



Media release
15 April 2008

NEW ZEALAND RACING BOARD CONTINUES TO DELIVER STRONG FINANCIAL GROWTH

The unaudited figures from the New Zealand Racing Board for the first six months of the 2007/08 season show that despite the challenges imposed by the Equine Influenza outbreak in Australia, the business has continued to deliver strong turnover growth to the industry. Total wagering turnover has increased 6% over the comparative period last season to \$797 million.

Operating surplus before industry expenditure has increased more than 12% to \$75 million, up 5% against budget for the six month period. Net Betting Revenue was down approximately 1% on budget. However, a significant increase in the export of New Zealand racing product to Australia at the height of the Equine Influenza threat delivered International Racing royalties in excess of \$8.9 million, 350% above budget.

The Chairman of the New Zealand Racing Board, Michael Stiassny, said "the calendar changes implemented at the start of the 2007/08 racing season coupled with the Board's commercial agreements with Tabcorp have enabled the industry to maintain momentum in what has been quite a volatile period."

Maintaining operating surplus at this level over the remainder of the season will present a challenge to the New Zealand Racing Board in these current economic conditions.

ENDS

For further information, please contact:

Michael Stiassny
Chairman
New Zealand Racing Board
C/- Joss Welch
(09) 919 7471

Condensed Statement of Financial Performance
For the Half Year Ended 31 January 2008

		UNAUDITED		AUDITED
		2008 Six Months	2008 Six Months	2007 Six Months
		Actual Ending	Budget Ending	Actual Ending
		31/01/08	31/01/08	31/01/07
		NZ\$'000	NZ\$'000	NZ\$'000
Note				2007 Full Year
				Actual Ending
				31/07/07
				NZ\$'000
Revenue and Other Income				
Betting Turnover (including GST)	1a	797,126	807,373	1,435,558
Net Dividends (including GST)		(653,574)	(663,060)	(1,166,406)
Betting Deductions (including GST)	1b	(21,277)	(20,785)	(39,077)
Net Betting Revenue (excluding GST)		122,275	123,528	230,075
Interest Income	1c	4,040	3,636	6,907
Other Income	1d, 13a	18,807	12,514	15,183
Other Revenues		22,847	16,150	22,090
Total Revenue and Other Income		145,122	139,678	252,165
Expenses				
Operating Expenses	2	69,898	68,361	130,437
Net Return before Industry Expenditure and Distributions		75,224	71,317	121,728
Industry and On Course Projects				
On Course and Other Projects Funded	15b	1,515	1,039	-
Industry Projects Funded	15c	557	1,036	3,237
Total Industry and On Course Projects		2,072	2,075	3,237
Surplus Available for Distribution		73,152	69,242	118,491
Funding to the Racing Industry				
Fixed Code Funding	15d	42,131	42,131	1,500
Domestic Market Share Code Funding	15d	5,653	7,224	87,846
Variable Code Funding	15d, 13b	13,323	12,446	22,063
Research and Integrity Funding	15d, 13b	847	1,100	1,277
Total Funding	15d, 13b	61,954	62,901	112,686
Undistributed Earnings Transferred to General Reserves		11,198	6,341	5,805

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

Condensed Statement of Changes in Equity
For the Half Year Ended 31 January 2008

	Note	UNAUDITED			Budget NZ\$'000
		General Reserve NZ\$'000	Industry Revitalisation Reserve NZ\$'000	TOTAL NZ\$'000	
Balance as at 1 August 2006	16	91,412	7,268	98,680	99,522
Undistributed Earnings for the Half Year		10,132	-	10,132	6,223
TOTAL RECOGNISED INCOME		10,132	-	10,132	6,223
AND EXPENSE					
Transfers to/(from) General Reserves		1,447	(1,447)	-	(1,447)
Balance as at 31 January 2007		102,991	5,821	108,812	104,298
Undistributed Earnings for the Half Year		(4,327)	-	(4,327)	4,906
TOTAL RECOGNISED INCOME		(4,327)	-	(4,327)	4,906
AND EXPENSE					
Transfers to/(from) General Reserves		1,790	(1,790)	-	(1,790)
Balance as at 31 July 2007		100,454	4,031	104,485	107,414
Adjust Budget for Actual Carried Forward		-	-	-	(2,929)
Undistributed Earnings for the Half Year		11,198	-	11,198	7,377
TOTAL RECOGNISED INCOME		11,198	-	11,198	4,448
AND EXPENSE					
Transfers to/(from) General Reserves		557	(557)	-	(1,036)
Balance as at 31 January 2008	14	112,209	3,474	115,683	110,826

The accompanying accounting policies and notes form part of these Financial Statements.

Condensed Statement of Financial Position
As at 31 January 2008

		UNAUDITED		AUDITED	
Note	2008 Actual as at 31/01/08 NZ\$'000	2008 Budget as at 31/01/08 NZ\$'000	2007 Actual as at 31/01/07 NZ\$'000	2007 Actual as at 31/07/07 NZ\$'000	
3	31,739	31,671	37,616	44,863	
4	4,934	3,544	3,594	2,880	
5	51,927	54,160	49,273	49,619	
6	1,705	1,627	1,272	812	
	90,305	91,002	91,755	98,174	
	50,468	45,048	37,356	38,311	
	11,054	13,024	13,407	13,316	
5	5,135	6,521	6,613	6,557	
	66,657	64,593	57,376	58,184	
	156,962	155,595	149,131	156,358	
7	12,888	15,839	10,885	15,152	
	12,113	12,679	12,007	12,583	
8	11,067	12,279	12,889	19,465	
9	3,789	2,485	2,581	2,899	
	39,857	43,282	38,362	50,099	
8	888	962	1,398	1,218	
9	534	525	559	556	
	1,422	1,487	1,957	1,774	
	41,279	44,769	40,319	51,873	
	115,683	110,826	108,812	104,485	
14	112,209	107,831	102,991	100,454	
14	3,474	2,995	5,821	4,031	
	115,683	110,826	108,812	104,485	

The members of the New Zealand Racing Board authorise these Financial Statements for issue on 15th April 2008.


Michael Stiasny
Chairman of the New Zealand Racing Board


Warren Bell
Chairman of the Audit and Finance Committee
of the New Zealand Racing Board

Statement of Cash Flows
For the Half Year Ended 31 January 2008

		UNAUDITED			AUDITED
		2008 Six Months Actual Ending 31/01/08	2008 Six Months Budget Ending 31/01/08	2007 Six Months Actual Ending 31/01/07	2007 Full Year Actual Ending 31/07/07
Note		NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
NET CASHFLOWS FROM OPERATING ACTIVITIES					
Inflows					
	Betting Turnover	796,844	807,373	751,861	1,435,494
	Racing Services Income	7,397	7,437	2,558	5,763
	Jackpot Retentions and Account Deposits	87	(88)	505	879
	Interest Received	4,040	3,636	3,471	7,065
	Other Income	9,212	5,742	3,407	7,436
		817,580	824,100	761,802	1,456,637
Outflows					
	Dividends Paid	653,826	665,189	611,377	1,167,115
	Fixed and Domestic Market Share Funding	56,735	53,777	42,725	82,515
	On-course and Industry Projects	1,261	2,075	1,447	3,237
	Variable and Research and Integrity Funding	14,982	13,375	12,759	23,340
	Payments to Suppliers	48,153	45,432	47,255	85,702
	Payment to Employees	16,322	16,993	13,838	28,935
	Goods and Services Tax	14,895	15,283	14,810	28,271
	Betting Duty Paid	5,562	5,502	5,417	10,307
	Sporting Bodies' Levies	1,418	1,650	986	2,162
		813,154	819,276	750,614	1,431,584
	Net cash provided by/(used in) Operating Activities	4,426	4,824	11,188	25,053
NET CASHFLOWS FROM INVESTING ACTIVITIES					
Inflows					
	Disposal of Property, Plant and Equipment	39	-	-	106
	Repayments of Club Loans	1,568	60	148	272
		1,607	60	148	378
Outflows					
	Purchase of Property, Plant and Equipment	16,702	13,571	4,884	11,326
		16,702	13,571	4,884	11,326
	Net cash provided by/(used in) Investing Activities	(15,095)	(13,511)	(4,736)	(10,948)
	Net Increase/(Decrease) in Cash, Cash Equivalents and Short Term Deposits	(10,669)	(8,687)	6,452	14,105
	Cash, Cash Equivalents and Short Term Deposits at the start of the year	94,294	94,294	80,189	80,189
	Cash, Cash Equivalents and Short Term Deposits at the end of the year	83,625	85,607	86,641	94,294
	Cash and Cash Equivalents	31,739	31,671	37,616	44,863
	Short Term Deposits	51,886	53,936	49,025	49,431
		83,625	85,607	86,641	94,294

The accompanying accounting policies and notes form part of these Financial Statements.

Statement of Accounting Policies

Reporting entity

The New Zealand Racing Board is a statutory body established pursuant to the Racing Act 2003.

The principal objectives of the New Zealand Racing Board are:

- (a) to promote the racing industry; and
- (b) to facilitate and promote racing betting and sports betting; and
- (c) to maximise its profits for the long-term benefit of New Zealand racing.

The financial statements are prepared in accordance with the Racing Act 2003. The Racing Act 2003 requires disclosure of budgeted amounts approved by the Board.

Statement of compliance

These unaudited, condensed Interim Financial Statements have been prepared in accordance with the requirements of NZ IAS-34: *Interim Financial Statements*.

For the purpose of the financial reporting the New Zealand Racing Board is a profit orientated entity.

Basis of preparation

These financial statements have been prepared on the basis of historic cost except for the revaluation of certain non-current assets and financial instruments outlined below. Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The New Zealand Racing Board changed its accounting policies on 1 August 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1: *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*, with 1 August 2006 as the date of transition. An explanation of how the transition from superseded policies to NZ IFRS has affected the financial position, financial performance and cash flows is discussed in note 16.

The accounting policies set out below have been applied in preparing the financial statements for the half year ended 31 January 2008, the comparative information presented in these financial statements for the year ended 31 July 2007 and the half year ended 31 January 2007, and in the preparation of the opening NZ IFRS statement of financial position at 1 August 2006 (as disclosed in note 16), the New Zealand Racing Board's date of transition.

Critical judgement in applying the accounting policies

In the process of applying the accounting policies, management has made the following judgements that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Fair Value Adjustment on Fixed Odds Multi Bets

The Fair Value of Open Fixed Odds Multibet positions have not been revalued as the Fair Value cannot be measured reliably.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed, where applicable, in the relevant notes to the financial statements. These are estimates that require management's most difficult, subjective or complex judgements.

The following are the key sources of estimation uncertainty:

Long Service Leave

A provision for Long Service Leave has been established to recognise the future liability to the New Zealand Racing Board for employee benefits to the extent that it is probable that they will vest.

The provision established contains several key assumptions around tenure of employment, future increase in remuneration and retirement dates.

Make Good Provisions

A provision for Make Good Costs has been established to recognise the future liability to the New Zealand Racing Board for costs on the exit of leasehold property.

The provision established contains several key assumptions around lease tenure and average expected exit costs. Average expected exit costs have been estimated using knowledge of costs incurred over the past three years on exit of leasehold property.

Fair Value Adjustment on Fixed Odds Single Bets

Fair value adjustments recorded on open Fixed Odds Single betting positions have been calculated by applying the expected probability of each outcome to the potential gross dividend payable on any particular outcome.

The adjustment contains several key assumptions around the calculation of the deemed probability of an outcome arising.

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the New Zealand Racing Board and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Net Betting Revenue

Net Betting Revenue consists of resulted Turnover less Dividends paid and payable to Customers and Duty and GST payable to the Inland Revenue Department. Except where otherwise noted, Net Betting Revenue is recognised at the time the betting event takes place.

Totalisator Revenue

Totalisator Revenue is recognised at the time the betting event takes place.

Fixed Odds Betting Revenue

Revenue is recognised as the net win or loss on an event. The amounts bet on an event are recognised as a liability until the outcome of the event is determined, at which time the revenue is brought to account. Open betting positions are carried at fair market value and gains and losses arising on these positions are recognised in revenue.

International Racing Royalties

International Racing Royalties is income earned by the New Zealand Racing Board through the export of television coverage of New Zealand racing events to Australian Betting Agencies. This revenue is recognised at the time that the racing event takes place.

Interest Income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Racing Services Income

Racing Services Income refers to income the New Zealand Racing Board derives from providing on-course race day services to racing clubs, recovered as part of the funding arrangements from the Code bodies. This revenue is recognised at the time that the racing event takes place.

(b) Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in the statement of financial performance in the period in which they arise.

(c) Goods and Services Tax (GST)

The statement of financial performance and statement of cash flows are prepared on a GST exclusive basis except for betting turnover and dividends paid to customers. The GST component in betting turnover represents the GST payable on betting deductions and net betting revenue as outlined in the Racing Act 2003. All items in the statement of financial position and statement of changes in equity are stated net of GST, with the exception of trade receivables and payables which are recognised inclusive of GST.

(d) Income Tax

The New Zealand Racing Board is exempt from income tax pursuant to section CW40(1)(a) of the Income Tax Act 2004.

(e) Inventories

Inventories, including betting slips and merchandise held for resale, are valued at the lower of cost and net realisable value, as determined on a weighted average basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(f) Financial assets

Cash and cash equivalents comprise cash on hand, cash at bank and investments in money market instruments.

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Financial assets are classified into the following specified categories: 'held-to-maturity' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

Held-to-maturity investments

Corporate bonds are classified as held-to-maturity and are stated at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(g) Financial liabilities

Trade and other accounts payable

Trade and other accounts payable are recognised when the New Zealand Racing Board becomes obliged to make future payments resulting from the purchase of goods and services.

Unpaid dividends

Unpaid dividends represents the liability due to winning customers not yet claimed. Like Revenue Unpaid dividends are recognised at the time the betting event takes place.

Jackpot retentions

These accounts are established in accordance with the Racing Rules pursuant to section 52 of the Racing Act 2003. Transfers to these accounts comprise amounts set aside from the dividend pools of Pick6, Six Pack and Pools betting. Funds accumulated in these accounts are used exclusively for the purpose of supplementing the dividend pool on some occasions when the same form of betting is offered subsequently.

Other financial liabilities

Other financial liabilities are measured at fair value.

(h) Derivative financial instruments

The New Zealand Racing Board may from time to time enter into derivative financial instruments to manage its exposure to foreign currency risk, including forward exchange contracts.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of financial performance immediately. The New Zealand Racing Board has not designated any derivatives as hedges.

Fixed Odds Betting Revenue

Fixed Odds Betting positions are considered derivative financial instruments for the purposes of financial reporting. Refer to the Revenue recognition policy for Fixed Odds Betting Revenue in (a) above.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

(i) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment.

The deemed cost for land and buildings is the valuation on the inception of the New Zealand Racing Board in 2003.

Depreciation is calculated on a straight line basis so as to allocate the cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The current annual depreciation rates are as follows:

Buildings and fit out (at deemed cost)	2.5% - 10%	Leasehold improvements	15.0% - 20.0%
Computer hardware	15.0%- 33.0%	Motor vehicles	15.0% – 33.0%
Furniture, office equipment and plant	20.0%	Operations and trackside equipment	20.0%

(j) Leased assets

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction in the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset or the lease term, whichever is shorter.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(k) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

(l) Intangible assets

Broadcasting licences and software are finite life intangible assets recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

The current annual amortisation rates are as follows:

Broadcasting licences	5.0% – 17.0%	Software	15%-25%
-----------------------	--------------	----------	---------

(m) Impairment of assets

At each reporting date, the New Zealand Racing Board reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the New Zealand Racing Board estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of financial performance immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of financial performance immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(n) Provisions

Provisions are recognised when the New Zealand Racing Board has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(o) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the New Zealand Racing Board in respect of services provided by employees up to reporting date.

(p) Netting

The movement in Jackpot Retentions and Account Deposits have been presented net in the Statement of Cash Flows as transactions are settled over a short period of time.

(q) Standards or Interpretations not yet effective

Various standards, amendments and interpretations have been issued by the Accounting Standards Review Board but have not been adopted by the New Zealand Racing Board as they are not yet effective.

Application of these standards, amendments and interpretations, is not expected to have a material impact on the New Zealand Racing Board's financial position and results in the period of initial application.

Condensed Notes to the Financial Statements
For the Half Year Ended 31 January 2008

1. Revenue

Note	UNAUDITED		AUDITED	
	2008 Six Months Actual Ending 31/01/08 NZ\$'000	2008 Six Months Budget Ending 31/01/08 NZ\$'000	2007 Six Months Actual Ending 31/01/07 NZ\$'000	2007 Full Year Actual Ending 31/07/07 NZ\$'000
Revenue from Continuing Operations:				
(a) Betting Turnover (including GST)				
Off-Course Racing - Totalisator (Tote)	641,472	651,380	607,166	1,157,912
Off-Course Racing - Fixed Odds (FOB)	41,446	35,130	35,630	67,714
On-Course Racing	49,306	49,347	45,885	78,427
TOTAL RACING TURNOVER	732,224	735,857	688,681	1,304,053
Sports - Totalisator (Tote)	1,154	840	842	2,098
Sports - Fixed Odds (FOB)	63,748	70,676	62,616	129,407
TOTAL SPORT TURNOVER	64,902	71,516	63,458	131,505
TOTAL BETTING TURNOVER 12	797,126	807,373	752,139	1,435,558
(b) Betting Deductions (including GST)				
Betting Duty	5,632	5,502	5,416	10,345
Goods and Services Tax	15,645	15,283	15,046	28,732
TOTAL BETTING DEDUCTIONS	21,277	20,785	20,462	39,077
(c) Interest Income				
Bank Deposits	4,037	3,636	3,355	6,897
Other Loans and Receivables	3	-	5	10
TOTAL INTEREST INCOME	4,040	3,636	3,360	6,907
(d) Other Income				
Racing Services Income	7,397	7,437	3,055	5,763
International Racing Royalties	8,964	2,533	2,367	4,132
Other	2,446	2,544	2,801	5,288
TOTAL OTHER INCOME	18,807	12,514	8,223	15,183

2. Operating Expenses

Note	UNAUDITED		AUDITED	
	2008 Six Months Actual Ending 31/01/08 NZ\$'000	2008 Six Months Budget Ending 31/01/08 NZ\$'000	2007 Six Months Actual Ending 31/01/07 NZ\$'000	2007 Full Year Actual Ending 31/07/07 NZ\$'000
(a) Operating Expenses includes the following items:				
Amortisation Expense	2,775	3,517	2,698	5,445
Auditor's Remuneration				
- Auditing Services	37	42	82	99
- Other Services	26	-	42	90
Bad Debts Written Off	3	-	-	-
Board Members' Remuneration and Expenses	140	150	144	265
Depreciation Expense	3,972	3,825	3,751	7,870
Employee Expenses	17,825	16,994	15,950	32,995
Finance Costs	10	-	3	9
Insurance	491	451	426	876
Net Movement in Provision for Doubtful Debts	25	-	-	(44)
Overseas Racing Rights	7,764	7,274	6,963	12,804
Problem Gambling Levy and Expenses	845	838	865	1,531
Property and Equipment Leases	2,121	2,018	1,888	3,917
Retail and Internet Fees	14,402	13,982	13,695	25,979
Sporting Body Levies	1,015	1,150	986	2,162
Other Expenses	18,335	18,110	17,558	36,394
(b) Surplus has been arrived at after (crediting)/charging the following gains and losses				
(Gain)/Loss on Disposal of				
Property, Plant & Equipment	(7)	-	59	(20)
Net Foreign Exchange (Gains)/Losses	119	10	80	65
TOTAL OPERATING EXPENSES	69,898	68,361	65,190	130,437

3. Cash and Cash Equivalents

Note	UNAUDITED		AUDITED	
	2008 Actual as at 31/01/08 NZ\$'000	2008 Budget as at 31/01/08 NZ\$'000	2007 Actual as at 31/01/07 NZ\$'000	2007 Actual as at 31/07/07 NZ\$'000
Foreign Currency Bank Accounts	1,211	200	496	197
Foreign Currency Betting Accounts	220	250	404	245
NZ Dollar Bank Accounts and Call Deposits	30,308	31,221	36,716	44,421
TOTAL CASH AND CASH EQUIVALENTS	31,739	31,671	37,616	44,863

4. Trade and Other Receivables

Note	UNAUDITED		AUDITED	
	2008 Actual as at 31/01/08 NZ\$'000	2008 Budget as at 31/01/08 NZ\$'000	2007 Actual as at 31/01/07 NZ\$'000	2007 Actual as at 31/07/07 NZ\$'000
Trade and Sundry Receivables	4,977	3,564	3,594	2,899
Allowance for Doubtful Debts	(43)	(20)	-	(19)
TOTAL TRADE AND OTHER RECEIVABLES	4,934	3,544	3,594	2,880

5. Financial Assets

Note	UNAUDITED		AUDITED	
	2008 Actual as at 31/01/08 NZ\$'000	2008 Budget as at 31/01/08 NZ\$'000	2007 Actual as at 31/01/07 NZ\$'000	2007 Actual as at 31/07/07 NZ\$'000
Classified as Held to Maturity				
Short Term Deposits	51,886	53,936	49,025	49,431
Corporate Bonds	5,011	5,011	5,011	5,011
Classified as Loans and Receivables at Amortised Cost				
Advances to Clubs 10	165	1,734	1,850	1,734
TOTAL FINANCIAL ASSETS	57,062	60,681	55,886	56,176
Disclosed as:				
Current	51,927	54,160	49,273	49,619
Non-Current	5,135	6,521	6,613	6,557
TOTAL FINANCIAL ASSETS	57,062	60,681	55,886	56,176

\$16,000,000 is held in Trust to cover the amounts owing to customers for account deposits and unrepresented betting vouchers (2007: \$14,000,000). The balance of these items as at 31 January 2008 was \$12,112,816 (2007: \$12,006,410)

6. Other Assets

Note	UNAUDITED		AUDITED	
	2008 Actual as at 31/01/08 NZ\$'000	2008 Budget as at 31/01/08 NZ\$'000	2007 Actual as at 31/01/07 NZ\$'000	2007 Actual as at 31/07/07 NZ\$'000
Prepayments	1,404	1,371	992	556
Inventory	301	256	280	256
TOTAL OTHER ASSETS	1,705	1,627	1,272	812

7. Trade and Other Payables

Note	UNAUDITED		AUDITED	
	2008 Actual as at 31/01/08 NZ\$'000	2008 Budget as at 31/01/08 NZ\$'000	2007 Actual as at 31/01/07 NZ\$'000	2007 Actual as at 31/07/07 NZ\$'000
Amounts Payable to Board Members	42	40	34	39
Trade Payables and Accruals	9,515	12,985	8,234	12,445
Taxes Payable	2,753	1,807	1,969	1,807
Deferred Revenue (Presales)	578	1,007	648	861
TOTAL TRADE AND OTHER PAYABLES	12,888	15,839	10,885	15,152

No interest is charged on the trade payables unless the amounts payable fall overdue, at the discretion of the vendor. The New Zealand Racing Board has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

8. Financial Liabilities

Note	UNAUDITED		2007 Actual as at 31/01/07 NZ\$'000	AUDITED 2007 Actual as at 31/07/07 NZ\$'000
	2008 Actual as at 31/01/08 NZ\$'000	2008 Budget as at 31/01/08 NZ\$'000		
Canwest Radio Liability	1,467	1,542	2,215	1,768
Code Liability	3,928	5,879	6,052	12,879
Unpaid Dividends	4,018	3,135	3,723	2,957
Jackpot Retentions	2,358	2,500	2,297	2,860
Finance Leases	184	185	-	219
TOTAL FINANCIAL LIABILITIES	11,955	13,241	14,287	20,683
Disclosed as:				
Current	11,067	12,279	12,889	19,465
Non-Current	888	962	1,398	1,218
TOTAL FINANCIAL LIABILITIES	11,955	13,241	14,287	20,683

9. Other Liabilities

Note	UNAUDITED		2007 Actual as at 31/01/07 NZ\$'000	AUDITED 2007 Actual as at 31/07/07 NZ\$'000
	2008 Actual as at 31/01/08 NZ\$'000	2008 Budget as at 31/01/08 NZ\$'000		
Employee Entitlements	4,088	2,787	2,917	3,237
Make Good Provisions	235	223	223	218
TOTAL OTHER LIABILITIES	4,323	3,010	3,140	3,455
Disclosed as:				
Current	3,789	2,485	2,581	2,899
Non-Current	534	525	559	556
TOTAL OTHER LIABILITIES	4,323	3,010	3,140	3,455

10. Loans and Advances to Clubs

Note	UNAUDITED		AUDITED	
	2008 Actual as at 31/01/08 NZ\$'000	2008 Budget as at 31/01/08 NZ\$'000	2007 Actual as at 31/01/07 NZ\$'000	2007 Actual as at 31/07/07 NZ\$'000
Loans Taken over from the New Zealand Racing Industry Board (NZRIB)				
Avondale Jockey Club	-	1,572	1,599	1,572
Wanganui Greyhound Racing Club	165	162	195	162
Canterbury Jockey Club	-	-	36	-
Manawatu Racing Club	-	-	20	-
TOTAL NZRIB LOANS	165	1,734	1,850	1,734
Disclosed as:				
Current	41	224	248	188
Non-Current	124	1,510	1,602	1,546
TOTAL LOANS AND ADVANCES TO CLUBS	165	1,734	1,850	1,734

The Interest Rate on the outstanding loan is 4%. The New Zealand Racing Board is satisfied as to the ultimate collectability of this loan.

In July 2007, the Board approved additional loans of up to \$5.7m to the NZ Metropolitan Trotting Club and up to \$660,000 to the Manawatu Greyhound Racing Club. As at 31 January 2008, these loans had not been drawn down.

On 29 November 2007, Avondale Jockey Club repaid the outstanding balance on their club loan.

11. Reconciliation of Net Surplus to Net Cash Flows From Operating Activities

Note	UNAUDITED		AUDITED	
	2008 Six Months Actual NZ\$'000	2008 Six Months Budget NZ\$'000	2007 Six Months Actual NZ\$'000	2007 Full Year Actual NZ\$'000
Undistributed Earnings Transferred to General Reserves	11,198	6,341	10,132	5,805
Non-Cash Items:				
Depreciation Expense	3,972	3,825	3,751	7,870
Amortisation Expense	2,775	3,517	2,698	5,445
Net Finance Costs	10	-	3	9
Foreign Exchange (gain)/loss	119	10	80	65
Doubtful Debts Written Off/(Recovered)	28	-	-	(44)
Net (gain)/loss on sale of Property, Plant & Equipment	(7)	-	59	(20)
Fair Value (gain)/loss on Financial Liabilities	(51)	-	(66)	(40)
Other Non-Cash Items	(28)	(161)	48	1
	6,818	7,191	6,573	13,286
Movement in Assets:				
(Increase)/decrease in Trade & Other Receivables	(2,060)	(664)	(813)	(99)
(Increase)/decrease in Inventories	(44)	-	(97)	(74)
(Increase)/decrease in Other Assets	(842)	(815)	(425)	11
	(2,946)	(1,479)	(1,335)	(162)
Movement in Liabilities:				
Increase/(decrease) in Trade Payables & Accruals	(2,931)	540	(3,751)	(748)
Increase/(decrease) in Unpaid Dividends	1,060	178	436	(330)
Increase/(decrease) in Account Betting Deposits and Vouchers	(470)	96	(151)	426
Increase/(decrease) in Jackpot Retentions	(502)	(360)	220	783
Increase/(decrease) in Employee Entitlements	851	(450)	50	371
Increase/(decrease) in Taxes Payable	946	-	11	(151)
Increase/(decrease) in Code Liability	(8,951)	(7,000)	4	6,831
Increase/(decrease) in Deferred Revenue	(283)	146	(277)	(64)
Increase/(decrease) in Other Liabilities	(354)	(379)	(724)	(994)
	(10,644)	(7,229)	(4,182)	6,124
Net Cash provided by/(used in) Operating Activities	4,426	4,824	11,188	25,053

12. Budget Comparative Information

International Racing Royalties, reported as part of Other Income were significantly higher than budget for the six months ending 31 January 2008 as a result of Australian Betting Agencies taking additional New Zealand racing product to compensate for Australian domestic product lost due to the outbreak of Equine Influenza.

The converse effect of the Equine Influenza outbreak has been that less Australian racing product has been imported into New Zealand, resulting in Turnover and Net Dividends decreasing against budget.

13. Actual Comparative Information

(a) Racing Services Income

Racing Services Income has increased by \$4.6m over the comparable period in the prior season as the New Zealand Racing Board now fully recovers the cost of providing on course trackside operations from the code bodies.

To compensate for this additional charge, the New Zealand Racing Board has increased funding to the code bodies by the same amount.

(b) Funding to the Racing Industry

Variable Code Funding and Research and Integrity Funding were previously reported together as Industry Operating Expenses. Due to a change in the Code Funding arrangement for the 2007/08 season, as agreed by the three Racing Codes and the New Zealand Racing Board, these costs are now an integral part of the overall funding policy.

For consistency with the current season, comparative information has been reclassified.

14. Nature of Reserves

Industry Revitalisation Reserve

The Industry Revitalisation Reserve was established from Retained Earnings at a value of \$10.0m during 2005. The purpose of this reserve is to help drive change and improvement across the Racing Industry. Since its establishment, over \$6.5m has been spent on specifically identified Industry Projects. Further details of the use of this reserve can be found in Note 15c.

General Reserve

The General Reserve accommodates appropriations of retained earnings for general purposes rather than for a specific item of future loss or expense.

15. Funding to the Racing Industry

	UNAUDITED		AUDITED	
	2008 Six Months Actual Ending 31/01/08 NZ\$'000	2008 Six Months Budget Ending 31/01/08 NZ\$'000	2007 Six Months Actual Ending 31/01/07 NZ\$'000	2007 Full Year Actual Ending 31/07/07 NZ\$'000
(a) Funding Generated by the New Zealand Racing Board				
Betting Turnover (including GST)	797,126	807,373	752,139	1,435,558
Dividends & Betting Deductions (including GST)	(574,851)	(583,845)	(531,463)	(1,205,483)
Interest & Other Income (excluding GST)	22,847	16,150	11,583	22,090
Operating and Selling Expenses (excluding GST)	(59,898)	(68,361)	(65,190)	(130,437)
NET RETURN BEFORE INDUSTRY	75,224	71,317	67,069	121,728
EXPENDITURE AND DISTRIBUTIONS (excluding				
(b) On Course and Other Projects Funded by the New Zealand Racing Board from Net Return				
<i>On Course Projects</i>				
On Course Big Screens *	353	430	-	-
Customer Research Studies *	115	126	-	-
Destination Summer Holiday Racing *	148	250	-	-
Other On Course Projects	87	233	-	-
<i>Other Projects</i>				
Equine Influenza	704	-	-	-
Industry Careers Development	108	-	-	-
TOTAL ON COURSE AND OTHER PROJECTS FUNDED	1,515	1,039	-	-
(c) Funding Applied by the New Zealand Racing Board from Reserves				
Industry Projects Funded by the New Zealand Racing Board				
Greyhound Semen Bank	-	98	-	105
Harness Racing Travel Subsidies	79	195	49	385
Christmas at the Races	256	300	-	-
On Course Big Screens *	-	-	324	468
Customer Research Studies *	-	-	64	133
Destination Summer Holiday Racing *	-	-	316	439
Other Industry Projects	222	443	694	1,707
TOTAL INDUSTRY PROJECTS FUNDED	557	1,036	1,447	3,237
TOTAL INDUSTRY AND ON COURSE PROJECTS	2,072	2,075	1,447	3,237
* From 1 August 2007 the highlighted projects were funded through the New Zealand Racing Board's Net Return Before Industry Expenditure and Distributions rather than through Reserves.				
(d) Funding Applied by the New Zealand Racing Board from Surplus Available for Distribution				
Distributions to the Racing Industry				
Fixed Code Funding	42,131	42,131	-	1,500
Domestic Market Share Code Funding	5,653	7,224	42,730	87,846
TOTAL CODE DISTRIBUTIONS	47,784	49,355	42,730	89,346
<i>Variable Code Funding</i>				
Fixed Odds Betting Product Payment	1,584	1,488	1,341	2,512
Industry Interest Paid on Code Liability Balances	487	125	270	397
Export Commissions Paid	3,367	3,194	2,026	3,588
On-Course Commission Payments	7,885	7,639	7,342	12,548
Owners/Breeders Incentives	-	-	-	-
Premier Marketing Subsidies	-	-	1,108	2,238
Stakes Support to Codes	-	-	342	654
Other Direct Funding	-	-	61	126
TOTAL VARIABLE CODE FUNDING	13,323	12,446	12,490	22,063
<i>Research and Integrity Funding</i>				
JCA Review Project	30	150	-	-
Racing Laboratory Services	360	500	116	767
Racing Services Rebates	29	30	74	139
Research, Training and Education	92	300	80	316
Other Industry Expenses	336	120	-	55
TOTAL RESEARCH AND INTEGRITY FUNDING	847	1,100	270	1,277
TOTAL FUNDING	61,954	62,901	55,490	112,686
TOTAL FUNDING APPLIED FROM NET RETURN AND RESERVES	64,026	64,976	56,937	115,923

16. Impacts of the adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)

The New Zealand Racing Board changed its accounting policies on 1 August 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1: First Time Adoption of New Zealand Equivalents to International Financial Reporting Standards, with 1 August 2006 as the date of transition.

An explanation of how the transition from superseded policies to NZ IFRS has affected the New Zealand Racing Board's Financial Position, Financial Performance and Cash Flows is set out in the following tables and the notes that accompany the tables.

Effect of NZ IFRS on the Statement of Financial Performance for the Half Year ended 31 January 2007 and for the year ended 31 July 2007

	Effect of NZIFRS on the Statement of Financial Performance for the 6 Months Ended 31 January 2007			Effect of NZIFRS on the Statement of Financial Performance for the Year Ended 31 July 2007		
	Superseded Policies *	Effect of Transition to NZ IFRS	NZ\$'000	Superseded Policies **	Effect of Transition to NZ IFRS	NZ\$'000
Note	(000's)			(000's)		
Revenue and Other Income						
Betting Turnover (including GST)	752,139	-	752,139	1,435,558	-	1,435,558
Net Dividends (including GST)	(611,001)	-	(611,001)	(1,166,406)	-	(1,166,406)
Betting Deductions (including GST)	(21,449)	987	(20,462)	(41,239)	2,162	(39,077)
Net Betting Revenue (excluding GST)	119,689	987	120,676	227,913	2,162	230,075
Interest Income	3,360	-	3,360	6,907	-	6,907
Other Income	8,223	-	8,223	15,183	-	15,183
Other Revenues	11,583	-	11,583	22,090	-	22,090
Total Revenues	131,272	987	132,259	250,003	2,162	252,165
Expenses						
Operating Expenses:	64,196	994	65,190	128,284	2,153	130,437
Total Expenses	64,196	994	65,190	128,284	2,153	130,437
Net Return before Industry Expenditure and Distributions	67,076	(7)	67,069	121,719	9	121,728
Industry and On Course Projects						
On Course and Other Projects Funded	-	-	-	-	-	-
Industry Projects Funded	1,447	-	1,447	3,237	-	3,237
Total Industry and On Course Projects	1,447	-	1,447	3,237	-	3,237
Surplus Available for Distribution	65,629	(7)	65,622	118,482	9	118,491
Funding to the Racing Industry						
Fixed Code Funding	-	-	-	1,500	-	1,500
Domestic Market Share Code Funding	42,730	-	42,730	87,846	-	87,846
Variable Code Funding	12,490	-	12,490	22,063	-	22,063
Research and Integrity Funding	270	-	270	1,277	-	1,277
Total Funding	55,490	-	55,490	112,686	-	112,686
Undistributed Earnings Transferred to General Reserves	10,139	(7)	10,132	5,796	9	5,805

* Reported Financial Performance for the Half Year ended 31 January 2007. Superseded Policies have also been restated to Financial Performance categories as required under NZ IFRS.

** Reported Financial Performance for the Year ended 31 July 2007. Superseded Policies have also been restated to Financial Performance categories as required under NZ IFRS.

Effect of NZ IFRS on the Statement of Financial Position as at 1 August 2006, 31 January 2007 and 31 July 2007

	Effect of NZIFRS on the Statement of Financial Position as at 1 August 2006				Effect of NZIFRS on the Statement of Financial Position as at 31 January 2007				Effect of NZIFRS on the Statement of Financial Position as at 31 July 2007			
	Superseded Policies *	Effect of Transition to NZ IFRS	NZIFRS	Note	Superseded Policies **	Effect of Transition to NZ IFRS	NZIFRS		Superseded Policies ***	Effect of Transition to NZ IFRS	NZIFRS	
	(000's)	NZ\$'000	NZ\$'000		(000's)	NZ\$'000	NZ\$'000		(000's)	NZ\$'000	NZ\$'000	
Current Assets												
Cash and Cash Equivalents	32,809	-	32,809		37,616	-	37,616		44,863	-	44,863	
Trade and Other Receivables	2,781	-	2,781		3,594	-	3,594		2,880	-	2,880	
Financial Assets	47,652	-	47,652		49,273	-	49,273		49,619	-	49,619	
Other Assets	750	-	750		1,272	-	1,272		812	-	812	
Total Current Assets	83,992	-	83,992		91,755	-	91,755		98,174	-	98,174	
Non Current Assets												
Property, Plant and Equipment	47,210	(10,270)	36,940		46,140	(8,784)	37,356		47,556	(9,245)	38,311	
Intangible Assets	5,526	9,920	15,446		4,935	8,472	13,407		4,346	8,970	13,316	
Financial Assets	6,760	(23)	6,737		6,636	(23)	6,613		6,572	(15)	6,557	
Total Non-Current Assets	59,496	(373)	59,123		57,711	(335)	57,376		58,474	(290)	58,184	
TOTAL ASSETS	143,488	(373)	143,115		149,466	(335)	149,131		156,648	(290)	156,358	
Current Liabilities												
Trade and Other Payables	16,093	(1,225)	14,868		11,702	(817)	10,885		15,852	(700)	15,152	
Account Betting Deposits and Vouchers	12,157	-	12,157		12,007	-	12,007		12,583	-	12,583	
Financial Liabilities	11,412	1,225	12,637		12,072	817	12,889		18,765	700	19,465	
Other Liabilities	2,390	119	2,509		2,462	119	2,581		2,788	111	2,899	
Total Current Liabilities	42,052	119	42,171		38,243	119	38,362		49,988	111	50,099	
Non Current Liabilities												
Financial Liabilities	1,915	(232)	1,683		1,563	(165)	1,398		1,343	(125)	1,218	
Other Liabilities	-	581	581		-	559	559		-	556	556	
Total Non-Current Liabilities	1,915	349	2,264		1,563	394	1,957		1,343	431	1,774	
TOTAL LIABILITIES	43,967	468	44,435		39,806	513	40,319		51,331	542	51,873	
Net Assets	99,521	(841)	98,680		109,660	(848)	108,812		105,317	(832)	104,485	
Equity												
General Reserves	92,253	(841)	91,412		103,839	(848)	102,991		101,286	(832)	100,454	
Industry Revitalisation Reserve	7,268	-	7,268		5,821	-	5,821		4,031	-	4,031	
Total Equity	99,521	(841)	98,680		109,660	(848)	108,812		105,317	(832)	104,485	

* Reported financial position for the year ended 31 July 2006. Superseded Policies have also been restated to Financial Position categories as required under NZ IFRS.
** Reported financial position for the half year ended 31 January 2007. Superseded Policies have also been restated to Financial Position categories as required under NZ IFRS.
*** Reported financial position for the year ended 31 July 2007. Superseded Policies have also been restated to Financial Position categories as required under NZ IFRS.

Effect of NZ IFRS on the Cash Flow Statement for the periods ending 31 January 2007 and 31 July 2007

There are no material differences between the cash flow statement presented under NZ IFRS and the cash flow statement presented under the superseded policies.

Notes to the Reconciliations of Income and Equity

(a) Reserves

The non-cumulative effect of the adjustments on General Reserves is as follows:

	1 August 2006 (000's)	31 January 2007 NZ\$'000	31 July 2007 NZ\$'000	Cumulative as at 31 July 2007 NZ\$'000
(b) Fair Value Adjustment to Club Loans				
Fair Value Adjustment to Club Loans	23	-	(8)	15
(c) Employee Entitlements - Sick Leave				
Employee Entitlements - Sick Leave	119	-	(8)	111
(d) Employee Entitlements - Long Service Leave				
Employee Entitlements - Long Service Leave	358	(22)	3	339
(e) Provision for Make Good Costs				
Provision for Make Good Costs	223	-	(6)	217
(f) Fair Value Adjustment to Canwest Liability				
Fair Value Adjustment to Canwest Liability	(232)	66	40	(126)
(g) Fair Value Adjustment to Canwest Asset				
Fair Value Adjustment to Canwest Asset	350	(37)	(37)	276
Total Adjustment to General Reserves	841	7	(16)	832

(b) Fair Value Adjustment to Club Loans

Club Loans have been adjusted on transition below face value to reflect the fair value of low-interest and interest free loans to racing clubs. The fair value of low-interest and no interest loans was determined by estimating the future value of expected cash flows, discounted using a market related rate.

(c) Employee Entitlements - Sick Leave

A liability has been recognised on transition for accumulating sick leave to the extent that it is probable that employees will take more days than their future entitlement.

(d) Employee Entitlements - Long Service Leave

The NZ Racing Board has a group of legacy employment contracts containing Long Service Leave entitlements. A liability has been recognised on transition for the estimated amounts probable to vest to employees in the future.

(e) Provision for Make Good Costs

A provision has been established for future anticipated costs associated with restoring leased premises to their original condition at the end of the lease term. This provision is based on the NZ Racing Board's previous experience and the percentage of lease term expired.

(f) Reclassification of Software

Software has been reclassified from Property, Plant and Equipment to Intangibles in the Statement of Financial Position. Depreciation charged on Software has been reclassified to Amortisation in the Statement of Financial Performance.

(g) Reclassification of the Current Portion of the Canwest Liability

The current portion of the liability due to Canwest in relation to the purchase of Radio Licenses during 2004 has been reclassified from Trade and Other Payables to Financial Liabilities in the Statement of Financial Position.

(h) Reclassification of Sporting Body Levies

The cost of Levies payable to Sporting Bodies as a function of Sport Turnover and Margin has been reclassified from Betting Deductions to Operating Expenses in the Statement of Financial Performance.

(i) Fair Value Adjustment to Canwest Liability

The Canwest Liability has been adjusted on transition below face value to reflect the fair value of future payments. The fair value of future payments was determined by estimating the future value of expected cash flows, discounted using a market related rate.

(j) Fair Value Adjustment to Canwest Asset

The opening value of this Intangible Asset has been adjusted to equal the fair value of the Canwest Liability, as adjusted for in (i) above. The change in capitalised value has also caused a reduction in the monthly amortisation charge against these assets.