



Waikato Racing Club
Consolidated Financial Statements
For the Year Ended 31 July 2021

This financial statement provides general information which is current at the time of production and prepared specifically for the racing clubs in New Zealand in relation to their transition to PBE IPSAS.

The information contained in this document does not constitute advice and should not be relied on as such. Professional advice should be sought prior to any action being taken in reliance on any of the information. NZRB disclaims all responsibility and liability (including, without limitation, for any direct or indirect or consequential costs, loss or damage or loss of profits) arising from anything done or omitted to be done by any party in reliance, whether wholly or partially, on any of the information. Any party that relies on the information does so at its own risk.

Waikato Racing Club Incorporated

Contents of Consolidated Financial Statements

For the Year Ended 31 July 2021

Contents of Consolidated Financial Statements	Page 1
Directory	Page 2
Consolidated Statement of Comprehensive Revenue and Expenses	Page 3
Consolidated Statement of Changes in Net Assets/Equity	Page 4
Consolidated Statement of Financial Position	Page 5
Consolidated Statement of Cash Flows	Page 6
Notes to the Consolidated Financial Statements	Page 7 - Page 20
Independent Auditors' Report	Page 21

Waikato Racing Club Incorporated

Directory

For the Year Ended 31 July 2021

Legal name of entity:	Waikato Racing Club Incorporated
Type of entity and legal status:	Incorporated Society
Registration number:	214043
Registered office:	Te Rapa Racecourse Te Rapa Road Hamilton, 324
Nature of business:	The Waikato Racing Club is the host club conducting 18 licenses of the 20 race days held at Te Rapa Racecourse
Board of Directors:	John Elstob (Chairperson) Glenn Holmes Gilbert Southworth David Kneebone Geoff Buchan Marcus Corban Bruce Darby Steve Rowe Karyn Fenton-Ellis (until May 2021) Philip Monahan (From May 2021)
Independent auditor:	Crowe NZ Audit Partnership 130 Grantham Street Hamilton

Waikato Racing Club
Consolidated Statement of Comprehensive Revenue and Expenses
For the year ended 31 July 2021

	Group 2021	Group 2020
	\$	\$
this has been updated for July 2021	Note	
Revenue from exchange transactions		
Race meeting revenues	5	6,534,645
Rental income	6	898,420
Rendering of services	7	66,203
Other operating revenue	8	260,038
Finance revenue		(1,512)
Total revenue from exchange transactions		<u>7,757,794</u>
TOTAL REVENUE		<u>5,903,242</u>
Expenses		
Race meeting costs and expenses	5	5,614,643
Expenses from rendering of services	7	16,996
Property expenses	6	236,274
Other operating expenses	9	1,263,914
TOTAL EXPENSES		<u>7,131,827</u>
		<u>625,967</u>
Interest, depreciation and amortisation expense		
Depreciation and amortisation	12 & 14	430,879
Finance expense		155,155
Total interest, depreciation and amortisation expense		<u>586,034</u>
Surplus/(Deficit) for the year		39,933
		(535,878)
Other comprehensive revenue and expenses		-
Total comprehensive revenue and expenses		<u>39,933</u>
		<u>(535,878)</u>

These financial statements should be read in conjunction with the notes to the financial statements



Waikato Racing Club
Consolidated Statement of Changes in Net Assets/Equity
For the year ended 31 July 2021

	Note	Group Retained earnings \$	Group Total \$
Balance as at 31 July 2019		16,046,516	16,046,516
Net surplus/(deficit) for the year		(535,878)	(535,878)
Other comprehensive revenue and expenses for the year		-	-
Balance as at 31 July 2020		15,510,638	15,510,638
Net surplus/(deficit) for the year		39,933	39,933
Other comprehensive revenue and expenses for the year		-	-
Balance as at 31 July 2021		15,550,571	15,550,571

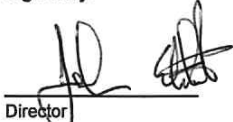
These financial statements should be read in conjunction with the notes to the financial statements



Waikato Racing Club
Consolidated Statement of Financial Position
As at 31 July 2021

	Note	Group 2021 \$	Group 2020 \$
Current assets			
Cash and cash equivalents	10	357,550	174,709
Receivables from exchange transactions	11	47,379	84,603
GST Receivables		116,724	5,970
Prepayments		119,110	82,630
Inventories		595	760
Other current assets	13	107,376	105,646
Total current assets		748,734	454,318
Non-current assets			
Property, plant and equipment	12	14,440,228	11,585,422
Investment property	14	8,324,382	8,333,171
Total non-current assets		22,764,610	19,918,593
Total assets		23,513,344	20,372,911
Current liabilities			
Bank overdraft	10	-	851,824
Trade and other payables	15	790,902	456,322
Employee entitlements	16	62,187	43,895
Other liabilities	18	106,950	110,232
Other financial liabilities	17	3,202,734	-
Total current liabilities		4,162,773	1,462,273
Non-current liabilities			
Other financial liabilities	17	3,800,000	3,400,000
Total non-current liabilities		3,800,000	3,400,000
Total liabilities		7,962,773	4,862,273
Net assets		15,550,571	15,510,638
Net assets comprised of:			
Retained earnings		15,550,571	15,510,638
Total net assets		15,550,571	15,510,638

Signed by:


 Director


 Director

Date: 19.10.21

These financial statements should be read in conjunction with the notes to the financial statements



Waikato Racing Club
Consolidated Statement of Cash Flows
For the year ended 31 July 2021

	2021	2020
Note	\$	\$
Cash flows from operating activities		
Cash was received from:		
Industry profit distribution	976,660	423,387
Other race meeting receipts	871,245	986,867
Grants and subsidies	-	155,765
Fees, subscriptions and other receipts from members	28,473	29,428
Receipts from providing goods or services	1,193,855	1,245,264
Net GST received	(110,754)	15,397
Cash was applied to:		
Payments to suppliers and employees	(2,106,976)	(2,493,470)
NZRB charges	-	(121,000)
Net cash flows from operating activities	852,503	241,638
Cash flows from investing activities		
Cash was received from:		
Proceeds from disposal of property, plant and equipment	-	-
Cash was applied to:		
Payments for purchase of property, plant and equipment	(3,283,709)	(391,199)
Payments for purchase of other assets	-	-
Net cash flows from investing activities	(3,283,709)	(391,199)
Cash flows from financing activities		
Cash was received from:		
Proceeds from borrowings	3,621,026	200,000
Cash was applied to:		
Finance lease liability	-	(16,950)
Interest paid	(155,155)	(160,925)
Deposit and bonds repaid	-	(4,433)
Net cash flows from financing activities	3,465,871	17,692
Net Increase / (Decrease) in Cash	1,034,665	(131,869)
Opening Cash	(677,115)	(545,246)
Closing Cash	357,550	(677,115)
This is represented by:		
Cash on hand and in bank	10 357,550	174,709
Bank overdraft	10 -	(851,824)
Cash and cash equivalents at end of the period	357,550	(677,115)

These financial statements should be read in conjunction with the notes to the financial statements

Waikato Racing Club
Notes to the Consolidated Financial Statements
For the year ended 31 July 2021

1. Statement of Accounting Policies

a) Reporting Entity

The Waikato Racing Club Incorporated ("the Club") is an incorporated society registered under the Incorporated Societies Act 1908. The Waikato Racing Group consist of the Club (the parent) and its controlled entities Mainstreet Place Limited Partnership and Sir Tristram Avenue Limited Partnership (together the Group). The limited partnerships are registered under the Limited Partnerships Act 2008, with the Club being the sole limited partner.

b) Basis of Preparation

Reporting Period

The financial reports have been prepared for the period 1 August 2020 to 31 July 2021 and in accordance with the requirements of the Public Finance Act 1989.

Basis of Preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been consistently applied throughout the period.

There have been a number of prior period comparatives which have been reclassified to make disclosure consistent with the current year.

Principal Activities and primary objective

The primary objective of the Club is to promote, conduct and control thoroughbred racing, and the principal activity of the Club is to hold and promote the harness race meetings on the Club's racecourse in Te Rapa Hamilton. The principal activity is supported by sponsorship income, function revenue and the rental income of investment properties which are held in the limited partnerships.

These consolidated financial statements have been approved and were authorised for issue by the Board of Directors on 19 October 2021. The Board of Directors does not have the power to amend these financial statements once issued.

Note 2: Statement of compliance

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for Not-For-Profit entities. For the purposes of complying with NZ GAAP, the Group is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-For-Profit PBE IPSAS on the basis that it does not have public accountability and it is not defined as large.

The Board of Directors have elected to report in accordance with Tier 2 Not-For-Profit PBE Accounting Standards and in doing so has taken advantage of all applicable Reduced Disclosure Regime ("RDR") disclosure concessions.

Note 3: Changes in accounting policies

There have been no changes in accounting policies during the current financial year.

Note 4: Summary of accounting policies

The significant accounting policies used in the preparation of these financial statements as set out below have been applied consistently to both years presented in these financial statements.

(a) Basis of measurement

The financial statements are prepared on the historical cost basis unless otherwise noted in a specific accounting policy.

(b) Functional and presentation currency

These financial statements are presented in New Zealand dollars, rounded to the nearest dollar.

Waikato Racing Club
Notes to the Consolidated Financial Statements
For the year ended 31 July 2021

(c) Basis of consolidation

The consolidated financial statements comprise the financial statement of the club and its controlled subsidiaries (the Group) as at 31 July 2021.

Controlled entities are all those entities over which the Club (the controlling entity) has the power to govern the financial and operating policies so as to obtain benefits from their activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the Club, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions have been eliminated in full.

The controlled entities 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 lost. Assets, liabilities, income and expenses of a controlled entity acquired or disposed of during the year are included in the financial statements from the date the Group gains the control until the date the Group ceases to control the controlled entity.

(d) Revenue

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

(i) Revenue from non-exchange transactions

Grant Revenue

Grant revenue includes grants given by other charitable organisations, and businesses. Grant revenue is recognised when the conditions attached to the grant has been complied with. Where there are unfulfilled conditions attaching to the grant, the amount relating to the unfulfilled condition is recognised as a liability and released to revenue as the conditions are fulfilled.

(ii) Revenue from exchange transactions

Race meeting revenue

Race meeting revenues comprise the amounts received or receivable for services provided and goods sold that directly relate to race meeting events conducted by the Club during the financial year. These primarily include industry distributions from the New Zealand Racing Board (NZRB) and the Code and other receipts that directly relate to the Club's race meeting activities from members of the Club (aside from membership fees included in other operating income) and third parties in the form of grants and subsidies.

Interest revenue

Interest revenue is recognised as it accrues, using the effective interest method.

Rental income on investment property

Rental income from investment property is recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(e) Income tax expense

The Group is exempt from New Zealand income tax pursuant to section CW 47(2) of the Income Tax Act 2007.

(f) Goods and Services Tax (GST)

The Group is registered for GST. Therefore, amounts recorded in the financial statements are exclusive of GST, except for receivables and payables which are inclusive of GST.

(g) Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Waikato Racing Club
Notes to the Consolidated Financial Statements
For the year ended 31 July 2021

(h) Receivables

Receivables are initially recognised at the fair value of the amount to be received and subsequently measured at amortised cost less any provision for impairment loss due to uncollectibility. Impairment is assessed if there is objective evidence that the customer cannot settle the amount due to the Group. A receivable is considered uncollectable where there is objective evidence the Group will not be able to collect all amounts due. The amount that is uncollectable (the provision for uncollectibility) is the difference between the amount due and the present value of the amounts expected to be collected.

(i) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent to initial recognition, property, plant and equipment are measured using the cost model, at carried at cost net of accumulated depreciation and any impairment losses. Plant and machinery and office equipment are measured using the cost model.

An item of property, plant and equipment is derecognised upon disposal or when the Group assesses that it has no further economic benefits or service potential expected from its use. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in surplus or deficit.

(j) Property, plant and equipment

Depreciation

Depreciation is charged on a diminishing value basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost of the asset less any estimated residual value over its remaining useful life. Land is not depreciated.

- Buildings: 0% - 33%
- Plant and equipment: 2% - 80%
- Motor vehicles: 10% - 48%
- Office equipment: 2% - 67%
- Capital work in progress: 0%

(k) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for supply of goods or services or for administrative purposes. Investment properties are measured initially at cost, including transaction costs. Investment property acquired through non-exchange transactions is measured at its fair value at the date of acquisition.

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and impairment losses. Therefore all the PBE IPSAS 17's requirements apply to the investment properties.

The group assesses the fair value of investment properties at each reporting date. Where there is objective evidence of impairment, an impairment loss will be recognised in surplus or deficit.

Depreciation

Depreciation is calculated using diminishing value method to allocate an asset's cost to its residual value over its estimated useful life. The following depreciation rates have been applied:

- Land and Building: the Group's investment properties are not depreciated as the board of Trustees have made a judgement that the residual value of the property is higher than the property's carrying value at reporting date. Therefore no depreciation has been charged.
- Building Fit-out: 10%

Derecognition

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 or service potential is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in surplus or deficit in the year of retirement or disposal.

Waikato Racing Club
Notes to the Consolidated Financial Statements
For the year ended 31 July 2021

(I) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provision of the financial instrument.

The Group derecognises a financial asset or, where applicable part of a financial asset or part similar financial assets when the rights to receive cash flows from the assets have expired or are waived, or the Group has transferred its rights to receive cash flows from the assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:

- the Group has transferred substantially all the risks and rewards of the assets; or
- the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(i) Financial assets

Financial assets within the Scope of NFP PBE IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loan and receivables, held-to-maturity investments or available-for-sale financial assets. The classifications of the financial assets are determined at initial recognition.

The category determines subsequent measurement and whether any resulting income and expense is recognised in surplus or deficit or in other comprehensive revenue and expenses. As at balance date, all of the Group's financial assets are classified as loans and receivables and hold-to-maturity. The Group's financial assets include: cash and cash equivalents, receivables from non-exchange transactions, receivables from exchange transactions and investments and ANZ term deposit.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment.

The Group's cash and cash equivalents, receivables from exchange transactions and receivables from non-exchange transactions fall into this category of financial instruments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group does not have any available-for-sale financial asset.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include items that are either classified as held for trading or that meet certain conditions and are designated at fair value through surplus or deficit upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments or a derivative that is a financial guarantee contract.

The Group has not designated any financial assets at fair value through surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Held-to-maturity financial assets comprise ANZ term deposit.

Waikato Racing Club
Notes to the Consolidated Financial Statements
For the year ended 31 July 2021

(ii) Financial liabilities

The Group's financial liabilities include trade and other creditors and interest bearing borrowings.

All financial liabilities are initially recognised at fair value (plus transaction cost for financial liabilities not at fair value through surplus or deficit) and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus or deficit.

Gains and losses are recognised in surplus or deficit when the liabilities are derecognised as well as through the effective interest rate amortisation process. The effective interest rate amortisation is included as finance costs in the statement of comprehensive revenue and expenses.

Impairment of financial assets

The Group assesses at the end of reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortised cost, if there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the surplus or deficit for the reporting period.

In determining whether there are any objective evidence of impairment, the Group first assesses whether there are objective evidence of impairment for financial assets that are individually significant, and individually or collectively significant for financial assets that are not individually significant. If the Group determines that there is no objective evidence of impairment for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. If the reversal results in the carrying amount exceeding its amortised cost, the amount of the reversal is recognised in surplus or deficit.

(m) Leases

Payments on operating lease agreements, where the lessor retains substantially the risk and rewards of ownership of an asset, are recognised as an expense on a straight-line basis over the lease term.

(n) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, property plant and equipment and investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For non-financial cash-generating assets, except for those assets that are measured using the revaluation model, the Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs. An asset's or CGU's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Waikato Racing Club
Notes to the Consolidated Financial Statements
For the year ended 31 July 2021

(n) Impairment of non-financial assets (Continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

(o) Impairment of non-cash generating assets

For non-financial non-cash-generating assets, the Group assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the statement of comprehensive revenue and expenses.

(p) Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Interest bearing loans and borrowings are classified as non-current liabilities as the settlement of the liability for at least 12 months after balance date.

(q) Trade and other payables

Trade and other payables are unsecured and are usually paid within 30 days of recognition.

(r) Significant judgements and estimates

In preparing the financial statements, the Board of Trustees are required to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The uncertainty from these assumptions and estimates could result in outcomes that may result in a material adjustment to the carrying amount of the asset or liability.

The Group bases its assumptions and estimates on parameters available when the financial statements are prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The key significant judgements and estimates used in the preparation of these financial statements are as follows:

Useful lives of property, plant and equipment

The Board reviews the estimated useful lives and residual values of property, plant and equipment at the end of each reporting date. The Board believes that the estimated useful lives of the property, plant and equipment as disclosed in the notes to the financial statements are appropriate to the nature of the property, plant and equipment at reporting date. Property, plant and equipment is disclosed at Note 12.

Waikato Racing Club
Notes to the Consolidated Financial Statements
For the year ended 31 July 2021

5 Race meeting revenue and expenses

	Group 2021	Group 2020
Revenue from exchange transactions	\$	\$
Industry profit distribution	5,215,076	3,726,251
Acceptance fees	257,440	202,083
On-course totalisator income	158,731	101,390
Race meeting sponsorships	379,348	296,892
Bar sales (race meeting days related)	457,357	375,330
Admission and Privilege Revenue	32,153	9,172
Race book sales	-	61
Other race meeting income	34,540	1,939
Total Race meeting Revenue - Exchange	6,534,645	4,713,118
Total Race meeting Revenue	6,534,645	4,713,118
Expenditure		
Stakes	4,686,740	3,292,900
Totaliser expenses	10,130	10,981
Advertising and promotions	63,071	83,417
Direct race meeting operating costs	287,759	246,988
Race meeting sponsorship costs	22,515	9,639
Race book costs	38,860	30,422
Bar, Function and Package Expenses	331,973	222,910
NZTR costs	-	150,671
Salaries and wages (direct)	173,595	128,021
Total race meeting costs & expenses	5,614,643	4,175,949
Net race meeting surplus/(deficit)	920,002	537,169

6 Property rental revenue and expenses

	Group 2021	Group 2020
	\$	\$
Rental Income		
Rental income from properties	722,847	670,884
Parking and field income	38,279	33,927
Other Rental income	22,530	57,333
Opex income	117,456	112,236
Racecourse Rental Costs	-2,692	-199
	898,420	874,181
Rental Costs		
Property Expenses	58,956	44,893
Property related - utilities, rates & insurance	90,352	111,282
OPEX expenses	86,966	84,056
	236,274	240,231
Net property Income	662,146	633,950

Waikato Racing Club
Notes to the Consolidated Financial Statements
For the year ended 31 July 2021

7 Revenue from rendering of services		
	Group	Group
	2021	2020
	\$	\$
Function expenses recoveries	-	9,545
Equipment hire income	21,413	5,049
Function cleaning revenue	6,170	(461)
Catering and beverage income	-	(531)
Venue Hire revenue	38,620	53,251
Total revenue from rendering of services	66,203	66,853
Function costs	16,524	82,520
Advertising expenses	472	6,346
	16,996	88,866
Net revenue from rendering of services	49,207	(22,013)

8 Other Operating revenue		
	Group	Group
	2021	2020
	\$	\$
Sponsorship income	39,000	48,000
Members subscription income	28,473	29,429
Sundry income	155,765	78,796
Track revenue	36,800	89,898
Total other operating revenue	260,038	246,123

9 Other operating expenses		
	Group	Group
	2021	2020
	\$	\$
Administration salaries and wages	679,388	630,637
Accounting fees	34,382	78,182
Audit fees - Crowe	13,566	15,120
Entertainment	7,053	9,032
Fuel expenses	15,597	13,582
Repairs and maintenance	98,038	136,760
Legal and professional fees	28,261	92,180
Lease expenses	34,200	33,747
Loss on sale of asset	4,204	-
Irrigation expenses	26,255	20,148
Utilities, rates and insurance	109,017	115,440
Stationery, printing and postage	8,863	9,698
Travel expenses	948	3,047
Other expenses	185,858	119,915
Telephone & computer expenses	18,284	16,419
Total other operating expenses	1,263,914	1,293,907

Waikato Racing Club
Notes to the Consolidated Financial Statements
For the year ended 31 July 2021

10 (Bank overdraft)/Cash and cash equivalents

	Group	Group
	2021	2020
	\$	\$
ASB Cheque account	280,329	(851,824)
ASB Savings account	2,548	2,547
ANZ Cheque account	72,500	170,078
ANZ Call account	1,191	1,191
ASB Business Cheque account	797	708
Cash floats	185	185
Total cash and cash equivalents	357,550	(677,115)

Subsequent to year end, the Group has renegotiated the revolving credit facility with the ASB Bank so that the limit is 300,000. The balance of the revolving debit/(credit) facility at 31 July 2021 was \$280,329. The credit facility bears interest rate of 3.38% per year (2020: 4.95%)

11 Receivables

	Group	Group
	2021	2020
	\$	\$
Receivables from exchange transactions		
Trade receivables	47,379	81,039
Other receivables	-	3,201
Accrued income	-	363
	47,379	84,603
Total receivables from exchange transactions	47,379	84,603

Waikato Racing Club
Notes to the Consolidated Financial Statements
For the year ended 31 July 2021

Note 12 Property plant and equipment

	Opening balances (Group)		Current year movements (Group)				Closing balances (Group)				
	Cost / valuation	Acc. depreciation / impairment	Carrying amount	Additions	Disposals / Transfers	Impairment charges	Depreciation	Less Depreciation on disposal	Cost / valuation	Acc. depreciation / impairment	Carrying amount
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
as at 31 July 2021											
Land and buildings	14,372,983	(4,080,374)	10,292,609	-	-	(332,946)			14,372,983	(4,413,320)	9,959,663
Plant and machinery	1,174,281	(695,439)	478,842	18,682	(17,000)	(70,086)	10,187		1,175,963	(755,338)	420,625
Office equipment	133,062	(114,164)	18,898			(2,983)			133,062	(117,147)	15,915
Vehicles	266,199	(147,768)	118,431			(16,075)			266,199	(163,843)	102,356
Work-in-progress	676,642	-	676,642	3,265,027	-	-			3,941,669	-	3,941,669
	16,623,167	(5,037,745)	11,585,422	3,283,709	(17,000)	(422,090)	10,187		19,889,876	(5,449,648)	14,440,228
at 31 July 2020											
Land and buildings	14,372,983	(3,713,790)	10,659,193	-	-	(366,584)			14,372,983	(4,080,374)	10,292,609
Plant and machinery	1,157,700	(614,663)	543,037	16,581		(80,776)			1,174,281	(695,439)	478,842
Office equipment	131,962	(109,583)	22,379	1,100		(4,581)			133,062	(114,164)	18,898
Vehicles	254,199	(130,231)	123,968	12,000		(17,537)			266,199	(147,768)	118,431
Invest. property equip	-	-	-						-	-	-
Work-in-progress	315,124	-	315,124	361,518	-	-			676,642	-	676,642
	16,231,968	(4,568,267)	11,663,701	391,199	-	(469,478)	-		16,623,167	(5,037,745)	11,585,422



Waikato Racing Club
Notes to the Consolidated Financial Statements
For the year ended 31 July 2021

13 Other current financial assets

	Group 2021	Group 2020
	\$	\$
Opening balance ANZ term deposits	105,646	102,603
Add interest received & reinvested	1,730	3,043
Closing balance	<u>107,376</u>	<u>105,646</u>

On behalf of the James and Anne Sarten Memorial Fund, the Group holds funds in a term deposit at 31 July 2021 with the ANZ bank for which interest revenue is recognised during the term of the investment. The term deposit is due to expire on 17 September 2021. The fund is restricted for a specific purpose and is therefore rolled on an annual and continuing basis.

14 Investment property

	Group 2021	Group 2020
	\$	\$
Land	2,654,944	2,654,944
Buildings	5,678,227	5,687,994
	<u>8,333,171</u>	<u>8,342,938</u>
Additions	-	0
Disposals/Transfer	-	0
Depreciation	(8,789)	(9,767)
Closing balance at 31 July	<u>8,324,382</u>	<u>8,333,171</u>

15 Trade and other payables

	Group 2021	Group 2020
	\$	\$
Trade payables	686,139	203,640
Other payables	1,147	2,435
Accrued expenses	69,966	37,258
Income received in advance	33,650	212,989
Total trade and other payables	<u>790,902</u>	<u>456,322</u>

16 Employee entitlements

	Group 2021	Group 2020
	\$	\$
Salaries and wages payable	3,016	2,746
Holiday pay liability	59,171	41,149
Total employee entitlements	<u>62,187</u>	<u>43,895</u>

Waikato Racing Club
Notes to the Consolidated Financial Statements
For the year ended 31 July 2021

17 Other financial liabilities

	Group 2021	Group 2020
	\$	\$
Current financial liabilities		
Current interest-bearing loans and borrowings	3,202,734	-
Non-current financial liabilities		
Non-current interest-bearing loans and borrowings	3,800,000	3,400,000
	7,002,734	3,400,000

The Group has term borrowings with the ASB Bank with a total value of \$7 million, of which \$3.2 million is due to mature in December 2021, \$3.3 million is due to mature in December 2022 and \$0.5 million is due to mature in October 2022. The loans bear interest rate of 2.80% to 3.38% per year (2020: 3.2%). The Group had undrawn interest bearing loans and borrowing facilities at 31 July 2021 of approximately \$2 million. All banking covenants associated with interest bearing loans and borrowings have been complied with at 31 July 2021. Subsequent to balance date, the Group has confirmed with the bank that \$3.2 million loan will be extended for a further term while the development is in progress and eventually will be converted to a long term loan once the development completed.

Security:

These borrowings are secured by a first charge over land and buildings held as the Group's investment property with carrying value of \$8.3 million (2020: \$8.3 million). Together with general security deeds over all assets of Mainstreet Place Limited Partnership and Sir Tristram Avenue Limited Partnership.

18 Other liabilities

	Group 2021	Group 2020
	\$	\$
Funds held in the Group	100,000	100,000
Deposits and bonds	6,950	10,232
Total other liabilities	106,950	110,232

19 Categories of financial assets and liabilities

	Group 2021	Group 2020
	\$	\$
<i>Financial Assets</i>		
Loans and Receivables		
Cash and cash equivalents	357,550	174,709
Receivables from exchange transactions	47,379	84,603
	404,929	259,312
Held to maturity		
Other current financial assets	107,376	105,646
	107,376	105,646
Financial liabilities		
Bank overdraft	-	851,824
Trade and other payables	790,902	456,322
Funds held in Group	100,000	100,000
Deposits and bonds	6,950	10,232
Bank loans	7,002,734	3,400,000
	7,900,586	4,818,378

Waikato Racing Club
Notes to the Consolidated Financial Statements
For the year ended 31 July 2021

20 Commitment and contingencies

1) Non-cancellable operating lease commitments - Group as lessee

As at reporting date, the Group has entered into various non-cancellable operating lease contracts with a term averaging between 3 - 5 years for the motor vehicles and peripherals building and office equipment. Operating lease payments are recognised as an operating expense in surplus or deficit on a straight-line basis over the lease term. The following table shows the minimum rental payables relating to the lease contracts as at reporting date:

	Group 2021 \$	Group 2020 \$
Within one year	32,915	19,642
After one year but not more than five years	20,515	21,206
	53,430	40,848

2) Non-cancellable operating lease commitments - Group as lessor

As at reporting date, the Group has entered into commercial property leases on its investment property portfolio consisting of the Group's office buildings. These non-cancellable leases have remaining terms of between five and twenty years. All leases include a clause to enable upward revision of the rental charges on an annual basis according to prevailing market conditions.

Future minimum rentals receivables under non cancellable leases at 31 July 2021 and 2020 are as follows:

	Group 2021 \$	Group 2020 \$
Within 1 year	763,942	708,254
After 1 year but not more than 5 years	1,266,364	1,712,353
More than 5 years	2,203	14,795
	2,032,509	2,435,402

3) Capital commitments

The Club has entered in the a build contract with Signature Home for a new Childcare Facility. The facility is to be rented to Beststart. The total agreed contract to build was \$4,516,350. Total spent to date amount to \$3,153,506 and the remaining estimated commitment was \$1,362,844.

4) Contingencies

The Group has no contingent liabilities or assets as of 31 July 2021 (2020 : Nil)

21 Related party transactions

Waikato Racing Club own 100% of Mainstreet Place Limited Partnership and Sir Tristram Avenue Limited Partnership.

The Group's transactions with its related party entities are interest free and are made on normal terms. As of reporting date, the Group has no impaired receivables from related parties.

The Key management personnel as defined by PBE IPSAS 20 Related Party Disclosure are the members of the governing body which is comprised of the Board of Directors, the Chief Executive Officer and Executive Management Team who exercise control or significant influence over the financial and operating decision making of the Group. No remuneration is paid to Directors on the Board. The aggregate remuneration of key management personnel and the number of individuals determined on a full-time equivalent basis receiving remuneration is as follows:

	Group 2021 \$	Group 2020 \$
Total remuneration	395,745	341,014
Number of persons	3.0	3.0

During the reporting period, the total remuneration and compensation of \$870 (2020: \$1,467) was provided by the Group to employees who are close family members of key management personnel

Waikato Racing Club
Notes to the Consolidated Financial Statements
For the year ended 31 July 2021

21 Related party transactions (Continued)

Transaction with the Directors:

During the 2021 financial year, the following transactions incurred with the Directors.

	Group 2021	Group 2020
	\$	\$
Sponsorship received from John Elstob	2,300	56,000
Professional fees paid to John Elstob	-	(2,076)
Membership fees received from John Elstob	125	125
Package sales and function fees from John Elstob	11,388	6,175
Membership fees received from Marcus Corban	125	125
Package sales and function fees from Marcus Corban	495	-
Membership fees received from David Kneebone	125	125
Package sales and function fees from David Kneebone	1,600	-
Sponsorship received from David Kneebone	500	-
Membership fees received from Geoff Buchan	125	125
Membership fees received from Steve Rowe	125	125
Membership fees received from Karyn Fenton-Ellis	-	125
Expenses incurred on behalf of Karyn Fenton-Ellis	-	(2,135)
Membership fees received from Glenn Holmes	125	125
Membership fees received from Bruce Darby	125	125
Package sales and function fees from Bruce Darby	-	300
Package sales and function fees from Gilbert Southworth	300	-
Package sales and function fees from Te Akau Stud	11,228	13,019
Sponsorship received from Te Akau Stud	14,300	26,198

22 Events after the reporting date

The Directors are aware of the current Covid-19 emergency and the New Zealand Government's decision that all non-essential businesses are to close effective 17 August 2021. At the date of issuing the financial statements, the Society has been able to absorb the majority of the impact from the nationwide lockdown. This matter is being addressed with business continuity planning and the Directors have considered that this is a "non-adjusting" subsequent event and there is no impact on the 2021 financial year.

The Directors consider that there is a reasonable expectation that the Society has adequate resources to continue to operate for the foreseeable future, in particular a period of not less than one year from the approval date of these consolidated financial statements for the reasons set out in note 23 of the financial statements.

23 Working Capital Deficit

The Society has a working capital deficit of \$3,414,081 at 31 July 2021. The Directors are working through options to address the Society's working capital deficit which include initiatives to increase revenue that the Society receives together with disposal of property which is considered surplus to the Society's operations. In addition to these options, the Directors expects to continue to have loan facilities in place from the Society's bankers on terms no less than those terms that are currently provided to the Society.

The Directors expect that loan facilities recognised in these financial statements as a current liability will be renegotiated subsequent to balance date with the Bank such that no repayments will be due by the Society during the year ended 31 July 2022.

The Directors consider that future operational profitability and cashflows, together with the continued provision of loan facilities, will be adequate to meet the investing and financial cashflow requirements of the Society. For this reason, the Executive Committee continue to adopt the going concern assumption in preparing the consolidated financial statements for the year ended 31 July 2021.



**INDEPENDENT AUDITOR'S REPORT
To the Members of the Waikato Racing Club****Opinion**

We have audited the consolidated financial statements of the Waikato Racing Club and its controlled entities (the Group) on pages 3 to 20, which comprise the consolidated statement of financial position as at 31 July 2021, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 July 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Public Benefit Entity Accounting Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for Opinion

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

Other than in our capacity as auditor we have no relationship with, or interests in, Waikato Racing Club or any of its controlled entities.

Emphasis of Matter - COVID-19

We draw attention to Note 22 of the financial statements, which describes the effects relating to the spread of COVID-19. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Working capital deficit

We draw attention to Note 23 of the financial statements, which describes the working capital deficit of the Group and the action being taken by the Board to address this. Our opinion is not modified in respect of this matter.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd.

Services are provided by Crowe New Zealand Audit Partnership an affiliate of Findex (Aust) Pty Ltd.

© 2019 Findex (Aust) Pty Ltd

Information Other Than the Consolidated Financial Statements and Auditor's Report

The Executive Committee are responsible for the other information. The other information comprises the information included in the Directory on page 2, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or 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 in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, 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.

Executive Committee's Responsibilities for the Consolidated Financial Statements

The Executive Committee are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Accounting Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board, and for such internal control as the Executive Committee 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, the Executive Committee are responsible for assessing 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 the Executive Committee either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated 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 ISAs (NZ) 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 decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Executive Committee and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with the Executive Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Restriction on Use

This report is made solely to the Members of the Waikato Racing Club, as a body. Our audit has been undertaken so that we might state to the Members of the Waikato Racing Club 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 Waikato Racing Club and the members of the Waikato Racing Club as a body, for our audit work, for this report, or for the opinions we have formed.



Crowe New Zealand Audit Partnership
CHARTERED ACCOUNTANTS

Dated at Hamilton this 26th day of October 2021