



**The New Zealand Racing Board  
Interim Financial Statements**

**For the six months ended 31 January 2015**

## Financial Commentary

FOR THE SIX MONTHS ENDED 31 JANUARY 2015

The New Zealand Racing Board ("NZ Racing Board") achieved a net profit of \$76.8 million for the first half of the 2015 year which was \$5.8 million or 8.2% above the 2014 equivalent. The 2015 net profit includes the gain on sale of the Petone Head Office building of \$4.9 million. After excluding this gain on sale, 2015 net profit was \$71.9 million or \$0.9 million above the prior year and \$0.2 million below budget.

### Current year financial performance against prior year

#### Betting and gaming turnover

Betting turnover was \$128.7 million or 13.8% higher than for the same period last year. This was the result of higher turnover on fixed odds racing betting products exceeding the effect of a decline in tote racing betting turnover, mainly within the domestic sector. The increase in turnover was primarily due to an increased offering of televised races to customers as a result of the broadcasting channel changes to Trackside 1 and 2, together with the introduction of the mobile app and continuing sales initiatives.

Gaming turnover increased by \$34.7 million or 29.0%. This increase was in part driven by the reopening of the Courtenay Place branch, that had been closed for 12 months following the 2013 Seddon earthquakes, together with additional investment in gaming machines.

#### Income

Net betting revenue was \$5.9 million or 4.5% higher than for the first half of the 2014 year as a result of the increased turnover despite a decline in net betting margin (12.9% compared to 14.1% to January 2014). The decrease in margin is the result of a move towards lower margin fixed odds betting products, in particular within sports fixed odds betting where in-play options betting has increased.

Net gaming revenue was \$1.9 million or 27.5% above the first half of the 2014 year as a result of the increase in turnover.

Other income was \$5.9 million (26.5%) higher than the first half of the 2014 year. After excluding the impact of the gain on sale of the Petone building, the main driver of this increase was additional broadcasting revenue received from the changes made to the Trackside channels.

#### Expenses

Turnover related expenses were \$3.6 million or 15.2% higher than the first half of the 2014 year, a trend closely aligned with the increase in turnover and driven from increased national sporting organisation commission and overseas racing rights on both sports betting and overseas racing betting.

Operating expenses increased \$4.5 million or 6.7% on the prior year. This was mainly due to higher depreciation expense arising from the increased capital spending in the prior year (\$1.2 million), increased broadcasting expenses due to the new broadcasting solution implemented (\$1.3 million) and higher occupancy expenses from rent paid following the sale and leaseback of the Petone building (\$0.6 million). In addition, advertising costs increased by \$1.0m which was in line with budget.

#### Net profit

After excluding the sale of the Petone building, net profit was \$0.9 million or 1.2% above the prior year.

Total distributions to both the racing industry and external sporting organisations increased by \$1.5 million or 2.1% with racing industry distributions increasing by \$1.4 million or 1.8% on the prior year.

	UNAUDITED 31 JANUARY 2015 Consolidated NZ\$000	UNAUDITED 31 JANUARY 2014 Consolidated NZ\$000	% change
Betting and gaming turnover	1,217,333	1,053,988	15.5%
Net profit before distributions	76,776	70,988	8.2%
Net profit excluding gain on sale of Petone building	71,846	70,988	1.2%
Distributions to racing industry	78,131	76,736	1.8%
Total distributions	74,842	73,326	2.1%

### Financial position

Cash balances have decreased by \$4.6 million or 23.2% since July 2014. The majority of this movement relates to continued investment in projects and capital expenditure. Cash and term deposit balances, after excluding those relating to Betting Accounts and Vouchers Trust, are \$28.2 million.

The proceeds from the sale of the Petone building were realised during the period and are included in the figures above.

Total liabilities have increased by \$5.7 million since July 2014, largely driven from the establishment of the NZ Live Limited "NZ Live" finance lease of \$3.8 million. This relates to the lease of broadcasting equipment arising out of the 10 year service contract with NZ Live to provide broadcasting services to the NZ Racing Board. Customer Betting Account Deposits and Vouchers balance also increased by \$2.2 million, reflecting the increased betting activity during the first six months of the 2015 year.

Total equity is \$69.2 million as at 31 January 2015, increasing by \$1.2 million or 1.7%.

## Financial Commentary (Cont)

FOR THE SIX MONTHS ENDED 31 JANUARY 2015

### Current year financial performance against budget

#### Betting and gaming turnover

Total betting turnover was \$34.2 million or 3.3% higher than budget with all product types above budget except domestic tote betting.

Within fixed odds betting turnover, which was \$33.6 million or 17.0% higher than budget, domestic fixed odds racing was \$11.5 million higher than budget and overseas fixed odds racing was \$22.1 million higher than budget.

Total tote betting turnover was \$11.5 million or 1.7% below budget with a below budget performance by domestic tote racing (\$25.8 million) being partially offset by a higher than budget performance by overseas tote racing (\$14.3 million).

Sports betting turnover was \$12.1 million or 7.2% higher than budget with more sports events and betting options being offered.

Gaming turnover was \$19.1 million or 14.0% higher than budget. This was driven by increased investment in improved gaming machines and this result exceeded expectations.

#### Income

Net betting revenue was \$4.6 million or 3.3% lower than budget for the first half of the 2015 year. This was primarily driven by a shift in sports fixed odds betting turnover towards lower margin in-play betting options.

Net gaming revenue was \$1.0 million or 12.0% higher than budget as a result of the increase in turnover referred to above.

Other income was \$6.9 million higher than budget, largely due to the gain on sale of the Petone building of \$4.9 million which was not included in budget. Excluding the impact of this gain on sale, other income was \$2.0 million or 9.5% higher than budget. This was as a result of higher income from NZ racing shown overseas, denominated mainly in Australian Dollars, which was positively impacted by a more favourable exchange rate together with additional races being taken by overseas betting agencies than was budgeted.

#### Expenses

Turnover related expenses were \$1.4 million or 5.6% higher than budget. These expenses increased as a result of higher overseas racing rights due to the increased overseas racing turnover and national sporting organisation commissions resulting from increased sports betting.

Operating expenses were below budget by \$2.8 million (3.9%), driven by favourable variances across all three categories of operating expenses.

Staff expenses were below budget by \$0.5 million (1.4%), mainly due to savings arising from vacancies not filled of \$1.7 million (7.9%) which were partially offset by higher contractor spend of \$1.4 million (56.6%). There were savings in other staff expenses of \$0.2 million.

Premises and equipment expenses were below budget by \$1.4 million (7.3%). Rent expense was \$0.5 million (11.7%) below budget and depreciation was below budget, by \$0.5 million (6.2%) due to the timing impact of last year's capital expenditure.

Other expenses were below budget by \$1.0 million (4.4%) mainly due to timing in relation to race form expenses.

#### Net profit

After excluding the sale of the Petone building, net profit was \$0.2 million or 0.3% below budget.

	UNAUDITED ACTUAL 31 JANUARY 2015 Consolidated NZ\$000	UNAUDITED BUDGET 31 JANUARY 2015 Consolidated NZ\$000	VARIANCE  NZ\$000
<b>TURNOVER</b>	1,217,333	1,164,074	53,259
<b>INCOME</b>			
Net betting revenue	137,299	141,918	(4,619)
Net gaming revenue	8,937	7,979	958
Other income	28,341	21,400	6,941
<b>TOTAL INCOME</b>	<b>174,577</b>	<b>171,297</b>	<b>3,280</b>
<b>TURNOVER RELATED EXPENSES</b>	26,916	25,494	(1,422)
<b>OPERATING EXPENSES</b>			
Premises and equipment expenses	17,623	19,004	1,381
Staff expenses	31,505	31,961	456
Other expenses	21,757	22,765	1,008
<b>TOTAL OPERATING EXPENSES</b>	<b>70,885</b>	<b>73,730</b>	<b>2,845</b>
<b>TOTAL EXPENSES</b>	<b>97,801</b>	<b>99,224</b>	<b>1,423</b>
<b>NET PROFIT BEFORE DISTRIBUTIONS</b>	<b>76,776</b>	<b>72,073</b>	<b>4,703</b>

## Interim Financial Statements

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## Condensed Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 31 JANUARY 2015

	Note	UNAUDITED 31 JANUARY 2015 Consolidated NZ\$000	31 JANUARY 2014 Consolidated NZ\$000
Betting and gaming turnover	1a	1,217,333	1,053,988
<b>INCOME</b>			
Net betting revenue	1b	137,299	131,354
Net gaming revenue	1c	8,937	7,007
Other income	2	28,341	22,408
<b>TOTAL INCOME</b>		<b>174,577</b>	<b>160,769</b>
<b>TURNOVER RELATED EXPENSES</b>	3	26,916	23,355
<b>OPERATING EXPENSES</b>			
Premises and equipment expenses	4a	17,623	14,515
Staff expenses	4b	31,505	31,328
Other expenses	4c	21,757	20,583
<b>TOTAL OPERATING EXPENSES</b>		<b>70,885</b>	<b>66,426</b>
<b>TOTAL EXPENSES</b>		<b>97,801</b>	<b>89,781</b>
<b>NET PROFIT BEFORE DISTRIBUTIONS</b>		<b>76,776</b>	<b>70,988</b>
Distributions	5	74,842	73,326
Provision for undistributed gaming surplus		880	1,382
<b>NET PROFIT / (LOSS) AFTER DISTRIBUTIONS</b>		<b>1,054</b>	<b>(3,720)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Movement in fair value of cash flow hedges *	7	103	-
<b>TOTAL OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>		<b>1,157</b>	<b>(3,720)</b>
<b>Total other comprehensive income / (loss) attributable to:</b>			
Non-controlling interests in RIU		196	40
NZ Racing Board reserves		961	(3,760)
		<b>1,157</b>	<b>(3,720)</b>

\* Items of other comprehensive income may be reclassified to profit or loss.

The accompanying notes form part of these financial statements.

## Condensed Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 JANUARY 2015

	UNAUDITED General reserve NZ\$000	UNAUDITED Hedging reserve NZ\$000	UNAUDITED Non-controlling interest NZ\$000	UNAUDITED TOTAL EQUITY NZ\$000
<b>Balance as at 1 August 2013</b>	<b>69,477</b>	-	<b>40</b>	<b>69,517</b>
Net loss after distributions	(3,760)	-	40	(3,720)
<b>Balance as at 31 January 2014</b>	<b>65,717</b>	-	<b>80</b>	<b>65,797</b>
<b>Balance as at 1 August 2014</b>	<b>68,065</b>	-	<b>23</b>	<b>68,088</b>
Net profit after distributions	858	-	196	1,054
Other comprehensive income	-	103	-	103
<b>Balance as at 31 January 2015</b>	<b>68,923</b>	<b>103</b>	<b>219</b>	<b>69,245</b>

*The accompanying accounting policies and notes form part of these financial statements.*

## Condensed Statement of Financial Position

AS AT 31 JANUARY 2015

	Note	UNAUDITED 31 JANUARY 2015 Consolidated NZ\$000	AUDITED 31 JULY 2014 Consolidated NZ\$000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		15,152	19,721
Trade and other receivables		11,627	8,163
Non-current assets held for sale	6	-	5,063
Derivative assets	7	103	-
Other financial assets	8	37,000	29,511
Other current assets		2,578	1,779
<b>TOTAL CURRENT ASSETS</b>		<b>66,460</b>	<b>64,237</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		45,814	41,787
Intangible assets (including software assets)		16,462	15,843
Other financial assets		3,148	3,143
<b>TOTAL NON-CURRENT ASSETS</b>		<b>65,424</b>	<b>60,773</b>
<b>TOTAL ASSETS</b>		<b>131,884</b>	<b>125,010</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		21,907	24,339
Customer betting account deposits and vouchers		21,722	19,525
Provisions		2,156	3,205
Other financial liabilities		7,403	5,900
Taxation payable		4,519	2,782
<b>TOTAL CURRENT LIABILITIES</b>		<b>57,707</b>	<b>55,751</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		1,469	1,139
Other financial liabilities		3,463	32
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>4,932</b>	<b>1,171</b>
<b>TOTAL LIABILITIES</b>		<b>62,639</b>	<b>56,922</b>
<b>TOTAL EQUITY</b>		<b>69,245</b>	<b>68,088</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>131,884</b>	<b>125,010</b>

The Board members of the New Zealand Racing Board authorised these financial statements for issue on 20 April 2015.



**Glenda Hughes**  
Chair of the New Zealand Racing Board



**Alistair Ryan**  
Chair of the Audit and Risk Committee  
of the New Zealand Racing Board

*The accompanying accounting policies and notes form part of these financial statements.*

**Condensed Statement of Cash Flows**

FOR THE SIX MONTHS ENDED 31 JANUARY 2015

	<b>UNAUDITED</b>	
	<b>31 JANUARY 2015</b>	<b>31 JANUARY 2014</b>
	<b>Consolidated</b>	<b>Consolidated</b>
	<b>NZ\$000</b>	<b>NZ\$000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>INFLOWS</b>		
Betting and gaming turnover	1,218,148	1,053,609
NZ racing shown overseas and other income	11,833	11,982
Racing services	7,384	7,641
Jackpot retentions and account deposits (net)	3,211	1,742
<b>TOTAL INFLOWS FROM OPERATING ACTIVITIES</b>	<b>1,240,576</b>	<b>1,074,974</b>
<b>OUTFLOWS</b>		
Betting and gaming dividends paid	(1,036,343)	(883,847)
Goods and services tax (net)	(22,577)	(20,860)
Betting and gaming duty paid	(10,572)	(9,454)
National sporting organisations	(3,448)	(2,623)
Payments to suppliers	(59,090)	(49,289)
Payments for employee benefits including termination payments	(32,071)	(31,836)
Distributions to the racing codes	(72,065)	(73,462)
Payments to racing industry	(1,377)	(1,161)
Gaming distribution to external bodies	(1,211)	(821)
<b>TOTAL OUTFLOWS FROM OPERATING ACTIVITIES</b>	<b>(1,238,754)</b>	<b>(1,073,353)</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,822</b>	<b>1,621</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>INFLOWS</b>		
Interest received	1,252	830
Proceeds from sale of property, plant and equipment	10,380	2,961
<b>TOTAL INFLOWS FROM INVESTING ACTIVITIES</b>	<b>11,632</b>	<b>3,791</b>
<b>OUTFLOWS</b>		
Investment of short-term deposits	(7,489)	(7,500)
Purchases of property, plant and equipment	(8,959)	(5,584)
Purchases of intangible assets	(1,245)	(4,463)
Lending to clubs	-	(162)
<b>TOTAL OUTFLOWS FROM INVESTING ACTIVITIES</b>	<b>(17,693)</b>	<b>(17,709)</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(6,061)</b>	<b>(13,918)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>OUTFLOWS</b>		
Repayment of finance lease	(62)	-
Repayment of secured loan	-	(1,500)
Interest paid	(114)	(99)
<b>TOTAL OUTFLOWS FROM FINANCING ACTIVITIES</b>	<b>(176)</b>	<b>(1,599)</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(176)</b>	<b>(1,599)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(4,415)</b>	<b>(13,896)</b>
Cash and cash equivalents as at the beginning of the period	19,721	26,622
Foreign exchange loss on cash and cash equivalents	(154)	(22)
<b>CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD</b>	<b>15,152</b>	<b>12,704</b>

The accompanying accounting policies and notes form part of these financial statements.



## Condensed Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 31 JANUARY 2015

### BASIS OF PREPARATION

#### Reporting entity and statutory base

The New Zealand Racing Board ("NZ Racing Board") is a statutory body established by the Racing Act 2003. Customer betting accounts and betting vouchers offered are debt securities within the meaning of the Securities Act 1978 and the NZ Racing Board is therefore an 'issuer' for the purposes of the Financial Reporting Act 2013. The NZ Racing Board has not yet transitioned to the Financial Markets Conduct Act 2013 ("FMCA") and in accordance with the FMCA transition provisions, will not be required to do so until 2016. The NZ Racing Board is domiciled in New Zealand.

The financial statements presented are for the NZ Racing Board and its subsidiaries (together the "Group"). The Group comprises the NZ Racing Board, Racing Integrity Unit ("RIU") and the Betting Accounts and Betting Vouchers Trust.

#### Statement of compliance

For financial reporting purposes, the NZ Racing Board is designated a profit-oriented entity. The Group is a Tier-1 entity, under the XRB A1 Accounting Standards Framework (For-Profit Entities). These financial statements are prepared in accordance with NZ IAS 34 'Interim Financial Reporting' and NZ GAAP.

These unaudited statements do not include all the disclosures required for full annual financial statements prepared in accordance with NZ IFRS and should be read in conjunction with the financial statements and related notes included in the NZ Racing Board's financial statements for the year ended 31 July 2014.

These interim financial statements are intended to provide an update since the previous full annual financial statements. Accordingly, it focuses on new actions, events and circumstances and does not duplicate information previously reported in the NZ Racing Board's financial statements for the year ended 31 July 2014.

#### Basis of measurement

These financial statements have been prepared on the historical cost basis. Cost is based on the fair value of the consideration given in exchange. The Group financial statements are presented in New Zealand dollars (\$) (the "presentation currency"), which is the NZ Racing Board's functional currency.

#### Changes in accounting policies

There have been no changes in accounting policies during the six months ended 31 January 2015. All the accounting policies have been applied consistently throughout the period and are the same as those used in the financial statements for the year ended 31 July 2014.

#### Prior period comparatives

During the 2014 year, the NZ Racing Board made a change to how industry initiatives are accounted for. Certain income and costs relating to industry initiatives have previously been accounted for within Distributions in the profit or loss. These costs have been agreed to be incurred by the NZ Racing Board on behalf of the Codes. For financial reporting purposes these income and expenses should be included within income and operating expenses, as these are income and costs incurred by the NZ Racing Board. Where required, prior period comparatives have been restated to conform to the current period's presentation and the presentation used in the financial statements for the year ended 31 July 2014.

## Condensed Notes to the Financial Statements (Cont)

FOR THE SIX MONTHS ENDED 31 JANUARY 2015

### 1. REVENUE

	UNAUDITED	
	31 JANUARY 2015 Consolidated NZ\$000	31 JANUARY 2014 Consolidated NZ\$000
<b>1a. TURNOVER (including GST)</b>		
Betting turnover - racing totalisator	650,651	631,781
Betting turnover - racing fixed odds	231,669	165,273
<b>Total betting turnover - Racing</b>	<b>882,320</b>	<b>797,054</b>
Betting turnover - sports totalisator	512	721
Betting turnover - sports fixed odds	180,366	136,764
<b>Total betting turnover - Sports</b>	<b>180,878</b>	<b>137,485</b>
<b>Total betting turnover</b>	<b>1,063,198</b>	<b>934,539</b>
<b>Gaming turnover</b>	<b>154,135</b>	<b>119,449</b>
<b>TOTAL BETTING AND GAMING TURNOVER</b>	<b>1,217,333</b>	<b>1,053,988</b>
<b>1b. NET BETTING REVENUE</b>		
Total betting turnover	1,063,198	934,539
Less: dividends payable	(895,790)	(775,190)
Gross betting revenue	167,408	159,349
Betting duty	(6,584)	(6,233)
GST	(22,518)	(20,809)
Problem gambling levy	(1,007)	(953)
<b>NET BETTING REVENUE</b>	<b>137,299</b>	<b>131,354</b>
<b>1c. NET GAMING REVENUE</b>		
Gaming turnover	154,135	119,449
Less: dividends paid	(140,521)	(108,775)
Gross gaming revenue	13,614	10,674
Gaming machine duty	(2,723)	(2,135)
GST	(1,776)	(1,392)
Problem gambling levy	(178)	(140)
<b>NET GAMING REVENUE</b>	<b>8,937</b>	<b>7,007</b>

## Condensed Notes to the Financial Statements (Cont)

FOR THE SIX MONTHS ENDED 31 JANUARY 2015

### 2. OTHER INCOME

	UNAUDITED	
	31 JANUARY 2015 Consolidated NZ\$000	31 JANUARY 2014 Consolidated NZ\$000
Gain on disposal of property, plant and equipment	4,930	202
Interest	1,253	1,151
Merchant	959	743
NZ racing shown overseas	10,493	10,067
Racing services	7,384	7,641
Revenue from broadcasting within New Zealand	479	486
Other income	2,843	2,118
<b>TOTAL OTHER INCOME</b>	<b>28,341</b>	<b>22,408</b>

The gain on disposal of property, plant and equipment in the current period includes the sale of the Petone building. Refer to note 6 for further information on this transaction.

### 3. TURNOVER RELATED EXPENSES

	UNAUDITED	
	31 JANUARY 2015 Consolidated NZ\$000	31 JANUARY 2014 Consolidated NZ\$000
Commingleing	1,592	1,201
National sporting organisations	2,688	2,121
Outlet and agency	8,072	7,731
Overseas racing rights	13,709	11,188
Thermal paper and betting slips	427	592
Other turnover related expenses	428	522
<b>TOTAL TURNOVER RELATED EXPENSES</b>	<b>26,916</b>	<b>23,355</b>

### 4. OPERATING EXPENSES

	UNAUDITED	
	31 JANUARY 2015 Consolidated NZ\$000	31 JANUARY 2014 Consolidated NZ\$000
<b>4a. PREMISES AND EQUIPMENT EXPENSES</b>		
Depreciation and amortisation	8,012	6,809
Rent	3,923	3,340
Repairs and maintenance	3,316	2,295
Other premises and equipment expenses	2,372	2,071
<b>TOTAL PREMISES AND EQUIPMENT EXPENSES</b>	<b>17,623</b>	<b>14,515</b>
<b>4b. STAFF EXPENSES</b>		
Salaries and wages (including contractors)	29,559	28,006
Termination payments	50	1,374
Other staff expenses	1,896	1,948
<b>TOTAL STAFF EXPENSES</b>	<b>31,505</b>	<b>31,328</b>

## Condensed Notes to the Financial Statements (Cont)

FOR THE SIX MONTHS ENDED 31 JANUARY 2015

### 4. OPERATING EXPENSES (CONT)

#### 4c. OTHER EXPENSES

	UNAUDITED	
	31 JANUARY 2015	31 JANUARY 2014
	Consolidated NZ\$000	Consolidated NZ\$000
Advertising	4,725	3,751
Auditors remuneration	88	62
Board members	195	207
Broadcasting	4,653	3,389
Consultancy	774	1,636
Data and telecommunications	2,325	2,541
Impairment	26	9
Insurance	742	697
Interest	182	99
Legal	127	359
Merchant	1,382	844
Printing and stationery	429	595
Publications	1,742	1,933
Less race form publications recovered from Gaming	(909)	-
Swabbing	626	608
Travel and accommodation	1,676	1,694
Venue	427	256
Other operating expenses	2,547	1,903
<b>TOTAL OTHER EXPENSES</b>	<b>21,757</b>	<b>20,583</b>

Race form publications recovered from gaming relates to the application of funds from gaming to reimburse certain race form publication expenses under its Racing Authorised Purpose. Refer note 5.

### 5. DISTRIBUTIONS

31 JANUARY 2015	UNAUDITED			
	BETTING	GAMING	Undistributed Gaming net profit from prior year	TOTAL
	\$000	\$000	\$000	\$000
<b>Distributions to the racing industry</b>				
Code funding	72,790	-	-	72,790
RIU	-	2,510	512	3,022
Racing Laboratory Services	-	564	238	802
JCA	-	500	108	608
Other distributions to racing industry - race form publications	-	909	-	909
<b>TOTAL DISTRIBUTIONS TO THE RACING INDUSTRY</b>	<b>72,790</b>	<b>4,483</b>	<b>858</b>	<b>78,131</b>
<b>Distributions to Sporting Community Organisations</b>				
Sports Authorised Purposes (paid and payable)	-	591	214	805
<b>TOTAL DISTRIBUTIONS TO SPORTING COMMUNITY ORGANISATIONS</b>	<b>-</b>	<b>591</b>	<b>214</b>	<b>805</b>
Reversal of prior period provision for undistributed net profit	-	-	(1,072)	(1,072)
<b>TOTAL DISTRIBUTIONS FROM NZ RACING BOARD PARENT</b>	<b>72,790</b>	<b>5,074</b>	<b>-</b>	<b>77,864</b>
<b>TOTAL DISTRIBUTIONS FROM NZ RACING BOARD PARENT</b>				<b>77,864</b>
Distributions to RIU - eliminated on consolidation				(3,022)
<b>TOTAL DISTRIBUTIONS FROM GROUP</b>				<b>74,842</b>

RIU is consolidated into the NZ Racing Board Group results and therefore the distributions from the NZ Racing Board to RIU are eliminated on consolidation.

## Condensed Notes to the Financial Statements (Cont)

FOR THE SIX MONTHS ENDED 31 JANUARY 2015

### 5. DISTRIBUTIONS (CONT)

31 JANUARY 2014	UNAUDITED			
	BETTING	GAMING	Undistributed Gaming net profit from prior year	TOTAL
	\$000	\$000	\$000	\$000
<b>Distributions to the racing industry</b>				
Code funding	72,248	-	-	72,248
RIU	-	2,150	706	2,856
Racing Laboratory Services	-	380	195	575
JCA	-	325	325	650
Other distributions to racing industry *	407	-	-	407
<b>TOTAL DISTRIBUTIONS TO THE RACING INDUSTRY</b>	<b>72,655</b>	<b>2,855</b>	<b>1,226</b>	<b>76,736</b>
<b>Distributions to Sporting Community Organisations</b>				
Sports Authorised Purposes (paid and payable)	-	672	288	960
<b>TOTAL DISTRIBUTIONS TO SPORTING COMMUNITY ORGANISATIONS</b>	<b>-</b>	<b>672</b>	<b>288</b>	<b>960</b>
Reversal of prior period provision for undistributed net profit	-	-	(1,514)	(1,514)
<b>TOTAL DISTRIBUTIONS FROM NZ RACING BOARD PARENT</b>	<b>72,655</b>	<b>3,527</b>	<b>-</b>	<b>76,182</b>
<b>TOTAL DISTRIBUTIONS FROM NZ RACING BOARD PARENT</b>				<b>76,182</b>
Distributions to RIU - eliminated on consolidation				(2,856)
<b>TOTAL DISTRIBUTIONS FROM GROUP</b>				<b>73,326</b>

\* Other distributions to racing industry relates to a prior period adjustment that was allocated to RIU and Racing Laboratory Services in the second half of the 2014 year.

### 6. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets that were classified as held for sale as at 31 July 2014 of \$5.1 million were assets relating to the NZ Racing Board Petone building that were marketed for sale in March 2014. On 7 August 2014, the NZ Racing Board sold the property under a sale and leaseback arrangement. At this date, settlement, title transfer and the subsequent gain on sale of \$4.9 million were recognised. This gain on sale was reflected in other income and was net of transaction costs (refer note 2).

### 7. DERIVATIVE ASSETS - HEDGES

The NZ Racing Board is exposed to currency risk from foreign currency denominated revenues and expenses. The significant exposure is Australian dollar ('AUD') inflows on NZ racing shown overseas revenue.

During the period the NZ Racing Board purchased derivatives in the form of zero cost collar hedges and forward exchange contracts to reduce the risk that movements in the exchange rate will affect the NZ Racing Board's New Zealand dollar cash flows. These hedges have been designated as hedges of highly probable forecast transactions (a cash flow hedge under NZ IAS 39: *Financial instruments recognition and measurement*). The NZ Racing Board's Treasury Policy requires that a portion of the next 12 months forecast cash flows be hedged.

During the period, \$0.1 million (2014: nil) was recognised in other comprehensive income and will be reclassified to profit or loss over the next 12 months.

### 8. OTHER FINANCIAL ASSETS

	UNAUDITED 31 JANUARY 2015 Consolidated NZ\$000	AUDITED 31 JULY 2014 Consolidated NZ\$000
Loans to Racing Clubs - RACE Inc	2,996	2,991
Short-term deposits - Betting Accounts and Vouchers Trust	24,000	22,011
Short-term deposits	13,000	7,500
Other	152	152
<b>TOTAL OTHER FINANCIAL ASSETS</b>	<b>40,148</b>	<b>32,654</b>
Disclosed as:		
Current	37,000	29,511
Non-current	3,148	3,143
<b>TOTAL OTHER FINANCIAL ASSETS</b>	<b>40,148</b>	<b>32,654</b>

## Condensed Notes to the Financial Statements (Cont)

FOR THE SIX MONTHS ENDED 31 JANUARY 2015

### 9. FINANCE LEASES

On 1 September 2014, the NZ Racing Board recognised a finance lease asset and corresponding liability for a value of \$3.8 million, payable over 10 years. The finance lease relates to broadcasting equipment arising out of the 10 year broadcast service contract between the NZ Racing Board and NZ Live. The financial lease liability is included within Other Financial Liabilities in the balance sheet.

### 10. RELATED PARTIES

There have been no significant changes to the related parties or transactions with related parties since 31 July 2014.

### 11. OPERATING SEGMENTS

There have been no material changes in the nature of operating segments since 31 July 2014.

### 12. SUBSEQUENT EVENTS

There have been no subsequent events that would have a material impact on these financial statements.



## ***Independent Review Report***

to the Board Members of the New Zealand Racing Board

### ***Report on the Interim Financial Statements***

We have reviewed the accompanying financial statements of the New Zealand Racing Board and the entities it controlled at 31 January 2015, which comprise the condensed statement of financial position as at 31 January 2015, and the condensed statement of profit or loss and comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the period ended on that date, and a summary of significant accounting policies and selected explanatory notes.

### ***Board Members' Responsibility for the Financial Statements***

The Board Members of the New Zealand Racing Board are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting ('NZ IAS 34') and International Accounting Standard 34 Interim Financial Reporting for such internal controls as the Board Members determine are necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Our Responsibility***

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with the NZ IAS 34. As the auditors of the New Zealand Racing Board, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these financial statements.

We have no relationship with, or interest in, the New Zealand Racing Board other than in our capacities as accountants conducting this review and providers of other assurance, taxation and advisory services. These services have not impaired our independence as accountants of the Group.



## ***Independent Review Report***

New Zealand Racing Board

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the New Zealand Racing Board are not prepared, in all material respects, in accordance with NZ IAS 34.

### ***Restriction on Use of Our Report***

This report is made solely to the Board Members of the New Zealand Racing Board, as a body. Our review work has been undertaken so that we might state to the Board Members those matters which we are required to state to them in our review 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 Board Members of the New Zealand Racing Board, as a body, for our review procedures, for this report, or for the conclusion we have formed.

A stylized, handwritten-style signature of 'PricewaterhouseCoopers' in blue ink.

Chartered Accountants  
24 April 2015

Wellington