b>83,537,086</b> |
| Total comprehensive revenue and expense for the year                |                          | (1,607,121)       | (145,217)                | (1,752,338)       |
| Transfer to/(from) capital projects reserve                         | (5,448,773)              | 5,448,773         | 0                        | 0                 |
| Transactions with owners in their capacity as owners:               |                          |                   |                          |                   |
| Repayment of advance/cash distributions to non-controlling interest | 0                        | 0                 | (218,230)                | (218,230)         |
| <b>At 31 July 2020</b>  | <b>0</b>                 | <b>74,066,385</b> | <b>7,500,133</b>         | <b>81,566,518</b> |

| 2019  | Group                    |                   |                          |                   |
|---|--------------------------|-------------------|--------------------------|-------------------|
|   | Capital projects reserve | Retained earnings | Non-controlling interest | Total             |
|   | \$                       | \$                | \$                       | \$                |
| <b>At 1 August 2018</b>                               | <b>0</b>                 | <b>66,881,578</b> | <b>7,572,813</b>         | <b>74,454,391</b> |
| Total comprehensive revenue and expense for the year  |                          | 8,791,928         | 479,810                  | 9,271,738         |
| Transfer to capital projects reserve                  | 5,448,773                | (5,448,773)       | 0                        | 0                 |
| Transactions with owners in their capacity as owners: |                          |                   |                          |                   |
| Repayment of advance to non-controlling interest      | 0                        | 0                 | (189,043)                | (189,043)         |
| <b>At 31 July 2019</b>                                | <b>5,448,773</b>         | <b>70,224,733</b> | <b>7,863,580</b>         | <b>83,537,086</b> |

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 2020

|  | Note | Group<br>2020<br>\$ | 2019<br>\$         |
|--|------|---------------------|--------------------|
| <b>Assets</b>  |      |                     |                    |
| <b>Non-current assets</b>  |      |                     |                    |
| Trade and other receivables                                      |      | 9,291               | 9,852              |
| Property, plant and equipment                                    | 7    | 51,354,537          | 46,887,118         |
| Investment properties  | 8    | 55,180,000          | 57,480,000         |
| Investment properties under construction                         | 9    | 10,877              | 0                  |
| Intangible assets  |      | 24,698              | 40,100             |
| <b>Total non-current assets</b>                                  |      | <b>106,579,403</b>  | <b>104,417,070</b> |
| <b>Current assets</b>  |      |                     |                    |
| Inventories (food and beverage)                                  |      | 245,564             | 342,565            |
| Trade and other receivables                                      | 10   | 1,049,041           | 1,591,811          |
| Cash and cash equivalents  | 11   | 1,585,479           | 7,028,774          |
| <b>Total current assets</b>                                      |      | <b>2,880,084</b>    | <b>8,963,150</b>   |
| <b>Total assets</b>  |      | <b>109,459,487</b>  | <b>113,380,220</b> |
| <b>Liabilities</b>   |      |                     |                    |
| <b>Non-current liabilities</b>                                   |      |                     |                    |
| Loans and borrowings   | 13   | 24,848,006          | 25,367,378         |
| <b>Total non-current liabilities</b>                             |      | <b>24,848,006</b>   | <b>25,367,378</b>  |
| <b>Current liabilities</b>                                       |      |                     |                    |
| Trade and other payables   | 12   | 1,754,137           | 3,246,989          |
| Loans and borrowings   | 13   | 733,163             | 924,380            |
| Employee benefit liability                                       |      | 557,663             | 304,387            |
| <b>Total current liabilities</b>                                 |      | <b>3,044,963</b>    | <b>4,475,756</b>   |
| <b>Total liabilities</b>   |      | <b>27,892,969</b>   | <b>29,843,134</b>  |
| <b>Net assets</b>  |      | <b>81,566,518</b>   | <b>83,537,086</b>  |
| <b>Equity</b>  |      |                     |                    |
| <b>Equity attributable to equity holders of the Parent:</b>      |      |                     |                    |
| Accumulated comprehensive revenue and expense                    |      | 74,066,385          | 70,224,733         |
| Reserves   |      | 0                   | 5,448,773          |
| <b>Total equity attributable to equity holders of the Parent</b> |      | <b>74,066,385</b>   | <b>75,673,506</b>  |
| Non-controlling interests  |      | 7,500,133           | 7,863,580          |
| <b>Total equity</b>  |      | <b>81,566,518</b>   | <b>83,537,086</b>  |

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 17 September 2020

B Smith  
Director



T Sissons  
Director



**NEW ZEALAND METROPOLITAN TROTTING CLUB (Inc)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 31 July 2020

|  | Note      | Group<br>2020      | 2019               |
|--|-----------|--------------------|--------------------|
|  |           | \$                 | \$                 |
| <b>Cash flows from operating activities</b>                                    |           |                    |                    |
| Receipts from customers  |           | 21,710,791         | 25,951,309         |
| Receipts from insurance related projects                                       |           | 18,449             | 7,590,263          |
| Payments to suppliers  |           | (14,853,471)       | (17,272,477)       |
| Payments to employees  |           | (4,568,852)        | (5,381,911)        |
| Interest received  |           | 40,425             | 15,276             |
| Interest paid  |           | (904,448)          | (1,379,529)        |
| <b>Net cash flows from operating activities</b>                                |           | <b>1,442,894</b>   | <b>9,522,931</b>   |
| <b>Cash flows from investing activities</b>                                    |           |                    |                    |
| Refurbishment and strengthening of the Metropolitan Stand, stables and carpark |           | (5,279,850)        | (1,982,852)        |
| Purchase of property, plant and equipment                                      |           | (516,643)          | (413,930)          |
| Purchase of investment properties - construction costs                         |           | (150,000)          | (357,230)          |
| Property development costs paid  |           | (10,877)           | 0                  |
| <b>Net cash flows used in investing activities</b>                             |           | <b>(5,957,370)</b> | <b>(2,754,012)</b> |
| <b>Cash flows from financing activities</b>                                    |           |                    |                    |
| Repayment of borrowings  |           | (710,589)          | (904,436)          |
| Repayment of advance to non-controlling interest                               |           | (218,230)          | (189,043)          |
| <b>Net cash flows used in financing activities</b>                             |           | <b>(928,819)</b>   | <b>(1,093,479)</b> |
| Net increase/(decrease) in cash and cash equivalents                           |           | (5,443,295)        | 5,675,440          |
| Cash and cash equivalents at 1 August  | 11        | 7,028,774          | 1,353,334          |
| <b>Cash and cash equivalents at 31 July</b>                                    | <b>11</b> | <b>1,585,479</b>   | <b>7,028,774</b>   |

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

# NEW ZEALAND METROPOLITAN TROTTING CLUB (Inc)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

### 1 Reporting entity

New Zealand Metropolitan Trotting Club (Inc) is an incorporated society established under the Incorporated Society Act 1908.

The primary objective of New Zealand Metropolitan Trotting Club (Inc) is to promote and conduct harness racing and host a range of events for the ultimate benefit of the Harness Racing Industry.

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 2020 were authorised for issue in accordance with a resolution of the Directors on 17 September 2020.

### 2 Summary of significant accounting policies

#### a) Basis of preparation

The financial statements have been prepared in accordance with the Racing Industry Act 2020. They comply with generally accepted accounting practice in New Zealand ("NZ GAAP").

For the purpose of complying with GAAP the Parent and Group are public benefit entities (PBE).

The financial statements have been prepared in accordance with Public Benefit Entity Standards Reduced Disclosure Regime ("PBE Standards RDR") as appropriate for Tier 2 not-for-profit public benefit entities and disclosure concessions have been applied. The Group is eligible to fall into Tier 2 and report in accordance with PBE Standards RDR because it does not have public accountability and it is not large.

Management is 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 investment properties and derivative financial instruments, 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 2020. 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 5.

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.

#### d) Financial instruments

All financial instruments are initially recognised 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.

## NEW ZEALAND METROPOLITAN TROTTING CLUB (Inc)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

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).

**e) Property, plant and equipment**

Property, 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.

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 6 to 16 years

Computer equipment - over 4 to 7 years

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.

*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.

**f) 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 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.

**g) 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.

**h) 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.

**i) 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.

**j) 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 and annual 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.

**k) 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.

*Revenue from exchange contracts:*

*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.

## NEW ZEALAND METROPOLITAN TROTTHING CLUB (Inc)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

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) *Sponsorship*

Sponsorship revenue is the amount received or receivable as a result of third party use of the New Zealand Metropolitan Trotting Club Inc and related brands. Revenue from sponsorship is recognised making reference to the terms and conditions of the sponsorship agreements.

New Zealand Metropolitan Trotting Club Inc has performance obligations under these agreements and the sponsorship revenue has been apportioned to those performance obligations, and recognised to the extent those performance obligations have been fulfilled at balance date. In instances where performance obligations remain outstanding at balance date, allocated sponsorship revenue is deferred and included in liabilities.

*Revenue from non-exchange contracts:*

v) *Grants*

Grants are deferred only when there is both future performance obligations and return obligations attached. When there are no performance and return obligations attached, the grants are recognised in the period they become receivable.

Total revenue for the year ended 31 July 2020 was \$21,226,333 (2019: \$34,134,966).

**l) 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.

**m) 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 24 of the Racing Industry Act 2020.

**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

# NEW ZEALAND METROPOLITAN TROTTING CLUB (Inc)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

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 investment property*

The Group measures investment property 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 |      |
|---|-----------------|------|
|   | 2020            | 2019 |
| 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 Events Centre revenue

Events Centre revenue includes an amount of \$249,925 (2019: \$378,020), relating to inter-entity transactions.

## 6 Income Tax

Reconciliation of tax expense and the accounting profit multiplied by the domestic tax rate for 2020 and 2019:

|  | Group         |               |
|--|---------------|---------------|
|  | 2020          | 2019          |
|  | \$            | \$            |
| (Deficit)/Surplus before income tax  | (1,752,338)   | 9,271,738     |
| Operating tax exempt portion   | 1,804,045     | (9,200,694)   |
| <b>Operating surplus subject to income tax</b>                               | <b>51,707</b> | <b>71,044</b> |
| At statutory income tax rate of @ 28% (2019: 28%)                            | 14,478        | 19,892        |
| Utilisation of previously unrecognised tax losses                            | (14,478)      | (19,892)      |
| <b>Income tax expense reported in the statement of financial performance</b> | <b>0</b>      | <b>0</b>      |

The future tax benefit on group tax losses carried forward in 2020 amounted to \$1,727,508 (2019: \$1,798,552). These have not been recorded in the consolidated statement of financial performance or the consolidated statement of financial position as the Club is exempt from income tax.

## NEW ZEALAND METROPOLITAN TROTTING CLUB (Inc)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

#### 7 Property, plant and equipment

|   | Freehold land     | Buildings         | Furniture & fittings | Group<br>Plant & equipment | Track lighting | Work in progress | Total             |
|---|-------------------|-------------------|----------------------|----------------------------|----------------|------------------|-------------------|
|   | \$                | \$                | \$                   | \$                         | \$             | \$               | \$                |
| Year ended 31 July 2019                 |                   |                   |                      |                            |                |                  |                   |
| Depreciation charge for the year        | 0                 | 656,463           | 72,437               | 252,059                    | 23,394         | 0                | 1,004,353         |
| Amortisation charge for the year        |                   |                   |                      |                            |                |                  | 25,249            |
|   |                   |                   |                      |                            |                |                  | 1,029,602         |
| Year ended 31 July 2020                 |                   |                   |                      |                            |                |                  |                   |
| Depreciation charge for the year        | 0                 | 662,457           | 71,113               | 253,441                    | 10,062         | 0                | 997,073           |
| Amortisation charge for the year        |                   |                   |                      |                            |                |                  | 30,522            |
|   |                   |                   |                      |                            |                |                  | 1,027,595         |
| Year ended 31 July 2020                 |                   |                   |                      |                            |                |                  |                   |
| Cost or fair value                      | 23,710,000        | 22,591,629        | 1,116,700            | 4,405,601                  | 453,960        | 1,546,479        | 53,824,369        |
| Net additions/(disposals)               | 0                 | 6,161,357         | 3,754                | 786,755                    | 0              | (1,496,498)      | 5,455,368         |
| Accumulated depreciation and impairment | 0                 | (3,384,155)       | (990,148)            | (3,447,257)                | (103,640)      | 0                | (7,925,200)       |
| <b>Net carrying amount</b>              | <b>23,710,000</b> | <b>25,368,831</b> | <b>130,306</b>       | <b>1,745,099</b>           | <b>350,320</b> | <b>49,981</b>    | <b>51,354,537</b> |

At balance date the Group had capital commitments of \$Nil (2019: \$1,298,610).

#### 8 Investment properties

|   | Group<br>2020<br>\$ |
|---|---------------------|
| Opening balance as at 1 August                                      | 57,480,000          |
| Additions   | 150,000             |
| Disposals   | 0                   |
| Net fair value losses on investment properties - land and buildings | (2,450,000)         |
| <b>Closing balance as at 31 July</b>                                | <b>55,180,000</b>   |

Investment properties with a carrying value of \$47,400,000 (2019: \$49,700,000) are subject to a first charge from the Group's bank loans.

Investment properties are carried at fair value based on valuations performed by C Stanley MProp (Distn), FNZIV, FPINZ, AAMINZ, of the firm TelferYoung (Canterbury) Ltd as at 30 June 2020.

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 3 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      |
| IRR rates                  | 7.47% - 8.71% |
| Occupancy                  | 89.00%        |
| Equivalent market yield    | 6.43% - 7.76% |

## NEW ZEALAND METROPOLITAN TROTTING CLUB (Inc)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

The COVID-19 virus is currently having a major impact on the New Zealand economy. Due to the severe market disruption and lack of transactional data, a greater degree of uncertainty is attached to the current year valuation.

At balance date there were group capital commitments for investment properties of \$Nil (2019: \$Nil).

#### 9 Investment properties under construction

|                                      | Group |               |
|--------------------------------------|-------|---------------|
|                                      | 2020  |               |
|                                      | \$    |               |
| Opening balance as at 1 August       |       | 0             |
| Additions                            |       | 10,877        |
| <b>Closing balance as at 31 July</b> |       | <b>10,877</b> |

#### 10 Current assets – trade and other receivables

|   | Group            |                  |
|---|------------------|------------------|
|   | 2020             | 2019             |
|   | \$               | \$               |
| Trade receivables                                     | 538,206          | 1,228,076        |
| Prepayments   | 502,648          | 354,288          |
| Redeemable preference shares                          | 8,187            | 9,447            |
| <b>Carrying amount of trade and other receivables</b> | <b>1,049,041</b> | <b>1,591,811</b> |

At balance date trade receivables includes \$Nil (2019: \$230,000) owing from non-exchange transactions.

The terms and conditions of related party receivables are stated in note 14.

#### 11 Current assets – cash and cash equivalents

|                                      | Group            |                  |
|--------------------------------------|------------------|------------------|
|                                      | 2020             | 2019             |
|                                      | \$               | \$               |
| Cash at bank and on hand             | 1,585,479        | 3,028,774        |
| Short-term deposits                  | 0                | 4,000,000        |
| <b>Closing balance as at 31 July</b> | <b>1,585,479</b> | <b>7,028,774</b> |

#### 12 Current liabilities – trade and other payables

|  | Group            |                  |
|--|------------------|------------------|
|  | 2020             | 2019             |
|  | \$               | \$               |
| Trade payables                                     | 1,099,118        | 2,344,726        |
| Deferred income (short term)                       | 655,019          | 902,263          |
| <b>Carrying amount of trade and other payables</b> | <b>1,754,137</b> | <b>3,246,989</b> |

The terms and conditions of related party payables are stated in note 14.

## NEW ZEALAND METROPOLITAN TROTTING CLUB (Inc)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

#### 13 Loans and borrowings

|                    | Group      |            |
|--------------------|------------|------------|
|                    | 2020       | 2019       |
|                    | \$         | \$         |
| <b>Non-current</b> |            |            |
| Secured bank loans | 24,848,006 | 25,367,378 |
| <b>Current</b>     |            |            |
| Secured bank loans | 733,163    | 924,380    |

At balance date the Group had drawn down \$25,581,169 (2019: \$26,291,758) from secured bank loan facilities of \$28,800,000 (2019: \$28,800,000). Of this \$464,484 (2019: \$Nil) is due to mature within the next financial year however as repayments are calculated over 7 years only the next 12 months repayments have been classified as current. Interest on this loan is currently 3.95% and is calculated on a floating basis using the bank's commercial loan base rate plus a margin. The remaining balance, \$25,116,685, which was due to mature within the next financial year was renegotiated on 3 August 2020 and now has a maturity date of 3 August 2022. Interest on this loan is currently 2.82% and is calculated on the same basis as above.

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 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                          |       |
|--|--------------------------------|-------|
|  | Purchases from Related Parties |       |
|  | \$                             |       |
| Winchester & Associates - services from a consultant who is also a Director of NZ Metropolitan Properties Management Ltd | 2020                           | 6,070 |
|  | 2019                           | 2,800 |

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

##### *Terms and conditions of transactions with related parties*

There were no outstanding balances at year-end (2019: \$Nil).

##### *Allowance for impairment loss on trade receivables*

For the year ended 31 July 2020, the Group has not made any allowance for impairment loss relating to amounts owed by related parties as the payment history has been excellent (2019: \$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.

##### *Compensation of Key Management Personnel*

Key management personnel of the Group include the Chief Executive and Executive Management team (6). Total compensation paid to key management personnel during the year totaled \$751,154 (2019: \$789,666).

# NEW ZEALAND METROPOLITAN TROTTING CLUB (Inc)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

### 15 Directors Fees

|                             | Group          | NZMTC          | NZMPML        |
|-----------------------------|----------------|----------------|---------------|
|                             | 2020           | 2020           | 2020          |
|                             | \$             | \$             | \$            |
| Barry Dent                  | 12,825         | 12,825         | 0             |
| Simon Doig                  | 13,492         | 12,825         | 8,000         |
| Peter Evans                 | 3,375          | 3,375          | 0             |
| Karen Fordyce               | 17,100         | 17,100         | 0             |
| John Grainger               | 20,158         | 12,825         | 0             |
| John Hartnell               | 12,825         | 12,825         | 0             |
| David Rankin                | 24,825         | 12,825         | 12,000        |
| Tim Sissons                 | 17,100         | 17,100         | 0             |
| Brent Smith                 | 35,075         | 27,075         | 8,000         |
| Non associated directors    | 16,000         | 0              | 16,000        |
| <b>Total directors fees</b> | <b>172,775</b> | <b>128,775</b> | <b>44,000</b> |

### 16 Commitments and contingencies

#### Operating lease commitments – Group as a lessor

The Group has entered into commercial property leases on its property portfolio. These non-cancellable leases have remaining terms of between 0 and 6 years. Some leases include a clause to enable revision of the rental charge according to prevailing market conditions.

Future rentals receivable under non-cancellable operating leases as at 31 July 2020 and 2019 are, as follows:

|   | Group             |                  |
|---|-------------------|------------------|
|   | 2020              | 2019             |
|   | \$                | \$               |
| Within one year                             | 3,047,266         | 2,584,933        |
| After one year but not more than five years | 7,307,049         | 4,609,329        |
| More than five years                        | 76,000            | 391,627          |
|   | <b>10,430,316</b> | <b>7,585,889</b> |

There are no contingent liabilities or assets.

### 17 Impact of Covid 19

The COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020 and has resulted in both loss of revenue and additional expense to the club in the period following and as detailed in note 8 has added uncertainty to the carrying values of investment properties. In particular, the measures listed in New Zealand's 4 level alert system ("lock down") have affected the club in a number of ways including the inability to hold race meetings, limits on the numbers allowed for events and gatherings and the club has provided rental rebatements to tenants. The club has claimed the wage subsidies offered by the government.

The club is constantly reviewing plans for mitigating potential future losses for any potential impact on future activities, in particular Cup week which is a significant revenue source for the club each year. A change in the COVID-19 alert levels could have a significant impact on this event. At the date of signing the directors are satisfied the club is a going concern but are aware that the pandemic has created a greater level of uncertainty for the business and the racing community as a whole.

### 18 Subsequent events

There were no material events subsequent to balance date.

# AUDITOR'S REPORT



## Independent auditor's report to the Members of New Zealand Metropolitan Trotting Club Incorporated

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of New Zealand Metropolitan Trotting Club Incorporated ("the Club") and its subsidiaries (together "the Group") on pages 13 to 25, which comprise the consolidated statement of financial position of the Group as at 31 July 2020, and the consolidated statement of financial performance, consolidated statement of comprehensive revenue and expenses, consolidated statement of changes in net assets/equity and consolidated statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 1 to 15 present fairly, in all material respects, the consolidated financial position of the Group as at 31 July 2020 and its consolidated financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

This report is made solely to the Club's members as a body. 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.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We provide compliance tax services to 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.

#### Emphasis of matter: Valuation Uncertainty in relation to Investment Property

We draw attention to Note 8 - Investment Properties in the financial statements, which explains that the 31 July 2020 external valuation of the investment property has been reported noting that a greater degree of uncertainty should be attached to the current year valuation due to the severe market disruption and lack of transactional data caused by the COVID 19 pandemic. Our opinion is not modified in respect of this matter.



## Information other than the financial statements and auditor's report

Those charged with governance are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Those charged with governance responsibilities for the financial statements

Those charged with Governance are responsible, on behalf of the Club, for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as those charged with governance determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, those charged with governance are responsible for assessing on behalf of the entity the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>. This description forms part of our auditor's report.

Chartered Accountants  
Christchurch  
18 September 2020

A member firm of Ernst & Young Global Limited

# NOTICE OF 2020 ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Members of the NZ Metropolitan Trotting Club Inc. will be held in the Terror to Love Lounge, Metropolitan Stand, Addington Raceway & Events Centre, Christchurch on Monday 19 October 2020 at 5.30pm.

## ORDER OF BUSINESS

1. Annual Report and Financial Statements

To receive and adopt the Annual Report and audited Consolidated Financial Statements for the year ended 31 July 2020.

2. Election of Life Member

To approve the following for Life Membership:  
Barry Dent

3. Member Subscriptions for the 2021-2022 year:

To approve no change in annual subscriptions for the following membership classes:

|                              |       |                              |       |
|------------------------------|-------|------------------------------|-------|
| Cup Day Double Membership    | \$295 | Cup Day Single Membership    | \$195 |
| Foundation Double Membership | \$195 | Foundation Single Membership | \$125 |
| Metro Double Membership      | \$150 | Metro Single Membership      | \$100 |
| Regular Double Membership    | \$155 | Regular Single Membership    | \$110 |
| All including GST            |       |                              |       |

4. Appointment of Directors

To appoint five directors to the board.

The following nominations have been received for five Board seats:

Tim Sissons, Simon Doig, David Rankin, Ged Mooar, Hannah Doney, Greg Cooper and John Grainger.

As the applications and nominations exceed the number required (five) an election will be necessary.

5. Auditors

To approve the appointment of an auditor for the 2020-2021 year be left with the Board to approve and to fix the remuneration.

6. Directors Fees

To approve the remuneration to be paid to the Directors of the NZ Metropolitan Trotting Club Inc for the year 1 November 2020 to 31 October 2021, be unchanged at \$132,000. The allocation of such funds to be at the discretion of the Directors.

7. General Business

For and on behalf of the Board:

Brian Thompson

Chief Executive Officer

22 September 2020

**Registered Office**

NZ Metropolitan Trotting Club Inc, 75 Jack Hinton Drive, Addington, Christchurch 8024

**Solicitors**

Saunders Robinson Brown, Level 2, 130 Kilmore Street, Christchurch 8013  
Bell Gully, Vero Centre, 48 Shortland Street, Auckland, New Zealand

**Auditors**

Ernst & Young Chartered Accountants, 93 Cambridge Terrace, Christchurch 8013

**Bankers**

ANZ National Bank Ltd, Level 3, 267 High Street, Christchurch 8011  
BNZ Cashel & Fitzgerald Store, Level 4, 111 Cashel Street, Christchurch 8011

# ADDINGTON

