

Condensed Income Statement
For the Half Year Ended 31 January 2010

		Actual 2010 Six Months NZ\$ '000	UNAUDITED Budget 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	AUDITED Actual 2009 Full Year NZ\$ '000
	Note				
<u>Revenue and Other Income</u>					
Betting Turnover (including GST)	1a	830,706	797,906	798,786	1,513,459
Net Dividends (including GST)		(686,206)	(656,857)	(656,189)	(1,244,209)
Betting Deductions (including GST)	1b	(21,424)	(21,400)	(21,167)	(39,888)
Net Betting Revenue (excluding GST)		123,076	119,649	121,430	229,362
Interest Income	1c	1,291	1,148	3,124	4,749
Other Income	1d	17,339	15,953	15,591	29,712
Other Revenues		18,630	17,101	18,715	34,461
Total Revenue and Other Income		141,706	136,750	140,145	263,823
<u>Expenses</u>					
Operating Expenses	2	70,771	69,154	73,105	144,731
Net Return before Industry Expenditure and Distributions	14(a)	70,935	67,596	67,040	119,092
<u>Industry and On-Course Projects</u>					
On-Course and Other Projects Funded	14b	1,205	890	1,782	3,737
Industry Projects Funded	14c	-	-	-	-
Total Industry and On-Course Projects	14c	1,205	890	1,782	3,737
Surplus available for distribution		69,730	66,706	65,258	115,355
<u>Funding to the Racing Industry</u>					
Fixed Code Funding	14d	43,462	43,462	46,254	84,261
Domestic Market Share Funding	14d	806	2,419	9,520	25,430
Variable Code Funding	14d	15,234	13,789	15,004	25,733
Research and Integrity Funding	14d	1,495	1,620	842	2,086
Total Funding	14d	60,997	61,290	71,620	137,510
Net surplus/(deficit) after Funding		8,733	5,416	(6,362)	(22,155)
Surplus attributable to:					
New Zealand Racing Board Reserves		8,733	5,416	(6,362)	(22,155)
		8,733	5,416	(6,362)	(22,155)

Condensed Statement of Comprehensive Income
For the Half Year Ended 31 January 2010

	Actual 2010 Six Months NZ\$ '000	UNAUDITED Budget 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	AUDITED Actual 2009 Full Year NZ\$ '000
Net surplus/(deficit) after Funding	8,733	5,416	(6,362)	(22,155)
Other comprehensive income	-	-	-	-
Total comprehensive income	8,733	5,416	(6,362)	(22,155)
Total comprehensive income attributable to:				
New Zealand Racing Board Reserves	8,733	5,416	(6,362)	(22,155)
	8,733	5,416	(6,362)	(22,155)

Condensed Statement of Changes in Equity
For the Half Year Ended 31 January 2010

	General Reserves NZ\$ '000	TOTAL NZ\$ '000	Budget NZ\$ '000
<u>Changes in equity 2009 (six months - unaudited)</u>			
Balance at 1 August 2008	103,681	103,681	108,257
Adjust Budget for Actual carried forward	-	-	(4,575)
Total comprehensive income for the period	(6,362)	(6,362)	511
Balance at 31 January 2009	97,319	97,319	104,193
<u>Changes in equity 2009 (full year - audited)</u>			
Balance at 1 August 2008	103,681	103,681	108,257
Adjust Budget for Actual carried forward	-	-	(4,575)
Total comprehensive income for the year	(22,155)	(22,155)	3,955
Balance at 31 July 2009	81,526	81,526	107,637
<u>Changes in equity 2010 (six months - unaudited)</u>			
Balance at 1 August 2009	81,526	81,526	107,637
Adjust Budget for Actual carried forward	-	-	(26,111)
Total comprehensive income for the period	8,733	8,733	5,416
Balance at 31 January 2010	90,259	90,259	86,942

Condensed Statement of Financial Position
As at 31 January 2010

		Actual 2010 Six Months NZ\$ '000	UNAUDITED Budget 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	AUDITED Actual 2009 Full Year NZ\$ '000
	Note				
Current Assets					
Cash and Cash Equivalents	3	9,814	10,997	10,483	13,412
Trade and Other Receivables	4	9,075	6,299	6,040	4,911
Financial Assets	5	43,115	39,133	49,859	39,130
Other Assets	6	1,675	1,717	1,550	1,282
Total Current Assets		63,679	58,146	67,932	58,735
Non-Current Assets					
Property, Plant and Equipment		50,134	55,372	55,017	49,983
Intangible Assets		9,571	10,942	9,439	9,891
Financial Assets	5	10,386	10,275	6,784	10,012
Total Non-Current Assets		70,091	76,589	71,240	69,886
TOTAL ASSETS		133,770	134,735	139,172	128,621
Current Liabilities					
Trade and Other Payables	7	20,419	19,435	17,500	17,937
Account Betting Deposits and Vouchers		13,914	12,268	11,895	13,262
Financial Liabilities	8	8,410	14,539	11,390	14,301
Provisions	9	94	894	94	894
Total Current Liabilities		42,837	47,136	40,879	46,394
Non-Current Liabilities					
Financial Liabilities	8	15	15	379	38
Provisions	9	659	642	595	663
Total Non-Current Liabilities		674	657	974	701
TOTAL LIABILITIES		43,511	47,793	41,853	47,095
Net Assets		90,259	86,942	97,319	81,526
Equity					
General Reserve	13	90,259	86,942	97,319	81,526
Total Equity		90,259	86,942	97,319	81,526

The members of the New Zealand Racing Board authorise these Financial Statements for issue on 7 May 2010.



Michael Stiasny
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 Half Year Ended 31 January 2010

		Actual 2010 Six Months NZ\$ '000	UNAUDITED Budget 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	AUDITED Actual 2009 Full Year NZ\$ '000	
Note						
NET CASH FLOWS FROM OPERATING ACTIVITIES						
Inflows						
	Betting turnover	830,145	797,781	798,661	1,513,825	
	Racing services income	9,117	7,925	8,289	14,374	
	Jackpot retentions and account deposits (net)	1,590	(403)	(508)	236	
	Interest received	1,291	1,148	3,124	4,749	
	International racing fees and other income	8,907	7,622	7,649	14,669	
		851,050	814,073	817,215	1,547,853	
Outflows						
	Dividends paid	686,512	657,022	656,386	1,244,643	
	Fixed and domestic market share funding	50,745	45,881	59,054	105,433	
	On-course and industry projects	529	890	745	2,720	
	Variable code, research and integrity funding	17,541	15,410	16,657	32,050	
	Payments to suppliers	46,955	49,391	49,458	90,785	
	Payments to employees	18,316	15,973	19,135	37,208	
	Goods and services tax	14,798	14,975	14,772	28,669	
	Betting duty paid	5,817	5,921	6,504	11,401	
	Sports bodies' levies	1,609	1,746	1,295	2,128	
		842,822	807,209	824,006	1,555,037	
Net cash provided by/(used in) operating activities		11	8,228	6,864	(6,791)	(7,184)
CASH FLOWS FROM INVESTING ACTIVITIES						
Inflows						
	Repayment of club loans	15	-	9	58	
	Repayment of short-term deposits on maturity	-	-	6,092	16,902	
	Disposals of property, plant and equipment and intangibles	25	25	9	9	
		40	25	6,110	16,969	
Outflows						
	Drawdowns of club loans	239	141	1,936	4,700	
	Investments of short-term deposits	4,000	-	-	1,024	
	Purchase of property, plant and equipment and intangibles	7,627	9,163	10,365	14,114	
		11,866	9,304	12,301	19,838	
Net cash provided by/(used in) investing activities			(11,826)	(9,279)	(6,191)	(2,869)
Net increase/(decrease) in cash and cash equivalents			(3,598)	(2,415)	(12,982)	(10,053)
Cash and cash equivalents at the start of the year			13,412	13,412	23,465	23,465
			9,814	10,997	10,483	13,412
Cash and cash equivalents at the end of the period		3	9,814	10,997	10,483	13,412

New Zealand Racing Board

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

For the purposes of financial reporting the New Zealand Racing Board is a profit-oriented entity.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with the New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable financial reporting standards as appropriate for profit-oriented entities. These financial statements comply with International Financial Reporting Standards.

These interim financial statements comply with *NZ IAS 34 Interim Financial Reporting* and *IAS 34 Interim Financial Reporting*.

Basis of preparation

These financial statements have been prepared on the basis of historical cost except where modified by 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 accounting policies and computation methods set out below have been applied in preparing the financial statements for the half year ended 31 January 2010 and the information presented for both comparative periods comprising the half year ended 31 January 2009 and the full year ended 31 July 2009.

The financial statements are parent and group financial statements. The group comprises the New Zealand Racing Board and the Betting Accounts and Vouchers Trust. There is no difference between the financial statements of the group and the parent as all assets and liabilities of the trust are held by the New Zealand Racing Board.

Adoption of NZ IAS 1 Presentation of Financial Statements (revised 2007)

NZ IAS 1 Presentation of Financial Statements (revised 2007) is applicable to the New Zealand Racing Board's financial reporting from the beginning of the 2010 financial year. This standard, as revised, requires the presentation of income and expenses in a format that replaces the previous Statement of Financial Performance. In adopting the revised NZ IAS 1, the New Zealand Racing Board has chosen to present income and expense in two separate statements:

- an Income Statement containing the same financial information as previously recognised in the Statement of Financial Performance; and
- a Statement of Comprehensive Income that recognises any operational income and expense that falls within a separate category of Other Comprehensive Income (currently nil).

Key sources of estimation uncertainty

There are no 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.

Seasonality of interim operations

As many of the major racing events occur between November and February each year, Net Betting Revenue (excluding GST) is typically higher in the first half year to 31 January than in the second half year ending 31 July.

While there is some increase in Operating Expenses due to additional seasonal labour costs, the seasonal increase in Net Betting Revenue (excluding GST) causes Net Return before Industry Expenditure and Distributions to be higher in the first half year reporting period when compared with the second half year reporting period.

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 takes place.

Contributions towards assets

Contributions towards assets 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.

The functional and presentation currency is the New Zealand dollar.

(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 non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in the current assets, except where maturing greater than twelve months after the balance date. These are classified as non-current assets. They are recorded at amortised cost less impairment.

Held-to-maturity investments

Corporate bonds and certain short term deposits 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 flows over 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. 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, Quaddies, Pools betting and some Trifectas. 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.

Recognition and measurement

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

(h) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently revalued to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of financial performance immediately within "Other Income". The New Zealand Racing Board does not hedge account.

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.

(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%
Computer hardware	14.3% - 33.3%
Furniture, office equipment and plant	10.0% - 20.0%
Leasehold improvements	14.3% - 20.0%
Motor vehicles	14.3% - 33.3%
Operations and trackside equipment	20.0%

Gains and losses on disposals are determined by comparing the proceeds with the carry amount. Any adjustment is recognised within Operating Expenses within the Statement of Financial Performance.

(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, 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.

Assets under finance leases are depreciated 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) 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%
Other Broadcasting Intangibles	16.7%
Software	14.3% - 33.3%

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the New Zealand Racing Board as at 31 January 2010 and the results of the operations of such entities for the year then ended. New Zealand Racing Board and such entities are together referred to as The New Zealand Racing Board in these financial statements.

Controlled entities are those entities over which the New Zealand Racing Board has the power to govern the financial and operating policies of that entity.

Controlled entities are consolidated from the date on which control is transferred to the New Zealand Racing Board. They are de-consolidated from the date that control ceases.

Balances between controlled entities including inter-entity transactions are eliminated.

(q) Funding

Funding payments are made based on the contractual funding agreements between the New Zealand Racing Board and the Racing Codes.

Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2010

1. Revenue

	Actual 2010 Six Months NZ\$ '000	UNAUDITED Budget 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	AUDITED Actual 2009 Full Year NZ\$ '000
Revenue from Continuing Operations:				
(a) Betting Turnover (including GST)				
Off-Course Racing - Totalisator (Tote)	637,019	623,210	634,630	1,193,929
Off-Course Racing - Fixed Odds (FOB)	62,175	60,900	50,817	96,145
On-Course Racing	47,195	40,670	47,645	81,008
TOTAL RACING TURNOVER	746,389	724,780	733,092	1,371,082
Sports Totalisator (Tote)	1,105	866	683	2,069
Sports - Fixed Odds (FOB)	83,212	72,260	65,011	140,308
TOTAL SPORT TURNOVER	84,317	73,126	65,694	142,377
TOTAL BETTING TURNOVER	830,706	797,906	798,786	1,513,459
(b) Betting Deductions (including GST)				
Betting Duty	5,671	5,665	5,603	10,560
Goods and Services Tax	15,753	15,735	15,564	29,328
TOTAL BETTING DEDUCTIONS	21,424	21,400	21,167	39,888
(c) Interest Income				
Cash and Cash Equivalents	183	1,013	983	1,139
Short Term Deposits	820	-	1,920	3,122
Corporate Bonds	131	-	34	99
Other Loans and Receivables	157	135	187	389
TOTAL INTEREST INCOME	1,291	1,148	3,124	4,749
(d) Other Income				
Racing Services Income	7,842	7,925	7,554	14,374
International Racing Fees	6,366	5,481	5,694	10,391
Other	3,131	2,547	2,343	4,947
TOTAL OTHER INCOME	17,339	15,953	15,591	29,712

Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2010

2. Operating Expenses

	Actual 2010 Six Months NZ\$ '000	UNAUDITED Budget 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	AUDITED Actual 2009 Full Year NZ\$ '000
(a) Operating Expenses includes the following items:				
Amortisation Expense	1,906	2,471	2,114	4,083
Auditor's Remuneration				
- Auditing Services	38	38	50	77
Bad Debts Written Off	-	-	10	49
Board Members' Remuneration and Expenses	158	170	187	354
Broadcasting Expenses	3,788	3,573	3,672	7,395
Communications Expenses	3,438	3,671	3,836	7,613
Depreciation Expense	5,789	6,010	5,517	11,688
Employee Expenses	18,081	16,963	18,893	37,929
Finance Costs	13	15	13	30
Form Guide Production and Marketing Expenses	2,583	2,966	3,123	5,628
Insurance	460	557	545	1,062
Net Movement in Provision for Doubtful Debts	87	-	(18)	(57)
Overseas Racing Rights	9,128	8,810	8,619	16,533
Problem Gambling Levy and Expenses	846	799	825	1,570
Property and Equipment Leases	2,344	2,380	2,376	4,750
Restructuring Costs	14	-	108	1,017
Retail and Internet Fees	12,400	12,996	13,987	26,369
Sporting Body Levies	1,325	1,106	1,016	2,261
Other Expenses	8,441	6,599	8,186	16,203
(b) Surplus has been arrived at after (crediting)/charging the following gains and losses				
(Gain)/Loss on Disposal of				
Property, Plant & Equipment	(22)	-	13	179
Net Foreign Exchange (Gains)/Losses	(46)	30	33	(2)
TOTAL OPERATING EXPENSES	70,771	69,154	73,105	144,731

3. Cash and Cash Equivalents

	Actual 2010 Six Months NZ\$ '000	UNAUDITED Budget 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	AUDITED Actual 2009 Full Year NZ\$ '000
Foreign Currency Bank Accounts	1,068	255	59	255
Foreign Currency Betting Accounts	380	482	324	482
NZ Dollar Bank Accounts and Call Deposits	8,366	10,260	10,100	12,675
TOTAL CASH AND CASH EQUIVALENTS	9,814	10,997	10,483	13,412

4. Trade and Other Receivables

	Actual 2010 Six Months NZ\$ '000	UNAUDITED Budget 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	AUDITED Actual 2009 Full Year NZ\$ '000
Trade and Sundry Receivables	9,168	6,299	6,084	4,917
Allowance for Doubtful Debts	(93)	-	(44)	(6)
TOTAL TRADE AND OTHER RECEIVABLES	9,075	6,299	6,040	4,911

Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2010

5. Financial Assets

		Actual 2010 Six Months NZ\$ '000	UNAUDITED Budget 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	AUDITED Actual 2009 Full Year NZ\$ '000
Classified as Held to Maturity					
Short Term Deposits		43,000	39,000	45,795	39,000
Corporate Bonds		2,020	2,020	5,011	2,020
Classified as Loans and Receivables at Amortised Cost					
Advances to Clubs	10	8,481	8,388	5,837	8,122
TOTAL FINANCIAL ASSETS		53,501	49,408	56,643	49,142
Disclosed as:					
Current		43,115	39,133	49,859	39,130
Non-Current		10,386	10,275	6,784	10,012
TOTAL FINANCIAL ASSETS		53,501	49,408	56,643	49,142

\$20,000,000 is held in Trust to cover the amounts owing to customers for account deposits and unrepresented betting vouchers (31 January 2009: \$14,000,000). The balance of these items as at 31 January 2010 was \$13,914,117 (31 January 2009: \$11,894,759).

6. Other Assets

		Actual 2010 Six Months NZ\$ '000	UNAUDITED Budget 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	AUDITED Actual 2009 Full Year NZ\$ '000
Prepayments		1,402	1,442	1,311	1,007
Inventory*		273	275	239	275
TOTAL OTHER ASSETS		1,675	1,717	1,550	1,282

* Inventory is carried at cost.

7. Trade and Other Payables

		Actual 2010 Six Months NZ\$ '000	UNAUDITED Budget 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	AUDITED Actual 2009 Full Year NZ\$ '000
Employee Entitlements		2,970	3,069	3,033	3,263
Amounts Payable to Board Members		44	48	53	48
Trade Payables and Accruals		13,426	12,124	10,518	10,548
Taxes Payable		3,175	2,954	2,990	2,697
Deferred Revenue (Pre-sales)		594	1,030	664	1,155
Contribution to Assets by Racing Codes		210	210	242	226
TOTAL TRADE AND OTHER PAYABLES		20,419	19,435	17,500	17,937

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.

The Employee Entitlements figure from Note 9 Other Liabilities in the 2009 unaudited half year financial statements (\$3,414,000) has been reclassified in this report consistent with its presentation in the 2009 year end accounts. This reclassification resulted in \$3,033,000 moving to Note 7 and provision numbers of sick leave (\$94,000) and long service leave \$287,000 remaining in Note 9 Provisions.

The 2009 unaudited half year comparative of \$242,000 for Contribution to assets by racing codes has also been reclassified in its entirety to Note 7 Trade and Other Payables. In the 2009 unaudited half year financial statements, this amount was reported in Note 9 Other Liabilities.

Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2010

8. Financial Liabilities

	Note	Actual 2010 Six Months NZ\$ '000	UNAUDITED Budget 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	AUDITED Actual 2009 Full Year NZ\$ '000
Canwest Radio Liability		142	142	806	492
Code Liability	12	1,707	8,184	4,647	8,184
Unpaid Dividends		4,515	4,109	4,017	3,518
Jackpot Retentions		1,997	2,055	2,179	2,054
Finance Leases		64	64	120	91
TOTAL FINANCIAL LIABILITIES		8,425	14,554	11,769	14,339
Disclosed as:					
Current		8,410	14,539	11,390	14,301
Non-Current		15	15	379	38
TOTAL FINANCIAL LIABILITIES		8,425	14,554	11,769	14,339

9. Provisions

		Actual 2010 Six Months NZ\$ '000	UNAUDITED Budget 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	AUDITED Actual 2009 Full Year NZ\$ '000
Make Good Provisions*		396	362	308	361
Long Service Leave Provision		263	280	287	302
Sick Leave Provision		94	94	94	94
Restructuring Provision		-	800	-	800
TOTAL PROVISIONS		753	1,536	689	1,557
Disclosed as:					
Current		94	894	94	894
Non-Current		659	642	595	663
TOTAL PROVISIONS		753	1,536	689	1,557

* 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.

The Employee Entitlements figure from Note 9 Other Liabilities in the 2009 unaudited half year financial statements (\$3,414,000) has been reclassified in this report consistent with its presentation in the 2009 year end accounts. This reclassification resulted in \$3,033,000 moving to Note 7 and provision numbers of sick leave (\$94,000) and long service leave \$287,000 remaining in Note 9 Provisions.

Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2010

10. Loans and Advances to Clubs and Codes

	Actual 2010 Six Months NZ\$ '000	UNAUDITED Budget 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	AUDITED Actual 2009 Full Year NZ\$ '000
New Zealand Greyhound Racing Association	496	576	660	554
New Zealand Metropolitan Trotting Club (Inc)	5,334	5,309	5,005	5,169
RACE Inc	2,498	2,351	-	2,250
Wanganui Greyhound Racing Club	101	101	134	99
Whangarei Racing Club Inc	52	51	38	50
TOTAL LOANS AND ADVANCES TO CLUBS AND CODES	8,481	8,388	5,837	8,122
Disclosed as:				
Current	115	133	49	130
Non-Current	8,366	8,255	5,788	7,992
TOTAL LOANS AND ADVANCES TO CLUBS AND CODES	8,481	8,388	5,837	8,122

The amounts outlined above reflect the outstanding amounts, including any capitalised or accrued interest at reporting date. These amounts are net of any fair value adjustments and do not represent the cash amounts owing under these agreements.

The interest rates on outstanding loans at reporting date are as follows:

	Interest rate		Rate Type
	2010	2009	
New Zealand Greyhound Racing Association	5.00%	5.00%	Fixed
New Zealand Metropolitan Trotting Club (Inc)	2.88%	3.25%	Variable
RACE Inc	3.50%	3.50%	Variable
Wanganui Greyhound Racing Club	4.00%	4.00%	Fixed
Whangarei Racing Club Inc	2.88%	3.25%	Variable

Loan approval amounts have remained constant at the existing levels throughout the reporting period.

Collateral

The outstanding balances of the loans granted by the New Zealand Racing Board are secured and repayable in cash.

The New Zealand Metropolitan Trotting Club loan is secured by a General Security Agreement and mortgage over all the assets of New Zealand Metropolitan Trotting Club (Inc) and Addington Raceway Ltd. The total value of these assets per the Annual Report of the New Zealand Metropolitan Trotting Club (Inc) for the year ended 31 July 2009 was \$56.8 million (31 July 2008: \$47.5 million).

The New Zealand Racing Board has a charge over the assets of Racing at Awapuni, Otaki and Trentham Combined Enterprise Incorporated (RACE Inc) and its subsidiary racing clubs. The New Zealand Racing Board is second in the order of priority over these assets to the Bank of New Zealand, which has a first priority charge up to a value of \$9.2 million. The combined value of RACE Inc's assets over which the New Zealand Racing Board holds a charge as at 31 July 2009 was \$36.1 million.

The Wanganui Greyhound Racing Club loan is secured by a Deed of Guarantee under which the New Zealand Greyhound Racing Association acts as guarantor.

The Whangarei Racing Club Incorporated loan is secured by a Deed of Guarantee under which New Zealand Thoroughbred Racing Incorporated acts as guarantor.

Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2010

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

	Actual 2010 Six Months NZ\$ '000	UNAUDITED Budget 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	AUDITED Actual 2009 Full Year NZ\$ '000
Net surplus/(deficit) after Funding	8,733	5,416	(6,362)	(22,155)
Non-Cash Items:				
Depreciation Expense	5,789	6,010	5,517	11,688
Amortisation Expense	1,906	2,471	2,114	4,083
Net Finance Costs	13	15	13	30
Foreign Exchange (Gain)/Loss	(46)	30	33	(2)
Doubtful Debts Written Off/(Recovered)	87	-	(8)	(7)
Net (Gain)/Loss on Sale of Property, Plant & Equipment	(22)	-	13	179
Fair Value (Gain)/Loss on Financial Assets/Liabilities	136	124	225	785
Other Non-Cash Items	(225)	(239)	28	(45)
	7,638	8,411	7,935	16,711
Movement in Assets:				
(Increase)/decrease in Trade & Other Receivables	(4,164)	(1,391)	(1,425)	(311)
(Increase)/decrease in Inventories	2	-	64	28
(Increase)/decrease in Other Assets	(395)	(431)	(435)	(132)
	(4,557)	(1,822)	(1,796)	(415)
Movement in Liabilities:				
Increase/(decrease) in Trade Payables & Accruals	2,518	1,221	(1,001)	(1,006)
Increase/(decrease) in Unpaid Dividends	997	591	590	92
Increase/(decrease) in Account Betting Deposits and Vouchers	652	(993)	(993)	373
Increase/(decrease) in Jackpot Retentions	(57)	(215)	(105)	(230)
Increase/(decrease) in Employee Entitlements	(1,132)	257	(904)	(661)
Increase/(decrease) in Taxes Payable	478	(5,837)	(356)	(649)
Increase/(decrease) in Code Liability	(6,477)	(125)	(3,279)	258
Increase/(decrease) in Deferred Revenue	(561)	-	(125)	366
Increase/(decrease) in Other Liabilities	(4)	(40)	(395)	132
	(3,586)	(5,141)	(6,568)	(1,325)
Net Cash provided by/(used in) Operating Activities	8,228	6,864	(6,791)	(7,184)

Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2010

12. Related Parties

Funding transactions with racing codes

For the 2009/10 season, the New Zealand Racing Board agreed to bulk fund the racing codes to a maximum value of \$117.7 million. This funding includes a variable component between codes based on export commissions, fixed odds and on-course turnover and current season market share. Further detail on funding is outlined in Note 14.

In addition to this a special funding distribution of \$6.0 million for the 2009/10 season was announced on 20 January 2010.

	UNAUDITED		AUDITED
	Actual 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	Actual 2009 Full Year NZ\$ '000
Funding			
ENTITY			
New Zealand Greyhound Racing Association	7,030	8,287	17,009
Harness Racing New Zealand	18,065	21,892	42,462
New Zealand Thoroughbred Racing	34,843	40,971	75,953
Other funding	1,052	470	2,086
Total Funding	60,990	71,620	137,510
Code Liability			
ENTITY			
New Zealand Greyhound Racing Association	902	1,422	2,225
Harness Racing New Zealand	1,394	2,259	2,735
New Zealand Thoroughbred Racing	(589)	966	3,224
Total Code Liability	1,707	4,647	8,184

Other transactions with racing codes and racing clubs

In addition to funding transactions, the New Zealand Racing Board has numerous transactions with the racing codes and racing clubs. It is not practical to disclose all transactions with codes and clubs. Outlined below are the material transactions outside of the funding policies.

		UNAUDITED		AUDITED
		Actual 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	Actual 2009 Full Year NZ\$ '000
Transactions	TRANSACTION			
ENTITY				
New Zealand Greyhound Racing Association	On-course venue services, trackside operations and radio recoveries	1,363	1,384	2,748
	Loan for the construction of an artificial racing surface at Manawatu Greyhound Racing Club	(66)	-	-
Harness Racing New Zealand	On-course venue services, trackside operations and radio recoveries	2,555	2,437	4,682
New Zealand Thoroughbred Racing	On-course venue services, trackside operations and radio recoveries	3,919	3,687	6,874
New Zealand Metropolitan Racing Club (Inc)	Loan for construction of stables at Addington Raceway	-	1,838	1,838
RACE Inc	Working Capital facility	165	-	2,710
Whangarei Racing Club Incorporated	Loan for racetrack development at Ruakaka Racecourse	-	42	53

Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2010

12. Related Parties (continued)

Balances outstanding

Balances on Loans to Clubs and Codes ENTITY	TRANSACTION	UNAUDITED		AUDITED
		Actual 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	Actual 2009 Full Year NZ\$ '000
New Zealand Greyhound Racing Association	On-course venue services, trackside operations and radio recoveries	53	1	-
	Loan for construction of an artificial racing surface at Manawatu Greyhound Racing Club	604	660	687
Harness Racing New Zealand	On-course venue services, trackside operations and radio recoveries	-	-	-
New Zealand Thoroughbred Racing	On-course venue services, trackside operations and radio recoveries	4	4	-
New Zealand Metropolitan Racing Club (Inc)	Loan for construction of stables at Addington Raceway	5,885	5,700	5,811
RACE Inc	Working Capital facility	2,960	-	2,744
Whangarei Racing Club Incorporated	Loan for racetrack development at Ruakaka Racecourse	55	42	54

The transaction value of loans to clubs and codes outlined above represents the cash amounts drawn under each facility. The balance outstanding includes amounts drawn plus any capitalised or accrued interest at reporting date. Further details of loans and advances to related parties are outlined in Note 10.

Compensation of key personnel

The remuneration of Board members and key management personnel during the year was as follows:

	UNAUDITED		AUDITED
	Actual 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	Actual 2009 Full Year NZ\$ '000
Salaries and other short-term benefits	1,693	1,211	2,836

The New Zealand Racing Board considers key management personnel as the Board members, the Chief Executive Officer and the other members of the Senior Executive Committee.

Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2010

12. Related Parties (continued)

Transactions with entities in which key personnel have an interest

Certain key personnel have interests in entities with which the New Zealand Racing Board has transactions in the normal course of business. A number of the key personnel of the New Zealand Racing Board are directors of other organisations with which the New Zealand Racing Board transacts. Any transactions undertaken with these organisations have been entered into on an arm's length commercial basis.

Outlined below are some of the more significant transactions with related parties:

Transactions ENTITY AND RELATIONSHIP	TRANSACTION	UNAUDITED		AUDITED
		Actual 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	Actual 2009 Full Year NZ\$ '000
Gadol Corporation Ltd	Rental and associated payments for a TAB outlet property lease	57	74	142
Michael Stiassny, Chairman of the New Zealand Racing Board, is a director and shareholder of Gadol Corporation Ltd.				
NZ Equine Industry Training Organisation Inc	Funding	90	90	90
Graeme Hansen* and Bill Colgan, in their capacity as executives of the New Zealand Racing Board, were on the Board of the NZ Equine Industry Training Organisation Inc.				
The New Zealand Racing Board provides accountancy and human resources services to the NZ Equine Industry Training Organisation Inc.	Accountancy services	(10)	-	(10)
	Human resources	(50)	-	-
	Rental	(2)	-	-
Massey University Partnership for Excellence	Funding	135	140	269
Graeme Hansen* and Bill Colgan, in their capacity as executives of the New Zealand Racing Board, were trustees on the Equine Trust, which administers the Partnership for Excellence.				

* Graeme Hansen resigned from the New Zealand Racing Board on 31 July 2009.

Balances outstanding

ENTITY	TRANSACTION	UNAUDITED		AUDITED
		Actual 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	Actual 2009 Full Year NZ\$ '000
Gadol Corporation Ltd	Rental/costs TAB lease	-	-	-
NZ Equine Industry Training Organisation Inc	Funding	-	-	85
	Accountancy services	-	-	(10)
	Human resources	-	-	-
	Rental	-	-	-
Massey University Partnership for Excellence	Funding	-	-	-

13. Nature of Reserves

General Reserve

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

Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2010

14. Funding to the Racing Industry

	Actual 2010 Six Months NZ\$ '000	UNAUDITED Budget 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	AUDITED Actual 2009 Full Year NZ\$ '000
(a) Funding Generated by the New Zealand Racing Board				
Betting Turnover (including GST)	830,706	797,906	798,786	1,513,459
Dividends & Betting Deductions (including GST)	(707,630)	(678,257)	(677,356)	(1,284,097)
Interest & Other Income (excluding GST)	18,630	17,101	18,715	34,461
Operating & Selling Expenses (excluding GST)	(70,771)	(69,154)	(73,105)	(144,731)
NET RETURN BEFORE INDUSTRY EXPENDITURE AND DISTRIBUTIONS (excluding GST)	70,935	67,596	67,040	119,092

(b) On-Course and Other Projects Funded by the New Zealand Racing Board from Net Return

On-Course Projects				
Customer Research Studies*	135	130	163	207
Destination Summer Holiday Racing*	318	250	229	497
On-Course Big Screens*	212	226	521	942
Christmas at the Races*	282	300	312	352
Other On-Course Projects	306	(16)	102	274
Other Projects and Costs				
Club Loan Fair Value Adjustments	(136)	-	225	785
Equine Influenza	8	-	159	164
Industry Careers Development	-	-	58	67
Supply Chain Wastage	-	-	-	26
Synthetic Track Development	82	-	-	402
Track Feasibility Studies	(2)	-	-	21
Other Industry Projects	-	-	13	-
TOTAL ON-COURSE & OTHER PROJECTS FUNDED FROM NET RETURN	1,205	890	1,782	3,737

(c) Project Funding Applied by the New Zealand Racing Board From Reserves

TOTAL PROJECT FUNDING APPLIED FROM RESERVES	-	-	-	-
TOTAL ON-COURSE & INDUSTRY PROJECTS FUNDED	1,205	890	1,782	3,737

Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2010

14. Funding to the Racing Industry (continued)

	Actual 2010 Six Months NZ\$ '000	UNAUDITED Budget 2010 Six Months NZ\$ '000	Actual 2009 Six Months NZ\$ '000	AUDITED Actual 2009 Full Year NZ\$ '000
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(d) Funding Applied by the New Zealand Racing Board from Surplus Available for Distribution and from Reserves

Distributions to the Racing Industry

Fixed Code Funding	43,462	43,462	46,254	84,261
Domestic Market Share Code Funding - Interim	806	2,419	9,520	21,430
Domestic Market Share Code Funding - Final	-	-	-	4,000
TOTAL CODE DISTRIBUTIONS	44,268	45,881	55,774	109,691

Variable Code Funding

Fixed Odds Betting Product Payment	2,179	2,007	1,852	3,476
Industry Interest Paid on Code Liability Balances	73	-	230	284
Export Commissions Paid	5,769	5,275	5,297	9,732
On-Course Commission Payments	7,213	6,507	7,625	12,241
TOTAL VARIABLE CODE FUNDING	15,234	13,789	15,004	25,733

Research and Integrity Funding

Racing Laboratory Services	435	462	371	901
Racing Services Rebates	29	-	29	58
Research, Training and Education	61	175	70	392
Other Industry Expenses	970	983	372	735
TOTAL RESEARCH AND INTEGRITY FUNDING	1,495	1,620	842	2,086

TOTAL FUNDING	60,997	61,290	71,620	137,510
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Funded from:

Surplus available for distribution	60,997	61,290	65,258	115,355
General reserve	-	-	6,362	22,155
Total funding	60,997	61,290	71,620	137,510

(e) Total Funding Applied

Total on-course and industry projects	14(c)	1,205	890	1,782	3,737
Total funding from surplus available for distribution and from reserves	14(d)	60,997	61,290	71,620	137,510
TOTAL FUNDING APPLIED		62,202	62,180	73,402	141,247