Te Rapa

Waikato Racing Club

Annual Consolidated Financial Statements at 31 July 2018

Annual Financial Statements of the Waikato Racing Club includes the financial performance and financial position for the year ended 31 July 2018

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Consolidated Statement of Comprehensive Revenue and Expense
For the year ended 31 July 2018

	Note	2018 $	2017 $
Revenue			
Race meeting revenues	*2.1*	6,092,976	5,855,602
Rendering of services	*2.2*	928,424	987,730
Other operating revenue	*2.3*	28,642	85,370
Finance revenue	*4.1*	2,063	3,248
Total operating revenue		**7,052,106**	**6,931,950**
Expenses			
Race meeting costs and expenses	*2.1*	5,457,635	5,184,375
Other operating expenses	*3*	1,649,586	1,561,194
Total operating and other expenses		**7,107,221**	**6,745,569**
Net operating surplus / (deficit)		**(55,115)**	**186,381**
Other gains / losses			
Other gains	*5.1*	1,061,313	1,264,963
Other losses	*5.2*	(455)	(347,273)
Share of surplus of associate and joint venture	*8*	-	(2,501)
Total other gains / (losses)		**1,060,858**	**915,189**
Net surplus / (deficit) for the year		**1,005,743**	**1,101,570**
Interest, depreciation and amortisation expense			
Depreciation and amortisation	*3*	562,175	285,717
Finance expense	*4.2*	182,081	149,555
Total interest, depreciation and amortisation expense		**744,256**	**435,272**
Total comprehensive revenue and expense surplus / (deficit) attributable to members for the year		**261,487**	**666,298**

The above statement of comprehensive revenue and expense should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Net Assets / Equity
For the year ended 31 July 2018

	Note	Accumulated comprehensive revenue & expense	Reserves	Total equity
		$	$	$
Balance as at 31 July 2016		**9,730,798**	**6,191,889**	**15,922,687**
Net surplus/(deficit) for the year		666,298	-	666,298
Other comprehensive revenue and expense		-	-	-
Movements and transfers in reserves	*17*	-	-	-
Balance as at 31 July 2017		**10,397,096**	**6,191,889**	**16,588,985**
Net surplus/(deficit) for the year		261,487	-	261,487
Other comprehensive revenue and expense		-	-	-
Movements and transfers in reserves	*17*	-	-	-
Balance as at 31 July 2018		**10,658,583**	**6,191,889**	**16,850,471**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Te Rapa
Waikato Racing Club

Consolidated Statement of Financial Position
As at 31 July 2018

	Note	2018 $	2017 $
Current assets			
Cash and cash equivalents	6	107,312	782,816
Receivables from exchange transactions	7	144,766	275,890
Other current financial assets	9	100,000	50,000
Other current assets	10	103,884	84,957
Total current assets		**455,961**	**1,193,663**
Non-current assets			
Property, plant and equipment	11	11,981,763	11,559,207
Investment property	12	8,287,276	8,246,116
Investment in associate and joint venture	8	-	(32)
Total non-current assets		**20,269,039**	**19,805,291**
Total assets		**20,725,000**	**20,998,954**
Current liabilities			
Taxes and transfers payables	13.1	22,094	24,291
Payables under exchange transactions	13.2	498,743	623,903
Employee entitlements	13.3	53,693	40,815
Other financial liabilities	14	100,000	50,000
Total current liabilities		**674,530**	**739,009**
Non-current liabilities			
Other financial liabilities	14	3,200,000	3,670,959
Total non-current liabilities		**3,200,000**	**3,670,959**
Total liabilities		**3,874,530**	**4,409,969**
Net assets		**16,850,471**	**16,588,985**
Equity attributable to:			
Waikato Racing Club		16,850,471	16,588,985
Total equity		**16,850,471**	**16,588,985**

Approved by:

Karyn Fenton-Ellis MNZM
Chairman – Waikato Racing Club

Date: 9 October 2018

Ken Rutherford MNZM
CEO – Waikato Racing Club

Date: 9 October 2018

The above statement of financial position should be read in conjunction with the accompanying notes.

PKF Hamilton

Consolidated Statement of Cash Flows
As at 31 July 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Cash was received from:			
Industry profit distribution		577,500	567,500
Other race meeting receipts		1,109,101	1,189,893
Grants and subsidies		(17,681)	17,681
Fees, subscriptions and other receipts from members		46,323	17,739
Receipts from providing goods or services		955,269	1,403,345
Net GST refund		65,549	464,373
Cash was applied to:			
Payments to suppliers and employees		(2,619,369)	(3,222,592)
NZRB charges		(198,589)	(273,677)
Net cash flows from operating activities		**(81,897)**	**164,262**
Cash flows from investing activities			
Cash was received from:			
Proceeds from disposal of property, plant and equipment		1,475,337	1,394,352
Interest received		24,467	3,517
Cash was applied to:			
Payments for purchase of property, plant and equipment		(1,440,371)	(1,442,052)
Payments for purchase of other assets		-	-
Net cash flows from investing activities		**59,433**	**(44,183)**
Cash flows from financing activities			
Cash was received from:			
Proceeds from borrowings		2,215,230	3,670,959
Cash was applied to:			
Payments for borrowings		(2,686,189)	(2,690,747)
Interest paid		(182,081)	(149,555)
Net cash flows from financing activities		**(653,040)**	**830,657**
Net Increase / (Decrease) in Cash		**(675,504)**	**950,736**
Opening Cash		782,816	(167,920)
Closing Cash		**107,312**	**782,816**
This is represented by:			
Cash on hand and in bank		107,312	782,816
Cash and cash equivalents at end of the period		**107,312**	**782,816**

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements
For the year ended 31 July 2018

1. BASIS OF PREPARATION

Reporting entity
The Waikato Racing Club Incorporated (henceforth, "the Club") is incorporated under the Incorporated Societies Act 1908. The primary objective of the Club is to promote, conduct and control thoroughbred racing and is registered with the New Zealand Thoroughbred Racing Code ("the Code") consistent with the Code's constitution. The Club is a recognised industry organisation in accordance with the Racing Act 2003.

The financial statements presented are for the Club and its subsidiaries (collectively the Group) for the year ended 31 July 2018 and were authorised for issue by the Board as signed on the Statement of Financial Position.

Basis of consolidation
Controlled entities are 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. Potential exercisable or convertible voting rights are considered when assessing whether the Club controls another entity. Club controlled entities are Mainstreet Place LP and Sir Tristram Avenue LP.

Controlled entities are fully consolidated from the date on which control is obtained by the Club 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 Club gains control until the date the Club ceases to control the entity.

Statement of compliance
The financial statements have been prepared in accordance with the Racing Act 2003, which requires compliance with generally accepted accounting practice in New Zealand ("NZ GAAP").

As the primary objective of the Club is not towards making financial returns but the promotion, conduct and control of thoroughbred racing, it has designated itself as a not-for-profit public benefit entity (PBE) for financial reporting purposes.

The Club has elected to report in accordance with the Tier 2 Racing PBE accounting standards on the basis that it is not publicly accountable and not considered large for financial reporting purposes.

The financial statements of the Club comply with the Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR) as appropriate for Tier 2 Racing not-for-profit entities and disclosure concessions have been applied.

Measurement basis
The financial statements have been prepared on a historical cost basis, with the exception of certain items for which specific accounting policies have been identified as revalued and are presented in New Zealand dollars which is also the Group's functional currency.

Going concern
The financial statements have been prepared on a going concern basis.

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

Significant accounting judgements, estimates and assumptions
The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The judgements, estimates and assumptions are evaluated on a regular and continuing basis, including expectations of future events, to a reasonable extent to assess their implication on reported revenues, expenses, assets, liabilities and disclosures in the financial statements.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- *Classification of non-financial assets as cash generating assets or non-cash-generating assets*

  For the purpose of assessing impairment indicators and impairment testing, the Group classifies non-financial assets as either cash-generating or non-cash-generating assets. The Group classifies a non-financial asset as cash-generating asset if the primary objective of the asset is to generate commercial return. All other assets are classified as non-cash-generating assets.

All property, plant and equipment, investment property and intangible assets held by the Group are classified as cash-generating assets as the cash flows generated through the use of these assets are generally sufficient to represent commercial return on the assets and considering that they are primarily used for the Group's main revenue generating activities. The Group has no non-financial assets classified as non-cash generating assets.

- *Impairment of property, plant and equipment*

  The Group performs impairment testing with respect to its property, plant and equipment. In determining whether impairment exists, the carrying value of an asset 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 binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

  Further details are provided under note 11.

- *Useful lives and residual values*

  The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

  - The condition of the asset based on the assessment of experts employed by the Group
  - The nature of the asset, its susceptibility and adaptability to changes in technology and processes
  - The nature of the processes in which the asset is deployed
  - Availability of funding to replace the asset
  - Changes in the market in relation to the asset

  Further details are provided under note 11.

Income taxes

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

2. REVENUES AND DIRECT COSTS & EXPENSES

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Group and it can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenues are classified as to whether they arise from an exchange or non-exchange transactions. An exchange transaction is one in which the Group receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange and includes sale of goods, rendering of services and charges for the use of the Group's assets. The Group recognises revenue from exchange transactions when the revenue recognition criteria mentioned above are satisfied.

A non-exchange transaction is any other transaction not classified as exchange. The Group's revenue recognition criteria are detailed in note 2.4 below.

2.1 Race meeting revenue and expenses

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.

The Club incurred certain direct costs and expenses in conducting its race meeting days and recognises these as costs and expenses when incurred regardless of when the payment is made unless they qualify for recognition as asset. Direct costs and expenses on race meeting days are presented below excluding indirect salaries and wages and depreciation expenses which are included as part of other operating expenses are in note 3.

	2018	2017
	$	$
Industry profit distribution	4,983,875	4,585,875
On-course totalisator income	361,287	388,582
Race meeting sponsorships	376,200	406,810
Bar sales (race meeting days related)	20,735	19,127
Race book sales	3,468	3,937
Other race meeting income	347,411	451,271
Total race meeting revenues	**6,092,976**	**5,855,602**
Stakes	4,406,375	3,998,375
Advertising and promotions	327,729	417,653
Direct race meeting operating costs	370,785	407,955
NZRB charges	190,589	184,299
Salaries and w ages (direct)	162,156	176,092
Total race meeting costs & expenses	**5,457,635**	**5,184,375**
Net race meeting surplus/(deficit)	**635,341**	**671,228**

2.2 Revenue from rendering of services

The Group performed various services including course and venue rental to members of the Club and other third parties. Costs and expenses related to these revenues are included in note 3.

	2018	2017
	$	$
Rental revenues	782,104	877,983
Service revenues	146,320	109,747
Total revenue on rendering of services	**928,424**	**987,730**

2.3 Other operating revenue

	2018 $	2017 $
Grants and subsidies	(17,681)	17,681
Members subscriptions and other fees	25,516	20,220
Insurance receipts	1,099	10,313
Sundry income	19,708	37,156
Total other operating revenue	**28,642**	**85,370**

2.4 Revenue from non-exchange transactions

Revenue from a non-exchange transaction is recognised as soon as the inflow of resources can be recognised as an asset in the financial statements but only to the extent that no present obligation is recognised with respect to the asset received/receivable. A present obligation exists when there is a condition attached to the asset received that requires the Group to use the resources as specified by the transferor or return the same if the condition is not satisfied.

An asset acquired through a non-exchange transaction (e.g., cash, goods, inventory, or property, plant and equipment) is initially measured at its fair value as at the date of acquisition consistent with the fair value basis applicable for each type of asset received (note 6 for cash; and note 11 for property, plant and equipment). Revenue from non-exchange transaction is measured on the basis of the value of the asset received less any present obligation attached as of the date of transfer.

The Group did not have any revenue non-exchange transactions in the year ending 31 July 2018 (2017: nil).

The Club receives services in kind from members and external parties and although these are greatly valued, such types of revenues are usually difficult to measure. As such, these revenues are not included in the Club's financial statements.

3. OTHER OPERATING EXPENSES

Costs and expenses relating to the overall costs of running the Club include staff time, office space, information technology and asset costs. These are recognised as incurred and are presented in the table below. This includes portion of salaries and wages and depreciation and amortisation expenses incurred in relation to the revenues generated by the Group; all other direct costs and expenses are presented in note 2.

	2018 $	2017 $
Depreciation and amortisation	562,175	285,717
Total depreciation and amortisation	**562,175**	**285,717**
Salaries and w ages	762,233	781,977
Advertising and promotions	9,910	3,136
Repairs and maintenance	258,982	148,991
Insurance	67,515	69,052
Audit fees	12,500	13,500
Other fees paid to auditor	1,360	1,160
Consultants fees	126,927	108,373
Stationery, printing and postage	12,134	20,287
Bad debts expense	1,548	1,961
Other operating expenses	396,477	412,759
Total other operating expenses	**1,649,586**	**1,561,194**

4. FINANCE INCOME AND COSTS

4.1 Finance revenue

Interest revenue primarily arises from investments in banks in the form of cash and term deposits. The Group also has investments in loans and advances and portfolio investments of interest-bearing instruments for which interest is earned during the term of the investment.

	2018	2017
	$	$
Interest from bank and term deposits	2,063	3,248
Other interest revenues	-	-
Total finance revenue	**2,063**	**3,248**

4.2 Finance cost

The Group has outstanding borrowings from banks and other entities and has incurred interest thereon at the agreed rate of interest.

	2018	2017
	$	$
Interest from bank borrowings	182,081	149,555
Interest from other debt instruments	-	-
Total finance cost	**182,081**	**149,555**

5. OTHER GAINS AND LOSSES

5.1 Other gains

	2018	2017
	$	$
Net gain on disposal of property, plant and equipment, intangible and other assets	1,061,313	1,264,963
Total other gains	**1,061,313**	**1,264,963**

5.2 Other losses

	2018	2017
	$	$
Net loss on disposal of property, plant and equipment, intangible and other assets	455	297,273
Loss on licence termination	-	50,000
Total other losses	**455**	**347,273**

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	2018	2017
	$	$
Cash in bank	107,312	782,816
Total cash and cash equivalents	**107,312**	**782,816**

7. 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.

Any bad debts are recognised in surplus or deficit and the amount of receivables adjusted to their net realisable value. If such bad debts are subsequently recovered, they are recognised as gains in surplus or deficit on the date they are collected by the Group.

The following table summarises the Group's receivables from exchange and non-exchange transactions.

	2018 $	2017 $
Receivables from exchange transactions		
Trade receivables	87,705	141,078
Interest receivable	1,498	1,402
Tax receivable	55,562	133,409
	144,766	**275,890**
Receivables from non-exchange transactions		
	-	**-**
Total net realisable value of receivables	**144,766**	**275,890**

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Club was party to a consortium with *Northern Raceday Services,* with respect to the management, operation and maintenance of Starting Gates, which is classified as a jointly controlled entity by the Club. As at 31 July 2017 the Club withdrew from the joint venture and the full investment value was distributed back to the Club.

	2018 $	2017 $
Opening balance	(32)	28,328
Surplus / (deficit) from operations	32	(2,501)
Distribution received	-	(25,859)
Closing Balance	**-**	**(32)**

9. OTHER FINANCIAL ASSETS

Term deposits

On behalf of the James and Annie Sarten Memorial Fund, the Club holds funds in term deposit of $100,000 with the ANZ bank for which interest revenue is recognised during the term of the investment. An additional $50,000 of funds were introduced in July 2018. This investment has a maturity of 1 year or less, is restricted for a specific purpose and is therefore rolled on a continuing basis. Unrestricted term deposits with original maturities of at least or less than 90 days are classified by the Club as cash and cash equivalents.

	2018 $	2017 $
Term deposits	100,000	50,000
Total other financial assets	**100,000**	**50,000**
Current financial assets	100,000	50,000
Non-current financial assets	-	-
Total other financial assets	**100,000**	**50,000**

10. OTHER ASSETS

	2018 $	2017 $
Current		
Prepayments	103,884	84,957
Total other current assets	**103,884**	**84,957**
Total other assets	**103,884**	**84,957**

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured initially at cost which includes expenditure that is directly attributable to the acquisition of the asset. The cost of an item of property, plant and equipment is recognised only when it is probable that future economic benefit or service potential associated with the item will flow to the Group and if the cost or fair value can be measured reliably. Subsequent costs that meet the recognition criteria are recognised in the carrying value of the item of property, plant and equipment.

Subsequent to initial recognition, property, plant and equipment are measured using the cost model. Under the deemed cost model on adopting the PBE accounting standards, the item is carried at cost net of accumulated depreciation and any impairment losses. Plant and machinery and office equipment are measured using the cost model. These classes of assets include farm tractors, computers and furniture and fixtures.

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 except to the extent of any revaluation reserve previously recognised for the particular asset which is transferred to accumulated comprehensive revenue and expense.

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 or valuation of the asset less any estimated residual value over its remaining useful life. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment of property, plant and equipment

The Group considers its property, plant and equipment as cash generating assets and performs annual impairment testing for those class of assets carried using the cost model to determine whether there is any indication that the asset may be impaired. If such indication exists, the Group estimates the recoverable amount which is the higher of the asset's fair value less costs of disposal and its value in use. When the carrying amount exceeds the recoverable amount of the asset, it is considered impaired and written down to its recoverable amount. Any impairment losses are included in surplus or deficit.

	Opening balances			Current year movements					Closing balances			
at 31 July 2018	Cost / valuation	Acc. depreciation / impairment	Carrying amount	Additions	Disposals / Transfers	Impairment charges	Depreciation	Revaluation	Cost / valuation	Acc. depreciation / impairment	Carrying amount	***Depreciation Rate (DV)***
	$	***$***	***$***	***$***	***$***	***$***	***$***	***$***	***$***	***$***	***$***	
Land and buildings	13,231,063	(2,891,697)	10,339,365	1,129,545	(94,369)		(422,318)		14,266,239	(3,313,743)	10,952,496	*0% - 33%*
Plant and machinery	997,687	(441,528)	556,159	173,757	(14,954)		(106,462)	-	1,156,490	(534,232)	622,259	*2% - 80%*
Office equipment	125,441	(97,467)	27,974	3,436			(7,848)	-	128,877	(105,126)	23,751	*2% - 67%*
Vehicles	265,056	(143,692)	121,363	22,000			(19,046)	-	257,568	(133,251)	124,317	*10% - 48%*
Invest. property equip	73,004	(7,988)	65,016	-	-	-	(6,501)	-	73,004	(14,490)	58,514	*10%*
Work-in-progress	449,329	-	449,329	111,634	(360,535)			-	200,428	-	200,428	*not depreciated*
	15,141,579	**(3,582,373)**	**11,559,207**	**1,440,371**	**(469,858)**	**-**	**(562,175)**	**-**	**16,082,605**	**(4,100,842)**	**11,981,763**	

	Opening balances			Current year movements					Closing balances			
at 31 July 2017	Cost / valuation	Acc. depreciation / impairment	Carrying amount	Additions	Disposals / Transfers	Impairment charges	Depreciation	Revaluation	Cost / valuation	Acc. depreciation / impairment	Carrying amount	***Depreciation Rate (DV)***
	$	***$***	***$***	***$***	***$***	***$***	***$***	***$***	***$***	***$***	***$***	
Land and buildings	12,113,102	(2,918,460)	9,194,642	1,764,152	(425,098)	-	(194,330)		13,231,063	(2,891,697)	10,339,365	*0% - 33%*
Plant and machinery	787,061	(456,506)	330,555	282,862	(3,186)	-	(54,072)	-	997,687	(441,528)	556,159	*2% - 80%*
Office equipment	212,986	(177,624)	35,362	4,553	(2,148)	-	(9,793)	-	125,441	(97,467)	27,974	*2% - 67%*
Vehicles	260,150	(156,093)	104,057	37,706	(866)	-	(19,534)	-	265,056	(143,692)	121,363	*10% - 48%*
Invest. property equip	10,191	-	10,191	62,813	-	-	(7,988)	-	73,004	(7,988)	65,016	*10%*
Work-in-progress	418,813	-	418,813	447,539	(417,023)	-	-	-	449,329	-	449,329	*not depreciated*
	13,802,303	**(3,708,682)**	**10,093,621**	**2,599,624**	**(848,321)**	**-**	**(285,717)**	**-**	**15,141,579**	**(3,582,373)**	**11,559,207**	

12. INVESTMENT PROPERTY

Investment properties are measured initially at cost, including transaction costs. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition.

Subsequent to initial recognition, investment properties are measured at fair value and are subject to market valuation on a three yearly basis. The next market valuation is required as at 31 July 2019. The policies for measurement adopted by the Group with respect to its investment property are similar to those adopted for *Property, plant and equipment* measured using the cost model as discussed in note 11.

	Land	Buildings	**Total**
	$	***$***	***$***
Balance as at 31 July 2017	**2,654,944**	**5,591,172**	**8,246,116**
Additions	-	50,000	**50,000**
Disposals/transfers	-	(8,840)	**(8,840)**
Impairment charges	-	-	**-**
Balance as at 31 July 2018	**2,654,944**	**5,632,332**	**8,287,276**

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.

The Group's investment property relates to land owned by Mainstreet Place LP and Sir Tristram Avenue LP.

13. TRADE AND OTHER PAYABLES

The Group's payables are classified into taxes and payables from non-exchange transactions and payables under exchange transactions or trade payables.

13.1 Taxes and payables from non-exchange transactions

The Group has no recognised assets received from non-exchange transaction with attached restrictions or conditions to them as of balance date.

	2018	**2017**
	$	***$***
PAYE payable	22,094	24,291
Total taxes and non-exchange payables	**22,094**	**24,291**

13.2 Payables under exchange transactions

	2018	**2017**
	$	***$***
Accounts payable and accruals	443,796	596,001
Receipts in advance	54,947	27,902
Total taxes and transfers payables	**498,743**	**623,903**

13.3 Employee entitlements

Liabilities for wages and salaries (including non-monetary benefits) and annual leave are recognised in surplus or deficit during the period in which the employee rendered the related services, and are generally expected to be settled within 12 months of the reporting date.

The liabilities for these short-term benefits 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.

	2018	2017
	$	$
Salaries and wages payable	18,882	14,204
Annual leave payable	34,810	26,611
Total employee entitlements	**53,693**	**40,815**

The amount above does not include remuneration to members of the Committee which are included in other liabilities.

14. OTHER FINANCIAL LIABILITIES

All of the Group's borrowings are classified as financial liabilities carried at amortised cost except for derivative liability which is carried at fair value through surplus or deficit.

Bank borrowings

The Group has term borrowings from ASB with a total value of $2.9 million and maturity of October 2021. The full amount of these borrowings are floating rate notes and carry an average interest rate of 4.6% including margin. Commencing July 2018, the Group has an ASB revolving credit facility to the value of $700k of which $300k had been drawn at balance date, and carry an annual interest rate of 6.3%. Finance costs are paid or payable on these borrowings on a monthly basis and are included in surplus or deficit. 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 (2017: $8.2 million).

	2018	2017
	$	$
Bank borrowings	3,200,000	3,670,959
Funds held in Trust	100,000	50,000
Total other financial liabilities	**3,300,000**	**3,720,959**
Current financial liabilities	100,000	50,000
Non-current financial liabilities	3,200,000	3,670,959
Total other financial liabilities	**3,300,000**	**3,720,959**

15. COMMITMENTS AND CONTINGENCIES

15.1 Non-cancellable operating lease commitments - Group as lessee

The Group has entered into various non-cancellable operating lease contracts with a term averaging between 3-5 years with no renewal option over three motor vehicles and peripheral building and office equipment. There are no commitments attached to these leased items and no lease incentives available to the Group. 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:

	2018	2017
	$	$
Within one year	25,943	33,912
After one year but not more than five years	9,905	34,667
More than five years	-	-
Total lease commitments as lessee	**35,848**	**68,579**

15.2 Non-cancellable operating lease commitments - Group as lessor

Operating lease receipts are recognised as operating revenue in surplus or deficit on a straight-line basis over the lease term (including rent-free periods, if any). Contingent rents, if any, are recognised as revenue in the period in which they are earned.

The Group has no significant commitments over leased assets or over lease agreements as a whole except for regular upkeep and maintenance of the property.

The Group currently has the following non-cancellable leasing arrangements:

Lessee	Commencement	Lease Term
Aber Holdings Ltd	1-May-15	9 years
Allied Security	21-Jul-14	6 years
Crawford, D & S	1-Dec-15	3 years
Elite Fitness and Boxing Studio	1-Jun-16	3 years
Greene Racing	1-Aug-14	6 years
Parangon Building Limited	1-Apr-18	5 years
Parangon Building Limited	1-Feb-18	7 months
Spark NZ Limited	1-Nov-14	6 years
Ultrafast Fibre Limited	25-Jan-16	3 years
Ultrafast Fibre Limited	20-Feb-17	2 years
WildTribe Catering	1-Jul-17	3 years

The minimum rental payments on the leases are as follows:

	2018	2017
	$	$
Within 1 year	754,534	641,467
After 1 year but not more than 5 years	2,517,701	2,279,575
More than 5 years	390,750	911,750
Total lease commitments as lessor	**3,662,986**	**3,832,792**

15.3 Contingencies

The Group has no contingent liabilities or assets as of 31 July 2018 (2017: nil).

15.4 Guarantees

Where the Group enters into financial guarantee contracts to a guarantee the indebtedness of third party entities, the Group considers these to be insurance arrangements under PBE IFRS 4, *Insurance Contracts* and account for them as such. A liability is recognised when it becomes probable that the Group will be required to make a payment under the guarantee. If it becomes probable, the Group will recognise an expense and corresponding liability based on estimates of future cash flows under the contract. The Group assess at the end of each reporting period whether its recognised liability is adequate in comparison to the estimates of future cash flows under the contract. If that assessment shows that the carrying amount of the liability is inadequate, the entire deficiency shall be recognised in surplus or deficit.

16. FINANCIAL INSTRUMENTS

16.1 Categories of financial instruments

The following table summarises the categories of the Group's financial instruments:

	Note	2018 $	2017 $
Loans and receivables			
Cash and cash equivalents	*6*	107,312	782,816
Trade and other receivables	*7*	144,766	275,890
Term deposits	*9*	100,000	50,000
		352,077	**1,108,706**
Available-for-sale financial assets			
Investments in associates and JVs	*8*	-	(32)
		-	**(32)**
Total other financial assets		**352,077**	**1,108,674**
Financial liabilities at amortised cost			
Trade and other payables	*13*	498,743	623,903
Bank borrowings	*14*	3,200,000	3,670,959
Loans and advances	*14*	100,000	50,000
		3,798,743	**4,344,863**
Total other financial liabilities		**3,798,743**	**4,344,863**

Financial assets

The Group's financial assets include its cash, short-term deposits, receivables, investments in debt securities, loans and advances, quoted and unquoted equity investments and derivative assets. The Group recognises financial assets when it becomes party to a contract. These assets may be classified into one of the four categories of financial assets depending on the Group's intention to hold them and the nature of the investments.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through surplus or deficit, transaction costs that are attributable to the acquisition of the financial asset. The subsequent measurement and presentation of the financial assets will vary depending on their category.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

At each reporting date, the Group assesses whether the financial assets are impaired and when there is objective evidence of impairment, the carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in surplus or deficit.

The categories of financial assets are described below and the Group has not made any transfers between categories during the year (2017: nil):

A financial asset is derecognised primarily when: (a) the rights to receive cash flows from the asset have expired, or (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

(a) Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include debt and equity instruments which may either be held for trading or those designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with net changes in fair value presented as other losses (negative net changes in fair value) or other gains (positive net changes in fair value) in surplus or deficit.

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

(b) Loans and receivables

Loans and receivables are non-derivative debt instruments with fixed or determinable payments that are not quoted in an active market. These investments are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any premium or discount on acquisition and fees or costs that are an integral part of the effective interest rate.

The amortisation of any premium or discount is reported as part of finance income and cost while losses arising from impairment of the financial assets are reported as part of other losses (for loans) and in cost of sales or other operating expenses (for receivables).

This category includes all of the Group's loans and advances (including concessionary loans), receivables (trade and those rising from non-exchange transactions) and finance lease receivables.

(c) Held to maturity investments

Non-derivative debt instruments 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.

After initial measurement, held to maturity investments are measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

The effective interest rate amortisation is included as finance income while the losses arising from impairment are recognised as part of other losses.

As at 31 July 2018, the Group has no investment categorised as held-to-maturity (2017: nil).

(d) Available for sale financial assets

Available for sale (AFS) financial investments include equity and debt instruments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through surplus or deficit. Debt instruments in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive revenue and expense and accumulated in the AFS reserve until the asset is derecognised (cumulative gain/loss is closed to operating income) or impaired (cumulative loss is reclassified from AFS reserve to other losses in surplus or deficit).

Fair value is determined with reference to quoted price for those equity instruments listed in an active market. Investments in unlisted shares (other than investments in associates and joint ventures) are carried at cost as there is no reliable basis to measure their fair value; these investments are assessed for impairment by the Group at each reporting date. The Group has determined that the costs of these investments approximate their fair value as of reporting date and are not impaired.

Interest earned on AFS debt instruments is reported as interest income using the effective interest rate method and included in surplus or deficit.

The Group's AFS investments included a joint venture with *Northern Raceday Services*, which was cancelled at 31 July 2017.

Financial liabilities

The Group's financial liabilities include payables, borrowings and derivative liabilities. The Group recognises financial liabilities when it becomes party to a contract. All financial liabilities are recognised initially at fair value and, in the case of payables and loans and borrowings, net of directly attributable transaction costs. Subsequent measurement and presentation depend on the category of the financial liability as follows:

(a) Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through surplus or deficit. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PBE IPSAS 29. Gains or losses on liabilities held for trading are recognised in surplus or deficit.

The Group has no financial liability categorised as fair value through surplus or deficit (2017: nil).

(b) Financial liabilities at amortised cost

After initial recognition, these types of financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in surplus or deficit when the liabilities are derecognised through the effective interest rate amortisation process. The effective interest rate amortisation is included as finance costs in surplus or deficit. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

This category generally applies interest-bearing loans and advances (including concessionary loans) and borrowings from banks and other external parties. This category also includes trade and other payables which are unsecured and usually paid within 30 days of recognition; due to their short-term nature they are not discounted.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

17. RESERVES

Reserves relate to the revaluation of freehold land and buildings to Government Valuation dated 1 September 2003.

18. RELATED PARTIES

The Club's controlled entities are listed below:

	% of effective ownership	
Directly controlled entities	2018	2017
Mainstreet Place LP	100	100
Sir Tristram Avenue LP	100	100

18.1 Transactions and balances with related parties

The Group has various trade transactions with related party entities in the form of revenue and expenses.

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

With the exception of the regular fees and charges and race-related transactions under normal terms, there are no other transactions between the Group and related parties (2017: $15,000).

	Relationship with counterparty	Nature of transaction	Amount of transaction / balance	
			2018 $	2017 $
Receipts from related parties				
Greene Racing Limited	Board Director *(resigned YE 31 July 2017)*	Rental	-	15,000

18.2 Transactions and balances with key management personnel

Key management personnel (KMP) of the Club include the members of the Board, the Chief Executive Officer and Executive Management Team who exercise control or significant influence over the financial and operating decision-making of the Group. For purposes of financial reporting disclosures, the Group also considers transactions with close members of the key management personnel's family as related party transactions.

Transactions

Key management personnel are also members of the Club and pay membership fees and other fines and charges on the same rate and terms as charged to other members who are not key management personnel. In addition, members of the Club may have interest in racing through ownership, breeding, training, driving or similar capacity. Key management personnel and close members of their family may also join races and be eligible for stake money from the Group under normal trade terms and conditions applicable to other persons not otherwise considered key management personnel.

With the exception of the regular fees and charges, compensation (discussed below) and race-related transactions under normal terms, there have been no other transactions between the Group and its key management personnel and close members of their family during the year (2017: nil).

Remuneration

The amounts disclosed in the following table are recognised as an expense during the reporting period related to key management personnel. They did not receive any remuneration or compensation other than in their capacity as key management personnel (2017: nil). The Group had 5 key management personnel, of which 4 key management personnel equivalent are determined on full-time basis, which received compensation from the Group during the year (2017: 6 key management personnel - 4 FTE).

	2018 $	2017 $
Salaries and other short term benefits	423,417	499,217
Close members of the family, salaries and short term benefits	1,464	12,023
Total paid to key management personnel	**424,881**	**511,239**

The Group did not provide any compensation at non-arm's length terms to KMPs and close family members of KMPs during the year (2017: nil). The Group has no long-term benefits for its key management personnel.

19. SUBSEQUENT EVENTS

There were no significant events and transactions subsequent to the reporting date.

PKF
Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WAIKATO RACING CLUB INCORPORATED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Waikato Racing Club Incorporated ("the Club") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 July 2018, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in net assets/equity and consolidated cash flow statement 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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime ("PBE Standards RDR") 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 (Revised) *Code of Ethics for Assurance Practitioners* 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, the Club or any of its subsidiaries.

Executive Committee's Responsibilities for the Consolidated Financial Statements

The members are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with PBE Standards RDR, and for such internal control as the members 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 members are responsible on behalf of the Group 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 members 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 members 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 our audit opinion.

We communicate with the members 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 our audit.

Who we Report to

This report is made solely to the Club's members, as a body. Our audit work has been undertaken so that we might state those matters which 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.

Director
PKF Hamilton Audit Limited
Hamilton
New Zealand
9 October 2018