



Media Release
10 March 2009

New Zealand Racing Board announces half-year result

The New Zealand Racing Board has today announced earnings of approximately \$67 million for the first six months of the current Season.

New Zealand Racing Board chairman Michael Stiasny said earnings for the first half of the 2008/09 Season were some 10.9 per cent, or \$8.2 million, less than at the same time last year, revealing the impact the global economic downturn has had on the business.

"However, when you adjust last year's figure to take out the effect of the equine influenza outbreak in Australia, we are only around \$4.5 million down on last year's actual," Mr Stiasny said.

"Our turnover has held up well compared to some other racing jurisdictions but our margins have been squeezed by changing wagering patterns. There has been more take up of Fixed Odds betting and more races imported from overseas, both of which have lower yields than our traditional Tote activities," he said.

"Like many other New Zealand businesses, gaming operators and other racing bodies worldwide, our performance has been adversely impacted by the international economic meltdown."

Regardless of the half-year result, the NZ Racing Board has committed to the three racing Codes – New Zealand Thoroughbred Racing, Harness Racing New Zealand and Greyhound Racing New Zealand – that it will smooth the impact of the recession by using money from its reserves to maintain distributions to the Codes at the level that was forecast for this Season.

"However, there will be an impact next Season, when we estimate distributions will be some \$13 million below the current Season's levels, assuming no further deterioration in the economy.

"When we made our forecast for the current Season in early 2008, we assumed there would be continued strong growth, which has not eventuated. As a result, the Codes have now been provided with fresh forecasts for the next 18-24 months."

Mr Stiasny said the NZ Racing Board had a number of initiatives underway to combat the effects of the global recession on the racing industry and to minimise the impact of the drop in earnings.

The NZ Racing Board is working with representatives from the three racing Codes to identify savings and efficiencies from closer co-operation at the operating level. For the longer term, a working group led by the NZ Racing Board will be established to develop a sustainable model for the racing industry going forward.

"Within the NZ Racing Board itself, management has also been charged to deliver cost savings of \$10 million per annum," added Mr Stiassny.

"Emphasis is being placed on revenue opportunities, as evidenced by the introduction of the new First4 and Quaddie betting products, and the continued focus on international commingling ventures," he said.

The NZ Racing Board is also well advanced in its programme to confront the threats to its business from offshore betting organisations as well as the rapidly changing wagering market in Australia.

"More and more money is being bet by New Zealanders with offshore betting organisations. A bet with the TAB here generates a return for the New Zealand racing industry and our sporting bodies. A bet with an offshore agency generates nothing for New Zealand," Mr Stiassny said.

The NZ Racing Board is set to negotiate a licensing agreement with offshore operators, under which those operators will agree to pay a fee to use New Zealand's race field and race form intellectual property.

"These measures need to be accompanied by gambling law reform which we will propose to our Minister and the Government. This is important for the future well-being of the industry. The meltdown in economies across the world serves to further emphasise that need," Mr Stiassny said.

"This is the reality facing the industry, hence the New Zealand Racing Board's initiatives on both costs and revenues. Improving performance across the industry is clearly the preferred route, with stakes reductions a last resort. That said, though, we understand why New Zealand Thoroughbred Racing has taken the steps it has in announcing a revised stakes policy," Mr Stiassny said.

"In all of this, it is important to recognise the underlying performance of the New Zealand Racing Board has been strong and has positioned the industry well after many years of decline," he emphasised.

"Despite the setback this Season, our half-year earnings result is still more than 80 per cent of the full year result for 2003/04. This indicates the gains that have been achieved in the intervening period," he said.

"The New Zealand Racing Board's increased distributions to the Codes since 2003/04 have been attributed to factors such as the changes in taxes and the increased demand for New Zealand racing due to the equine influenza outbreak shutting down racing in Australia in 2007."

"However, if we extract those variances, our core net earnings rose over 30 per cent through the four years to 31 July 2008, and are expected to fall by only 3 per cent this Season, despite the difficult trading conditions. Our ratio of expenses to turnover has been held below the 2003/04 level."

“This core strength is critical to our future success, but – like every other business – we now have to do better. We look forward to working with the Codes in order to minimise stakes reductions through a co-ordinated one-industry commitment to improvement,” concluded Mr Stiasny.

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Michael Stiasny
Chairman, NZ Racing Board
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Condensed Statement of Financial Performance
For the Half Year Ended 31 January 2009

UNAUDITED				AUDITED
	Actual 2009 Six Months NZ\$'000	Budget 2009 Six Months NZ\$'000	Actual 2008 Six Months NZ\$'000	Actual 2008 Full Year NZ\$'000
Note				
1a	798,786	875,378	797,126	1,527,712
	(656,189)	(717,944)	(653,574)	(1,255,286)
1b	(21,167)	(23,937)	(21,277)	(40,307)
	121,430	133,497	122,275	232,119
1c	3,124	2,621	4,040	7,670
1d	15,591	14,825	18,807	31,709
	18,715	17,446	22,847	39,379
	140,145	150,943	145,122	271,498
2	73,105	74,922	69,898	140,572
re and	67,040	76,021	75,224	130,926
13b	1,782	1,639	1,515	3,242
13c	-	-	557	978
	1,782	1,639	2,072	4,220
	65,258	74,382	73,152	126,706
13d	46,254	46,254	42,131	84,261
13d	9,520	13,076	5,653	14,320
13d	15,004	13,421	13,323	26,842
13d	842	1,120	847	2,087
13d	71,620	73,871	61,954	127,510
b/(from)	(6,362)	511	11,198	(804)

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 2009**


	General Reserve	Industry Revitalisation Reserve	TOTAL	Budget
Note	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Balance at 1 August 2007	100,454	4,031	104,485	104,485
Undistributed Earnings for the Half Year	11,198	-	11,198	7,377
TOTAL RECOGNISED INCOME AND EXPENSE	11,198	-	11,198	7,377
Transfers to/(from) General Reserves	557	(557)	-	(1,036)
Balance at 31 January 2008	112,209	3,474	115,683	110,826
Undistributed Earnings for the Half Year	(12,002)	-	(12,002)	(3,605)
TOTAL RECOGNISED INCOME AND EXPENSE	(12,002)	-	(12,002)	(3,605)
Transfers to/(from) General Reserves	421	(421)	-	1,036
Transfer to General Reserves on Dissolution of Industry Revitalisation	3,053	(3,053)	-	-
Balance at 31 July 2008	103,681	-	103,681	108,257
Adjust budget for Actual Carried Forward				(4,576)
Undistributed Earnings for the Half Year	(6,362)	-	(6,362)	511
TOTAL RECOGNISED INCOME AND EXPENSE	(6,362)	-	(6,362)	(4,065)
Transfers to/(from) General Reserves	-	-	-	-
Balance at 31 January 2009	97,319	-	97,319	104,192

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

Condensed Statement of Financial Position
As at 31 January 2009

		UNAUDITED		AUDITED	
		Actual 2009	Budget 2009	Actual 2008	2008 Actual as
		Six Months	Six Months	Six Months	at 31/07/08
	Note	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
<u>Current Assets</u>					
Cash and Cash Equivalents	3	10,483	32,876	31,739	23,465
Trade and Other Receivables	4	6,040	6,620	4,934	4,600
Financial Assets	5	49,859	36,871	51,927	55,959
Other Assets	6	1,550	2,028	1,705	1,179
Total Current Assets		67,932	78,395	90,305	85,203
<u>Non Current Assets</u>					
Property, Plant and Equipment		55,017	55,251	50,468	51,788
Intangible Assets		9,439	11,170	11,054	10,038
Financial Assets	5	6,784	6,115	5,135	5,073
Total Non-Current Assets		71,240	72,536	66,657	66,899
TOTAL ASSETS		139,172	150,931	156,962	152,102
<u>Current Liabilities</u>					
Trade and Other Payables	7	14,225	13,486	12,888	15,707
Account Betting Deposits and Vouchers		11,895	12,418	12,113	12,888
Financial Liabilities	8	11,390	15,227	11,067	14,169
Other Liabilities	9	3,160	4,337	3,789	4,050
Total Current Liabilities		40,670	45,468	39,857	46,814
<u>Non Current Liabilities</u>					
Financial Liabilities	8	379	432	888	773
Other Liabilities	9	804	839	534	834
Total Non-Current Liabilities		1,183	1,271	1,422	1,607
TOTAL LIABILITIES		41,853	46,739	41,279	48,421
Net Assets		97,319	104,192	115,683	103,681
<u>Equity</u>					
General Reserves	13	97,319	104,192	112,209	103,681
Industry Revitalisation Reserve	13	-	-	3,474	-
Total Equity		97,319	104,192	115,683	103,681

The members of the New Zealand Racing Board authorise these Financial Statements for issue on 6 March 2009.



Michael Stiassny
Chairman of the New Zealand Racing Board



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

Condensed Statement of Cash Flows
For the Period Ending 31st January 2009

	Actual 2009 Six Months NZ\$'000	UNAUDITED Budget 2009 Six Months NZ\$'000	Actual 2008 Six Months NZ\$'000	AUDITED Actual 2008 Full Year NZ\$'000
Note				
<u>NET CASHFLOWS FROM OPERATING ACTIVITIES</u>				
Inflows				
Betting Turnover	798,661	875,095	796,844	1,527,640
Racing Services Income	8,289	7,761	7,397	14,336
Jackpot Retentions and Account Deposits	(508)	590	87	198
Interest Received	3,124	2,621	4,040	6,685
Other Income	7,649	4,873	9,212	15,341
	817,215	890,940	817,580	1,564,200
Outflows				
Dividends Paid	656,386	718,268	653,826	1,255,738
Fixed and Domestic Market Share Funding	59,054	59,330	56,735	103,535
On-course and Industry Projects	745	1,639	1,261	4,220
Variable and Research and Integrity Funding	16,657	14,541	14,982	28,930
Payments to Suppliers	49,458	50,328	48,153	89,053
Payment to Employees	19,135	16,960	16,322	33,345
Goods and Services Tax	14,772	16,780	14,895	29,098
Betting Duty Paid	6,504	7,435	5,562	9,609
Sporting Bodies' Levies	1,295	1,348	1,418	2,224
	824,006	886,629	813,154	1,555,752
Net cash provided by/(used in) Operating Activities	(6,791)	4,311	4,426	8,448
<u>NET CASHFLOWS FROM INVESTING ACTIVITIES</u>				
Inflows				
Disposal of Property, Plant and Equipment and Intangibles	9	-	39	26
Repayments of Short Term Deposits on Maturity	6,092	19,092	-	-
Repayments of Club Loans	9	-	1,568	1,609
	6,110	19,092	1,607	1,635
Outflows				
Drawdowns of Club Loans	1,936	1,197	-	4,487
Investment in Short Term Deposits	-	-	2,454	2,454
Purchase of Property, Plant and Equipment and Intangibles	10,365	12,795	16,703	24,540
	12,301	13,992	19,157	31,481
Net cash provided by/(used in) Investing Activities	(6,191)	5,100	(17,550)	(29,846)
Net Increase/(Decrease) in Cash and Cash Equivalents	(12,982)	9,411	(13,124)	(21,398)
Cash and Cash Equivalents at the start of the year	23,465	23,465	44,863	44,863
	10,483	32,876	31,739	23,465
Cash and Cash Equivalents at the end of the period	3	10,483	32,876	31,739
		10,483	32,876	31,739

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 New Zealand Racing Board is domiciled in New Zealand, with its head office located at 106-110 Jackson Street, Petone, Wellington.

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 purposes of financial reporting the New Zealand Racing Board is a profit oriented 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 accounting policies set out below have been applied in preparing the financial statements for the half ended 31 January 2009, the comparative information presented in these financial statements for the year ended 31 July 2008 and the half year ended 31 January 2008.

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 Bets

Fair value adjustments recorded on open Fixed Odds 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 Fees

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

Interest Income

Interest Income is recognised using the Effective Interest Method.

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 take place.

Capital Contributions

Capital contributions received from the Racing Code Bodies in respect of laboratory equipment purchased by the New Zealand Racing Board are recognised as deferred income over the life of the laboratory assets.

(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 CW47 of the Income Tax Act 2007.

(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 with an initial term of less than three months.

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 to the net carrying amount of the financial asset.

(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

Jackpot retentions are established in accordance with the Racing Rules pursuant to section 52 of the Racing Act 2003. Jackpot retentions comprise amounts set aside from the dividend pools of Pick6, Six Pack, First Four and Pools betting. Funds accumulated 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 initially at fair value and subsequently at amortised cost.

(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	14.3% - 20.0%
Computer hardware	14.3% - 33.3%	Motor vehicles	14.3% – 33.3%
Furniture, office equipment and plant	10.0% - 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, which ever 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% – 38.5%	Software	14.3%-33.3%
Other Broadcasting Intangibles	16.7%		

(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) New Standards and Interpretations not yet adopted

A number of new standards and interpretations that are not yet effective for the year ending 31 July 2009 have not been applied in preparing these condensed interim financial statements. The New Zealand Racing Board considers the following standards will have a non-material disclosure impact on the financial statements in future accounting periods.

- NZ IAS 1 (Revised) *Presentation of Financial Statements* (effective for accounting periods beginning on or after 1 January 2009)
- NZ IFRS 8 *Operating Segments* (effective for accounting periods beginning on or after 1 January 2009)

There are a number of other standards and interpretations that have been issued and are not yet effective that are not considered to impact upon the New Zealand Racing Board's financial statements.

Condensed Notes to the Financial Statements
For the Half Year Ended 31 January 2009

1. Revenue

	2009 Actual Six Months NZ\$'000	UNAUDITED 2009 Budget Six Months NZ\$'000	2008 Actual Six Months NZ\$'000	AUDITED 2008 Actual Full Year NZ\$'000
Revenue from Continuing Operations:				
(a) Betting Turnover (including GST)				
Off-Course Racing - Totalisator (Tote)	634,630	702,871	641,472	1,221,979
Off-Course Racing - Fixed Odds (FOB)	50,817	55,640	41,446	87,105
On-Course Racing	47,645	52,216	49,306	80,682
TOTAL RACING TURNOVER	733,092	810,727	732,224	1,389,766
Sports - Totalisator (Tote)	683	867	1,154	2,236
Sports - Fixed Odds (FOB)	65,011	63,784	63,748	135,710
TOTAL SPORT TURNOVER	65,694	64,651	64,902	137,946
TOTAL BETTING TURNOVER	798,786	875,378	797,126	1,527,712
(b) Betting Deductions (including GST)				
Betting Duty	5,603	6,336	5,632	10,669
Goods and Services Tax	15,564	17,601	15,645	29,638
TOTAL BETTING DEDUCTIONS	21,167	23,937	21,277	40,307
(c) Interest Income				
Cash and Cash Equivalents	983	2,621	1,684	2,692
Short Term Deposits	1,920	-	2,259	4,608
Corporate Bonds	34	-	97	328
Other Loans and Receivables	187	-	-	42
TOTAL INTEREST INCOME	3,124	2,621	4,040	7,670
(d) Other Income				
Racing Services Income	7,554	7,761	7,397	14,336
International Racing Fees	5,694	4,252	8,964	12,620
Other	2,343	2,812	2,446	4,753
TOTAL OTHER INCOME	15,591	14,825	18,807	31,709

2. Operating Expenses

	2009 Actual Six Months NZ\$'000	UNAUDITED 2009 Budget Six Months NZ\$'000	2008 Actual Six Months NZ\$'000	AUDITED 2008 Actual Full Year NZ\$'000
(a) Operating Expenses includes the following items:				
Amortisation Expense	2,114	2,339	2,775	5,515
Auditor's Remuneration				
- Auditing Services	50	50	37	108
- Other Services *	-	8	26	25
Bad Debts Written Off	10	-	3	2
Board Members' Remuneration and Expenses	187	150	140	280
Broadcasting Expenses	3,672	3,452	3,338	6,817
Communications Expenses	3,836	3,645	3,873	7,219
Depreciation Expense	5,517	5,834	3,972	9,179
Employee Expenses	19,001	18,948	17,825	36,177
Finance Costs	13	12	10	24
Form Guide Production and Marketing Expenses	3,123	3,644	3,861	7,665
Insurance	545	578	491	1,029
Net Movement in Provision for Doubtful Debts	(18)	-	25	44
Overseas Racing Rights	8,619	8,590	7,764	15,688
Problem Gambling Levy and Expenses	825	894	845	1,631
Property and Equipment Leases	2,376	2,207	2,121	4,328
Retail and Internet Fees	13,987	15,490	14,402	27,743
Sporting Body Levies	1,016	998	1,015	2,281
Other Expenses	8,186	8,041	7,263	14,787

(b) Surplus has been arrived at after (crediting)/charging the following gains and losses

(Gain)/Loss on Disposal of Property, Plant & Equipment	13	-	(7)	1
Net Foreign Exchange (Gains)/Losses	33	42	119	29
TOTAL OPERATING EXPENSES	73,105	74,922	69,898	140,572

* The fees paid to Auditors for Other Services comprise of work undertaken on the Board's NZ IFRS transition and a review of Network Security.

3. Cash and Cash Equivalents

	2009 Actual Six Months NZ\$'000	UNAUDITED 2009 Budget Six Months NZ\$'000	2008 Actual Six Months NZ\$'000	AUDITED 2008 Actual Full Year NZ\$'000
Foreign Currency Bank Accounts	59	922	1,211	84
Foreign Currency Betting Accounts	324	292	220	292
NZ Dollar Bank Accounts and Call Deposits	10,100	31,662	30,308	23,089
TOTAL CASH AND CASH EQUIVALENTS	10,483	32,876	31,739	23,465

4. Trade and Other Receivables

	2009 Actual Six Months NZ\$'000	UNAUDITED 2009 Budget Six Months NZ\$'000	2008 Actual Six Months NZ\$'000	AUDITED 2008 Actual Full Year NZ\$'000
Amounts Receivable from Related Parties	-	-	-	-
Trade and Sundry Receivables	6,084	6,620	4,977	4,663
Allowance for Doubtful Debts	(44)	-	(43)	(63)
TOTAL TRADE AND OTHER RECEIVABLES	6,040	6,620	4,934	4,600

5. Financial Assets

		2009 Actual Six Months NZ\$'000	UNAUDITED 2009 Budget Six Months NZ\$'000	2008 Actual Six Months NZ\$'000	AUDITED 2008 Actual Full Year NZ\$'000
Classified as Held to Maturity					
Short Term Deposits		45,795	32,795	51,886	51,887
Corporate Bonds		5,011	5,011	5,011	5,011
Classified as Loans and Receivables at Amortised Cost					
Advances to Clubs	10	5,837	5,180	165	4,134
TOTAL FINANCIAL ASSETS		56,643	42,986	57,062	61,032
Disclosed as:					
Current		49,859	36,871	51,927	55,959
Non-Current		6,784	6,115	5,135	5,073
TOTAL FINANCIAL ASSETS		56,643	42,986	57,062	61,032

\$14,000,000 is held in Trust to cover the amounts owing to customers for account deposits and unrepresented betting vouchers (2008: \$16,000,000). The balance of these items as at 31 January 2009 was \$11,894,759 (2008: \$12,112,816).

6. Other Assets

		2009 Actual Six Months NZ\$'000	UNAUDITED 2009 Budget Six Months NZ\$'000	2008 Actual Six Months NZ\$'000	AUDITED 2008 Actual Full Year NZ\$'000
Prepayments		1,311	1,725	1,404	876
Inventory*		239	303	301	303
TOTAL OTHER ASSETS		1,550	2,028	1,705	1,179

* Inventory is carried at cost.

7. Trade and Other Payables

		2009 Actual Six Months NZ\$'000	UNAUDITED 2009 Budget Six Months NZ\$'000	2008 Actual Six Months NZ\$'000	AUDITED 2008 Actual Full Year NZ\$'000
Amounts Payable to Board Members		53	35	42	35
Trade Payables and Accruals		10,518	9,840	9,515	11,537
Taxes Payable		2,990	3,104	2,753	3,346
Deferred Revenue (Presales)		664	507	578	789
TOTAL TRADE AND OTHER PAYABLES		14,225	13,486	12,888	15,707

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

		2009 Actual Six Months NZ\$'000	UNAUDITED 2009 Budget Six Months NZ\$'000	2008 Actual Six Months NZ\$'000	AUDITED 2008 Actual Full Year NZ\$'000
Canwest Radio Liability		806	846	1,467	1,156
Code Liability		4,647	7,926	3,928	7,926
Unpaid Dividends		4,017	4,487	4,018	3,427
Jackpot Retentions		2,179	2,284	2,358	2,284
Finance Leases		120	116	184	149
TOTAL FINANCIAL LIABILITIES		11,769	15,659	11,955	14,942
Disclosed as:					
Current		11,390	15,227	11,067	14,169
Non-Current		379	432	888	773
TOTAL FINANCIAL LIABILITIES		11,769	15,659	11,955	14,942

9. Other Liabilities

	2009 Actual Six Months NZ\$'000	UNAUDITED 2009 Budget Six Months NZ\$'000	2008 Actual Six Months NZ\$'000	AUDITED 2008 Actual Full Year NZ\$'000
Employee Entitlements	3,414	4,610	4,088	4,318
Capital Contributions by Racing Codes	242	258	-	258
Make Good Provisions*	308	308	235	308
TOTAL OTHER LIABILITIES	3,964	5,176	4,323	4,884
Disclosed as:				
Current	3,160	4,337	3,789	4,050
Non-Current	804	839	534	834
TOTAL OTHER LIABILITIES	3,964	5,176	4,323	4,884

*The movement in the Make Good Provision represents the recalculation of the liability for costs on the exit of leasehold property. The calculation is periodically updated to include the make good costs experienced over the current reporting period.

10. Loans and Advances to Clubs and Codes

	2009 Actual Six Months NZ\$'000	UNAUDITED 2009 Budget Six Months NZ\$'000	2008 Actual Six Months NZ\$'000	AUDITED 2008 Actual Full Year NZ\$'000
Loans Taken over from the New Zealand Racing Industry Board (NZRIB)				
Wanganui Greyhound Racing Club	134	134	165	130
TOTAL NZRIB LOANS	134	134	165	130
Loans Granted by the New Zealand Racing Board (NZRB)				
Whangarei Racing Club	38	-	-	-
New Zealand Metropolitan Trotting Club (Inc)	5,005	4,386	-	3,344
New Zealand Greyhound Racing Association	660	660	-	660
TOTAL NZRB LOANS	5,703	5,046	-	4,004
TOTAL LOANS AND ADVANCES TO CLUBS AND CODES	5,837	5,180	165	4,134
Disclosed as:				
Current	49	61	41	58
Non-Current	5,788	5,119	124	4,076
TOTAL LOANS AND ADVANCES TO CLUBS AND CODES	5,837	5,180	165	4,134

The Interest Rate on the outstanding loan with Wanganui Greyhound Racing Club is fixed at 4% (2008: 4%). The interest rate on the outstanding loan with the New Zealand Metropolitan Trotting Club is variable, and was 6.63% (2008:nil) at the reporting date. The interest rate on the outstanding loan with Whangarei Racing Club is variable and was 4.75% (2008:nil) at the reporting date. The New Zealand Racing Board is satisfied as to the ultimate collectability of these loans.

On 24 December 2008 the Board approved loans to the Whangarei Racing Club of up to \$0.3m. At 31 January 2009 the Whangarei Racing Club had drawn down \$42,443 of the approved amount.

On 2 May 2008, the Board advanced \$660,000 to the New Zealand Greyhound Racing Association in relation to the upgrade of the track surface at the Manawatu Greyhound Racing Club. At reporting date, the nature of this advance has not yet been determined by the Board and as such, no fair value adjustment has been recognised.

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

	2009 Actual Six Months NZ\$'000	UNAUDITED 2009 Budget Six Months NZ\$'000	2008 Actual Six Months NZ\$'000	AUDITED 2008 Actual Full Year NZ\$'000
Undistributed Earnings Transferred to/(from)				
General Reserves	(6,362)	511	11,198	(804)
Non-Cash Items:				
Depreciation Expense	5,517	5,834	3,972	9,179
Amortisation Expense	2,114	2,339	2,775	5,515
Net Finance Costs	13	12	10	24
Foreign Exchange (gain)/loss	33	42	119	29
Doubtful Debts Written Off/(Recovered)	(8)	-	28	44
Net (gain)/loss on sale of Property, Plant &	13	-	(7)	1
Fair Value (gain)/loss on Financial Assets/Liabilities	225	-	(51)	(65)
Other Non-Cash Items	28	302	(28)	64
	7,935	8,529	6,818	14,791
Movement in Assets:				
(Increase)/decrease in Trade & Other Receivables	(1,425)	(1,957)	(2,060)	(1,720)
(Increase)/decrease in Inventories	64	-	(44)	(47)
(Increase)/decrease in Other Assets	(435)	(849)	(842)	(320)
	(1,796)	(2,806)	(2,946)	(2,087)
Movement in Liabilities:				
Increase/(decrease) in Trade Payables & Accruals	(1,001)	(1,697)	(2,931)	(908)
Increase/(decrease) in Unpaid Dividends	590	1,060	1,060	470
Increase/(decrease) in Account Betting Deposits and Vouchers	(993)	(470)	(470)	305
Increase/(decrease) in Jackpot Retentions	(105)	-	(502)	(576)
Increase/(decrease) in Employee Entitlements	(904)	(292)	851	1,081
Increase/(decrease) in Taxes Payable	(356)	(242)	946	1,539
Increase/(decrease) in Code Liability	(3,279)	-	(8,951)	(4,953)
Increase/(decrease) in Deferred Revenue	(125)	(282)	(283)	(72)
Increase/(decrease) in Other Liabilities	(395)	-	(364)	(338)
	(6,568)	(1,923)	(10,644)	(3,452)
Net Cash provided by/(used in) Operating Activities	(6,791)	4,311	4,426	8,448

12. Nature of Reserves

Industry Revitalisation Reserve

As at 31 July 2008, the Industry Revitalisation Reserve was discontinued and the remaining unused balance of \$3.1m was transferred to General Reserves. Industry Projects are now funded from the Net Return generated by the New Zealand Racing Board.

General Reserve

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

13. Funding to the Racing Industry

	2009 Actual Six Months NZ\$'000	UNAUDITED 2009 Budget Six Months NZ\$'000	2008 Actual Six Months NZ\$'000	AUDITED 2008 Actual Full Year NZ\$'000
(a) Funding Generated by the New Zealand Racing Board				
Betting Turnover (including GST)	798,786	875,378	797,126	1,527,712
Dividends & Betting Deductions (including GST)	(677,356)	(741,880)	(674,851)	(1,295,593)
Interest & Other Income (excluding GST)	18,715	17,446	22,847	39,379
Operating and Selling Expenses (excluding GST)	(73,105)	(74,922)	(69,898)	(140,572)
NET RETURN BEFORE INDUSTRY EXPENDITURE AND DISTRIBUTIONS (excluding GST)	67,040	76,022	75,224	130,926
(b) On Course and Other Projects Funded by the New Zealand Racing Board from Net Return				
On Course Projects				
On Course Big Screens	521	505	353	711
Customer Research Studies	163	134	115	137
Destination Summer Holiday Racing	229	250	148	413
Industry Event Training	-	50	-	-
Christmas at the Races	312	300	-	-
Other On Course Projects	102	400	87	235
Other Projects & Costs				
Club Loan Fair Value Adjustments	225	-	-	477
Supply Chain Wastage	-	-	-	72
Equine Influenza	159	-	704	1,004
Industry Careers Development	58	-	108	193
Other Industry Projects	13	-	-	-
	1,782	1,639	1,515	3,242
TOTAL ON COURSE AND OTHER PROJECTS FUNDED				
(c) Funding Applied by the New Zealand Racing Board from Reserves				
Industry Projects Funded by the New Zealand Racing Board				
Greyhound Semen Bank	-	-	-	48
Harness Racing Travel Subsidies	-	-	79	409
Christmas at the Races	-	-	256	298
Other Industry Projects	-	-	222	223
TOTAL INDUSTRY PROJECTS FUNDED	-	-	557	978
TOTAL INDUSTRY AND ON COURSE PROJECTS	1,782	1,639	2,072	4,220

On 31 July 2008 the Industry Revitalisation Reserve was disestablished. Any projects funded by the Reserve have either been completed or are now funded by the New Zealand Racing Board's Net Return.

(d) Funding Applied by the New Zealand Racing Board from Surplus Available for Distribution

Distributions to the Racing Industry

Fixed Code Funding	46,254	46,254	42,131	84,261
Domestic Market Share Code Funding - Interim	9,520	13,076	5,653	10,320
Domestic Market Share Code Funding - Final	-	-	-	4,000
TOTAL CODE DISTRIBUTIONS	55,774	59,330	47,784	98,581

Variable Code Funding

Fixed Odds Betting Product Payment	1,852	1,746	1,584	3,190
Industry Interest Paid on Code Liability Balances	230	-	487	590
Export Commissions Paid	5,297	3,321	3,367	10,153
On-Course Commission Payments	7,625	8,354	7,885	12,909
TOTAL VARIABLE CODE FUNDING	15,004	13,421	13,323	26,842

Research and Integrity Funding

JCA Review Project	-	-	30	62
Racing Laboratory Services	371	535	360	871
Racing Services Rebates	29	29	29	58
Research, Training and Education	70	163	92	404
Other Industry Expenses	372	393	336	692
TOTAL RESEARCH AND INTEGRITY FUNDING	842	1,120	847	2,087

TOTAL FUNDING	71,620	73,871	61,954	127,510
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TOTAL FUNDING APPLIED FROM NET RETURN AND RESERVES	73,402	75,510	64,026	131,730
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14. Subsequent Events

On 5 February 2009 a working capital facility agreement was established between the New Zealand Racing Board and Racing at Awapuni, Otaki and Trentham Combined Enterprise Incorporated (RACE Inc). As at reporting date \$1.6m has been drawn down on this facility by RACE Inc.

On 17th February 2009 the NZ Racing Board agreed to capitalise the interest on the loan to the NZ Metropolitan Trotting Club for a period of two years. Further details of the loan to the NZ Metropolitan Trotting Club are outlined in Note 10 of these financial statements.