

**New Zealand Racing Board  
Interim Financial Statements  
For the Six Months Ended 31 January 2013**

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**New Zealand Racing Board  
Condensed Income Statement  
For the Six Months Ended 31 January 2013**

| UNAUDITED                                       |                 |                |                |
|---|-----------------|----------------|----------------|
|   |                 | Actual 2013    | Actual 2012    |
|   |                 | Six Months     | Six Months     |
| Note  |                 | NZ\$ 000       | NZ\$ 000       |
|   |                 |                | Restated       |
| <b>Betting Turnover</b>                         | <b>1a.</b>      | <b>914,525</b> | <b>831,996</b> |
| <b>INCOME</b>                                   |                 |                |                |
| Net Betting Revenue                             | <b>1b. / 14</b> | 128,337        | 120,509        |
| Net Gaming Revenue                              |                 | 9,676          | 6,298          |
| Other Income                                    | <b>2</b>        | 24,563         | 24,941         |
| <b>TOTAL INCOME</b>                             |                 | <b>162,576</b> | <b>151,748</b> |
| <b>TURNOVER AND GAMING RELATED EXPENSES</b>     | <b>3</b>        | <b>26,347</b>  | <b>23,922</b>  |
| <b>OPERATING EXPENSES</b>                       |                 |                |                |
| Staff Expenses                                  |                 | 26,813         | 24,388         |
| Premises and Equipment Expenses                 | <b>4</b>        | 13,020         | 12,857         |
| Other Expenses                                  | <b>5</b>        | 19,957         | 17,966         |
|   |                 | <b>59,790</b>  | <b>55,211</b>  |
| <b>TOTAL EXPENSES</b>                           | <b>14</b>       | <b>86,137</b>  | <b>79,133</b>  |
| <b>NET PROFIT before distributions</b>          |                 | <b>76,439</b>  | <b>72,615</b>  |
| <b>Distributions</b>                            | <b>12(d)</b>    | 74,173         | 72,753         |
| <b>NET PROFIT/(DEFICIT) after distributions</b> | <b>14</b>       | <b>2,266</b>   | <b>(138)</b>   |

*The accompanying notes form part of these financial statements*

**New Zealand Racing Board  
Condensed Statement of Comprehensive Income  
For the Six Months Ended 31 January 2013**

|  | UNAUDITED                             |   |
|--|---------------------------------------|---|
|  | Actual 2013<br>Six Months<br>NZ\$ 000 | Actual 2012<br>Six Months<br>NZ\$ 000<br>Restated |
| Net profit/(deficit) after distributions           | 2,266                                 | (138)   |
| Other comprehensive income                         | -                                     | -   |
| <b>Total comprehensive income</b>                  | <b>2,266</b>                          | <b>(138)</b>                                      |
| <b>Total comprehensive income attributable to:</b> |                                       |   |
| New Zealand Racing Board Reserves                  | 2,266                                 | (138)   |
|  | <b>2,266</b>                          | <b>(138)</b>                                      |

**Condensed Statement of Changes in Equity  
For the Six Months Ended 31 January 2013**

|  | General Reserves<br>NZ\$ 000 |
|--|------------------------------|
| <u>Changes in equity 2012 (six months - unaudited)</u> |                              |
| Balance at 1 August 2011                               | 80,809                       |
| Net deficit after distributions                        | (138)                        |
| Other comprehensive income for the period              | -                            |
| <b>Balance at 31 January 2012 (Restated)</b>           | <b>80,671</b>                |
| <u>Changes in equity 2013 (six months - unaudited)</u> |                              |
| Balance at 1 August 2012                               | 69,254                       |
| Net profit after distributions                         | 2,266                        |
| Other comprehensive income for the period              | -                            |
| <b>Balance at 31 January 2013</b>                      | <b>71,520</b>                |

The accompanying notes form part of these financial statements

**New Zealand Racing Board**  
**Condensed Statement of Financial Position**  
**As at 31 January 2013**

|  |      | UNAUDITED<br>31-Jan<br>2013<br>NZ\$ 000 | AUDITED<br>31-Jul<br>2012<br>NZ\$ 000 |
|--|------|---|---------------------------------------|
|  | Note |   |                                       |
| <b>Current Assets</b>                        |      |   |                                       |
| Cash and Cash Equivalents                    | 6    | 22,742                                  | 11,562                                |
| Bank Deposits - Term - NZ\$                  |      | 10,000                                  | 18,000                                |
| Betting Account Balance Deposit - NZ\$       |      | 21,005                                  | 20,004                                |
| Trade and Other Receivables                  |      | 12,109                                  | 8,888                                 |
| Loans and advances to Racing Clubs and Codes | 7    | 23                                      | 6,116                                 |
| Other Current Assets                         |      | 2,513                                   | 2,024                                 |
| <b>Total Current Assets</b>                  |      | <b>68,392</b>                           | <b>66,594</b>                         |
| <b>Non Current Assets</b>                    |      |   |                                       |
| Property, Plant and Equipment                | 8    | 43,380                                  | 45,192                                |
| Intangible Assets                            | 9    | 8,755                                   | 8,949                                 |
| Corporate Bonds                              |      | 2,000                                   | 2,000                                 |
| Loans and advances to Racing Clubs and Codes | 7    | 2,894                                   | 2,741                                 |
| <b>Total Non Current Assets</b>              |      | <b>57,029</b>                           | <b>58,882</b>                         |
| <b>Total Assets</b>                          |      | <b>125,421</b>                          | <b>125,476</b>                        |
| <b>Current Liabilities</b>                   |      |   |                                       |
| Trade and Other Payables                     | 14   | 16,164                                  | 16,762                                |
| Betting Account Balances                     |      | 15,785                                  | 16,594                                |
| Code Payables                                | 11   | 4,314                                   | 4,403                                 |
| Taxation Payable                             | 14   | 6,844                                   | 7,118                                 |
| Personnel Accruals                           | 14   | 3,393                                   | 3,646                                 |
| Other Provisions                             | 14   | 139                                     | 159                                   |
| Other Current Liabilities                    | 14   | 6,190                                   | 5,039                                 |
| <b>Total Current Liabilities</b>             |      | <b>52,829</b>                           | <b>53,721</b>                         |
| Personnel Accruals                           |      | 589                                     | 573                                   |
| Other Provisions                             |      | 483                                     | 428                                   |
| Other Non Current Liabilities                |      | -                                       | 1,500                                 |
| <b>Total Non Current Liabilities</b>         |      | <b>1,072</b>                            | <b>2,501</b>                          |
| <b>Total Liabilities</b>                     |      | <b>53,901</b>                           | <b>56,222</b>                         |
| <b>Net Assets</b>                            |      | <b>71,520</b>                           | <b>69,254</b>                         |
| <b>Equity - General Reserve</b>              |      | <b>71,520</b>                           | <b>69,254</b>                         |

The members of the New Zealand Racing Board authorise these Financial Statements for issue on 5 April 2013.



**Alistair Ryan**  
Deputy Chairman of the New Zealand Racing Board and  
Chairman of the Audit and Finance Committee  
of the New Zealand Racing Board



**Graham Cooney**  
Board Member of the New Zealand Racing Board and  
Member of the Audit and Finance Committee  
of the New Zealand Racing Board

*The accompanying notes form part of these financial statements*

**New Zealand Racing Board**  
**Condensed Statement of Cash Flows**  
**For the Six Months Ended 31 January 2013**

|   |   | <b>UNAUDITED</b>   |                    |
|---|---|--------------------|--------------------|
|   |   | <b>Actual 2013</b> | <b>Actual 2012</b> |
|   |   | <b>Six Months</b>  | <b>Six Months</b>  |
| <b>Note</b>                                     |   | <b>NZ\$ 000</b>    | <b>NZ\$ 000</b>    |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b> |   |                    |                    |
| <b>Inflows</b>                                  |   |                    |                    |
|   | Betting turnover  | 914,525            | 831,519            |
|   | Racing services income                                      | 7,940              | 7,797              |
|   | Jackpot retentions and account deposits (net)               | 260                | (69)               |
|   | International racing fees and other income                  | 13,822             | 14,317             |
|   | Gaming machine proceeds                                     | 9,463              | 6,007              |
|   |   | <u>946,010</u>     | <u>859,571</u>     |
| <b>Outflows</b>                                 |   |                    |                    |
|   | Dividends paid  | 756,272            | 686,034            |
|   | Fixed and domestic market share funding                     | 71,145             | 59,086             |
|   | On-course and Industry projects                             | 854                | 904                |
|   | Variable code, research and integrity funding               | 1,388              | 12,398             |
|   | Payments to suppliers                                       | 54,108             | 42,736             |
|   | Payments to employees                                       | 25,416             | 17,921             |
|   | Goods and services tax                                      | 19,691             | 18,186             |
|   | Betting duty paid   | 7,410              | 6,933              |
|   | Sports bodies' levies                                       | 2,587              | 2,450              |
|   | Payments for Gaming   | 3,827              | 2,811              |
|   |   | <u>942,698</u>     | <u>849,459</u>     |
|   | <b>Net cash provided by operating activities</b>            | <b>10 3,312</b>    | <b>10,112</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>     |   |                    |                    |
| <b>Inflows</b>                                  |   |                    |                    |
|   | Repayment of short-term deposits on maturity                | 8,000              | -                  |
|   | Interest received   | 865                | 1,042              |
|   | Disposals of property, plant and equipment                  | -                  | 990                |
|   | Repayment of club loans                                     | 6,094              | 123                |
|   |   | <u>14,959</u>      | <u>2,155</u>       |
| <b>Outflows</b>                                 |   |                    |                    |
|   | Investments of short-term deposits                          | 1,001              | 10,002             |
|   | Purchase of property, plant and equipment                   | 3,714              | 7,551              |
|   | Investment in software                                      | 796                | 632                |
|   |   | <u>5,511</u>       | <u>18,185</u>      |
|   | <b>Net cash provided by/(used in) investing activities</b>  | <b>9,448</b>       | <b>(16,030)</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>     |   |                    |                    |
| <b>Inflows</b>                                  |   |                    |                    |
|   | Drawdown on secured loan                                    | -                  | 2,700              |
|   |   | <u>-</u>           | <u>2,700</u>       |
| <b>Outflows</b>                                 |   |                    |                    |
|   | Interest paid   | 80                 | 10                 |
|   | Repayment of secured loan                                   | 1,500              | -                  |
|   |   | <u>1,580</u>       | <u>10</u>          |
|   | <b>Net cash provided (used in)/by financing activities</b>  | <b>(1,580)</b>     | <b>2,690</b>       |
|   | <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>11,180</b>      | <b>(3,228)</b>     |
|   | Cash and cash equivalents at the start of the year          | 11,562             | 10,002             |
|   |   | <u>22,742</u>      | <u>6,774</u>       |
|   | <b>Cash and cash equivalents at the end of the period</b>   | <b>6 22,742</b>    | <b>6,774</b>       |

*The accompanying notes form part of these financial statements*

# **New Zealand Racing Board**

## **Condensed Notes to the Financial Statements**

### **For the Six Months Ended 31 January 2013**

#### **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.

#### **Basis of preparation and statement of compliance**

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

These unaudited condensed interim financial statements for the six months ended 31 January 2013 have been prepared in accordance with NZ IAS 34, 'Interim Financial Reporting', The Racing Act 2003, and Generally Accepted Accounting Practice in New Zealand ('NZ GAAP') as applicable for profit-oriented entities.

These financial statements do not include all the disclosures required for full annual financial statements prepared in accordance with NZ IFRS and should be read in conjunction with the financial statements and related notes included in the New Zealand Racing Board's Annual Report for the year ended 31 July 2012.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the New Zealand Racing Board since the last annual financial statements as at and for the year ended 31 July 2012.

#### **Accounting Policies**

These financial statements have been prepared using the same accounting policies with those of the previous financial year. These are detailed in the New Zealand Racing Board's annual financial statements for the year ended 31 July 2012.

#### **Seasonality of interim operations**

As many of the major racing events occur between November and February each year, net betting revenue is typically higher in the first six months to 31 January than in the second six months ending 31 July.

While there is some increase in total expenses due to additional seasonal labour costs, the seasonal increase in net betting revenue normally causes net profit (before distributions) to be higher in the first six month reporting period when compared with the second six month reporting period.

#### **Budget Comparatives**

The budget comparative information is disclosed under Note 13.

#### **Restated historical information**

Certain prior period comparatives have been restated or reclassified to conform with the current period presentation. These changes are detailed in Note 14.

**New Zealand Racing Board**  
**Condensed Notes to the Financial Statements**  
**For the Six Months Ended 31 January 2013**

**1. Revenue**

**1a. Betting Turnover (including GST)**

Betting Turnover Racing Tote  
 Betting Turnover Racing Fixed Odds  
**Total Betting Turnover Racing**

Betting Turnover Sports Fixed Odds  
 Betting Turnover Sports Tote  
**Total Betting Turnover Sports**

**TOTAL BETTING TURNOVER**

**1b. Gross and Net Betting Revenue**

Total Betting Turnover  
 Less: Dividends Payable

**GROSS BETTING REVENUE**

High Value Customer (HVC) Refunds  
 Duty (4%)  
 GST (15%)  
 Fractions  
 Late dividends  
 Other Direct Revenue  
**NET BETTING REVENUE**

| UNAUDITED                             |                                       |
|---------------------------------------|---------------------------------------|
| Actual 2013<br>Six Months<br>NZ\$ 000 | Actual 2012<br>Six Months<br>NZ\$ 000 |
| 663,684                               | 619,274                               |
| 130,560                               | 91,512                                |
| <b>794,244</b>                        | <b>710,786</b>                        |
| 119,094                               | 120,641                               |
| 1,187                                 | 569                                   |
| <b>120,281</b>                        | <b>121,210</b>                        |
| <b>914,525</b>                        | <b>831,996</b>                        |
| 914,525                               | 831,996                               |
| (762,539)                             | (692,387)                             |
| <b>151,986</b>                        | <b>139,609</b>                        |
| (5,157)                               | (917)                                 |
| (6,252)                               | (5,764)                               |
| (20,387)                              | (18,689)                              |
| 4,099                                 | 3,746                                 |
| 2,169                                 | 2,110                                 |
| 1,879                                 | 414                                   |
| <b>128,337</b>                        | <b>120,509</b>                        |

**2. Other income**

Racing Services Indirect Revenue  
 NZ Racing Shown Overseas Revenue  
 Other Income  
 Interest Income  
**TOTAL OTHER INCOME**

| UNAUDITED                             |                                       |
|---------------------------------------|---------------------------------------|
| Actual 2013<br>Six Months<br>NZ\$ 000 | Actual 2012<br>Six Months<br>NZ\$ 000 |
| 7,940                                 | 7,797                                 |
| 11,117                                | 11,231                                |
| 4,307                                 | 4,855                                 |
| 1,199                                 | 1,058                                 |
| <b>24,563</b>                         | <b>24,941</b>                         |

**3. Turnover and Gaming related expenses**

Outlet and Agency Fees  
 Overseas Racing Rights  
 Comingling Fee  
 Thermal Paper & Betslips  
 Problem Gambling Levy  
 Sporting Body Levies  
 Gaming Machine Duty (20%)  
 Other Turnover Related Expenses  
**TOTAL TURNOVER AND GAMING RELATED EXPENSES**

| UNAUDITED                             |                                       |
|---------------------------------------|---------------------------------------|
| Actual 2013<br>Six Months<br>NZ\$ 000 | Actual 2012<br>Six Months<br>NZ\$ 000 |
| 7,862                                 | 8,199                                 |
| 10,860                                | 9,005                                 |
| 1,245                                 | 984                                   |
| 802                                   | 815                                   |
| 977                                   | 966                                   |
| 1,800                                 | 1,932                                 |
| 2,225                                 | 1,449                                 |
| 576                                   | 572                                   |
| <b>26,347</b>                         | <b>23,922</b>                         |

**New Zealand Racing Board  
Condensed Notes to the Financial Statements  
For the Six Months Ended 31 January 2013**

**4. Premises and Equipment Expenses**

|  | UNAUDITED                             |                                       |
|--|---------------------------------------|---------------------------------------|
|  | Actual 2013<br>Six Months<br>NZ\$ 000 | Actual 2012<br>Six Months<br>NZ\$ 000 |
| Depreciation and Amortisation                | 6,383                                 | 6,309                                 |
| Rent   | 2,468                                 | 2,514                                 |
| Repairs and Maintenance                      | 2,059                                 | 2,025                                 |
| Other  | 2,110                                 | 2,009                                 |
| <b>TOTAL PREMISES AND EQUIPMENT EXPENSES</b> | <b>13,020</b>                         | <b>12,857</b>                         |

**5. Other Expenses**

|                                    | UNAUDITED                             |                                       |
|------------------------------------|---------------------------------------|---------------------------------------|
|                                    | Actual 2013<br>Six Months<br>NZ\$ 000 | Actual 2012<br>Six Months<br>NZ\$ 000 |
| Auditors Remuneration - Audit Fees | 41                                    | 53                                    |
| Broadcasting                       | 4,084                                 | 3,898                                 |
| Consultancy                        | 1,478                                 | 1,139                                 |
| Director/Board Expenses            | 165                                   | 173                                   |
| Errors and Losses                  | 211                                   | 207                                   |
| Insurance                          | 867                                   | 714                                   |
| Advertising                        | 3,090                                 | 2,625                                 |
| Printing and Stationery            | 2,115                                 | 2,210                                 |
| Telephone                          | 2,412                                 | 2,556                                 |
| Travel and Accommodation           | 1,083                                 | 960                                   |
| Venue costs                        | 1,274                                 | 750                                   |
| Other                              | 3,137                                 | 2,681                                 |
| <b>TOTAL OTHER EXPENSES</b>        | <b>19,957</b>                         | <b>17,966</b>                         |

**6. Cash and Cash Equivalents**

|  | UNAUDITED                  | AUDITED                    |
|--|----------------------------|----------------------------|
|  | 31-Jan<br>2013<br>NZ\$ 000 | 31-Jul<br>2012<br>NZ\$ 000 |
| Bank Deposits - Call - NZ\$            | 20,777                     | 9,655                      |
| Bank Deposits - Call - FX              | 1,599                      | 1,437                      |
| Betting Agency Accounts                | 366                        | 470                        |
| <b>TOTAL CASH AND CASH EQUIVALENTS</b> | <b>22,742</b>              | <b>11,562</b>              |

**New Zealand Racing Board  
Condensed Notes to the Financial Statements  
For the Six Months Ended 31 January 2013**

**7. Loans and Advances to Clubs and Codes**

|  | UNAUDITED<br>31-Jan<br>2013<br>NZ\$ 000 | AUDITED<br>31-Jul<br>2012<br>NZ\$ 000 |
|--|---|---------------------------------------|
| New Zealand Metropolitan Trotting Club (Inc.)      | -                                       | 6,003                                 |
| RACE Inc.  | 2,875                                   | 2,813                                 |
| Wanganui Greyhound Racing Club                     | 22                                      | 22                                    |
| Whangarei Racing Club Inc.                         | 20                                      | 19                                    |
| <b>TOTAL LOANS AND ADVANCES TO CLUBS AND CODES</b> | <b>2,917</b>                            | <b>8,857</b>                          |
| <b>Disclosed as:</b>                               |   |                                       |
| Current  | 23                                      | 6,116                                 |
| Non-Current  | 2,894                                   | 2,741                                 |
| <b>TOTAL LOANS AND ADVANCES TO CLUBS AND CODES</b> | <b>2,917</b>                            | <b>8,857</b>                          |

The amounts outlined above reflect the outstanding amounts, including any capitalised or accrued interest at reporting date.

The New Zealand Metropolitan Trotting Club loan has been repaid in full.

**New Zealand Racing Board  
Condensed Notes to the Financial Statements  
For the Six Months Ended 31 January 2013**

**8. Property, plant and equipment**

|   | <b>Total property, plant<br/>and equipment</b> |
|---|--|
|   | <b>NZ\$ 000</b>                                |
| <b>Balance at 31 July 2012 - Audited</b>      | <b>131,824</b>                                 |
| Additions                                     | 2,232  |
| Disposals                                     | (511)  |
| Net transfers between asset classes           | 1  |
| Net change to work in progress                | 1,482  |
| <b>Balance at 31 January 2013 - Unaudited</b> | <b>135,028</b>                                 |
| <br><b>DEPRECIATION AND IMPAIRMENT LOSSES</b> |  |
| <b>Balance at 31 July 2012 - Audited</b>      | <b>(86,632)</b>                                |
| Depreciation for the period                   | (5,451)  |
| Disposals                                     | 435  |
| <b>Balance at 31 January 2013 - Unaudited</b> | <b>(91,648)</b>                                |
| <br><b>NET BOOK VALUE</b>                     |  |
| <b>Balance at 31 July 2012 - Audited</b>      | <b>45,192</b>                                  |
| <b>Balance at 31 January 2013 - Unaudited</b> | <b>43,380</b>                                  |

**9. Intangible Assets**

|   | <b>Total intangible<br/>assets</b> |
|---|------------------------------------|
|   | <b>NZ\$ 000</b>                    |
| <br><b>COST OR DEEMED COST</b>                |                                    |
| <b>Balance at 31 July 2012 - Audited</b>      | <b>71,415</b>                      |
| Additions                                     | 303                                |
| Net change to work in progress                | 493                                |
| <b>Balance at 31 January 2013 - Unaudited</b> | <b>72,211</b>                      |
| <br><b>AMORTISATION AND IMPAIRMENT LOSSES</b> |                                    |
| <b>Balance at 31 July 2012 - Audited</b>      | <b>(62,466)</b>                    |
| Amortisation for the period                   | (990)                              |
| <b>Balance at 31 January 2013 - Unaudited</b> | <b>(63,456)</b>                    |
| <br><b>NET BOOK VALUE</b>                     |                                    |
| <b>Balance at 31 July 2012 - Audited</b>      | <b>8,949</b>                       |
| <b>Balance at 31 January 2013 - Unaudited</b> | <b>8,755</b>                       |

**New Zealand Racing Board**  
**Condensed Notes to the Financial Statements**  
**For the Six Months Ended 31 January 2013**

**10. Reconciliation of Net Surplus to Net Cash Flows From Operating Activities**

|  | <b>UNAUDITED</b>                               |   |
|--|--|---|
|  | <b>Actual 2013<br/>Six Months<br/>NZ\$ 000</b> | <b>Actual 2012<br/>Six Months<br/>NZ\$ 000<br/>Restated</b> |
| <b>Surplus/(Deficit) attributable to New Zealand Racing Board Reserves</b> | <b>2,266</b>                                   | <b>(138)</b>  |
| <b>NON-CASH ITEMS</b>  |  |   |
| Depreciation Expense   | 5,451  | 5,239   |
| Amortisation Expense   | 990  | 1,070   |
| Foreign Exchange Gain  | (258)  | (355)   |
| Doubtful Debts Written Off   | 37   | 16  |
| Fair Value Gain on Financial Assets/Liabilities                            | (146)  | (163)   |
| Other Non-Cash Items   | 600  | 301   |
|  | <b>6,674</b>                                   | <b>6,108</b>  |
| <b>ITEMS CLASSIFIED AS INVESTING/FINANCING ACTIVITIES</b>                  |  |   |
| Net (gain) / loss on sale of Property, Plant and Equipment                 | 23   | (345)   |
| Net Finance Costs  | (1,120)  | (972)   |
|  | <b>(1,097)</b>                                 | <b>(1,317)</b>  |
| <b>Movement in Assets:</b>   |  |   |
| Increase in Trade & Other Receivables                                      | (3,221)  | (981)   |
| Decrease in Inventories  | 40   | 91  |
| Increase in Other Assets   | (530)  | (404)   |
| Decrease in Code Assets  | -  | 1,297   |
|  | <b>(3,711)</b>                                 | <b>3</b>  |
| <b>Movement in Liabilities:</b>  |  |   |
| Increase/(decrease) in Trade Payables & Accruals                           | (147)  | 2,394   |
| Increase in Unpaid Dividends   | 695  | 272   |
| Decrease in Account Betting Deposits and Vouchers                          | (809)  | (423)   |
| Increase in Jackpot Retentions   | 376  | 82  |
| Decrease in Employee Entitlements  | (236)  | (73)  |
| Increase/(decrease) in Taxes Payable                                       | (274)  | 227   |
| Increase/(decrease) in Code Liability                                      | (89)   | 3,438   |
| Decrease in Deferred Revenue   | (451)  | (477)   |
| Increase in Other Liabilities  | 115  | 16  |
|  | <b>(820)</b>                                   | <b>5,456</b>  |
| <b>Net Cash provided by Operating Activities</b>                           | <b>3,312</b>                                   | <b>10,112</b>   |

**New Zealand Racing Board**  
**Condensed Notes to the Financial Statements**  
**For the Six Months Ended 31 January 2013**

**11. Related Parties**

*Distribution transactions with racing industry*

**Distributions**

**ENTITY**

New Zealand Greyhound Racing Association

Harness Racing New Zealand

New Zealand Thoroughbred Racing

Other entities:

Racing Integrity Unit

Judicial Control Authority

Other entities

**Total Distributions/Code Liability**

| Distributions |               | Code Liability |                |
|---------------|---------------|----------------|----------------|
| UNAUDITED     | UNAUDITED     | UNAUDITED      | AUDITED        |
| Actual 2013   | Actual 2012   | 31-Jan         | 31-Jul         |
| Six Months    | Six Months    | 2013           | 2012           |
| NZ\$ 000      | NZ\$ 000      | NZ\$ 000       | NZ\$ 000       |
| 9,825         | 9,645         | (1,618)        | (1,517)        |
| 19,326        | 20,370        | (2,202)        | (1,462)        |
| 37,943        | 38,656        | (494)          | (1,424)        |
| 3,617         | 1,986         | -              | -              |
| 1,192         | 665           | -              | -              |
| 1,228         | 669           | -              | -              |
| <b>73,131</b> | <b>71,991</b> | <b>(4,314)</b> | <b>(4,403)</b> |

**New Zealand Racing Board**  
**Condensed Notes to the Financial Statements**  
**For the Six Months Ended 31 January 2013**

**12. Distributions**

| UNAUDITED                             |   |
|---------------------------------------|---|
| Actual 2013<br>Six Months<br>NZ\$ 000 | Actual 2012<br>Six Months<br>NZ\$ 000<br>Restated |

**(a) Funding Generated by the New Zealand Racing Board**

|  |               |               |
|--|---------------|---------------|
| Net Betting Revenue                    | 128,337       | 120,509       |
| Net Gaming Revenue                     | 9,676         | 6,298         |
| Other Income                           | 24,563        | 24,941        |
| Expenses                               | (86,137)      | (79,133)      |
| <b>NET PROFIT before distributions</b> | <b>76,439</b> | <b>72,615</b> |

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

**On-Course Projects**

|                                   |     |     |
|-----------------------------------|-----|-----|
| Customer Research Studies         | 72  | 64  |
| Destination Summer Holiday Racing | 181 | 188 |
| On-Course Big Screens             | 270 | 216 |
| Christmas at the Races            | 150 | 153 |
| Other On-Course Projects          | 291 | 284 |

**Other Projects and Costs**

|  |            |            |
|--|------------|------------|
| Club Loan Fair Value Adjustments                                   | (146)      | (163)      |
| Other Industry Projects  | (1)        | (1)        |
| <b>TOTAL ON-COURSE &amp; OTHER PROJECTS FUNDED FROM NET RETURN</b> | <b>817</b> | <b>741</b> |

**(c) Distributions by the New Zealand Racing Board from Surplus Available for Distribution and from Reserves**

**Distributions to the Racing Codes**

|   |               |               |
|---|---------------|---------------|
| Fixed Code Funding                            | 65,240        | 66,497        |
| Variable Code Funding                         | 16            | -             |
| <b>TOTAL DISTRIBUTION TO THE RACING CODES</b> | <b>65,256</b> | <b>66,497</b> |

**Distributions to cover Racing Industry costs**

|  |              |              |
|--|--------------|--------------|
| Racing Laboratory Services                               | 40           | 489          |
| Research, Training and Education                         | 99           | 157          |
| Other Industry Expenses                                  | 4,008        | 2,675        |
| <b>TOTAL DISTRIBUTION TO COVER RACING INDUSTRY COSTS</b> | <b>4,147</b> | <b>3,321</b> |

**Distributions from Gaming Activity**

|  |              |              |
|--|--------------|--------------|
| Distribution for Racing Authorised Purpose     | 3,728        | 2,173        |
| Distribution for Sports Authorised Purpose     | 225          | 21           |
| <b>TOTAL DISTRIBUTION FROM GAMING ACTIVITY</b> | <b>3,953</b> | <b>2,194</b> |

**TOTAL DISTRIBUTIONS**

|               |               |
|---------------|---------------|
| <b>73,356</b> | <b>72,012</b> |
|---------------|---------------|

**Funded from:**

|                                    |               |               |
|------------------------------------|---------------|---------------|
| Surplus available for distribution | 73,356        | 72,012        |
| Total funding                      | <b>73,356</b> | <b>72,012</b> |

**(d) Total Distribution**

|  |               |               |
|--|---------------|---------------|
| Total on-course and industry projects  | 817           | 741           |
| Total distribution from surplus available for distribution and from reserves | 73,356        | 72,012        |
| <b>TOTAL DISTRIBUTION</b>  | <b>74,173</b> | <b>72,753</b> |

**(e) Distribution provided from:**

|                   |               |               |
|-------------------|---------------|---------------|
| Racing Activities | 70,220        | 70,559        |
| Gaming Activities | 3,953         | 2,194         |
|                   | <u>74,173</u> | <u>72,753</u> |

**New Zealand Racing Board**  
**Condensed Notes to the Financial Statements**  
**For the Six Months Ended 31 January 2013**

**13. Budgeted Information**

**13a. Budgeted Income Statement**

|   | Actual 2013<br>Six Months<br>NZ\$ 000 | UNAUDITED<br>Budget 2013<br>Six Months<br>NZ\$ 000 | Variance 2013<br>NZ\$ 000 |
|---|---------------------------------------|--|---------------------------|
| <b>Turnover</b>                             | <b>914,525</b>                        | <b>870,654</b>                                     | <b>43,871</b>             |
| <b>INCOME</b>                               |                                       |  |                           |
| Net Betting Revenue                         | 128,337                               | 126,242  | 2,095                     |
| Net Gaming Revenue                          | 9,676                                 | 9,029  | 647                       |
| Other Income                                | 24,563                                | 24,802   | (239)                     |
| <b>TOTAL INCOME</b>                         | <b>162,576</b>                        | <b>160,073</b>                                     | <b>2,503</b>              |
| <b>TURNOVER AND GAMING RELATED EXPENSES</b> | <b>26,347</b>                         | <b>24,546</b>                                      | <b>(1,801)</b>            |
| <b>OPERATING EXPENSES</b>                   |                                       |  |                           |
| Staff Expenses                              | 26,813                                | 25,217   | (1,596)                   |
| Premises and Equipment Expenses             | 13,020                                | 14,678   | 1,658                     |
| Other Expenses                              | 19,957                                | 21,677   | 1,720                     |
| <b>TOTAL OPERATING EXPENSES</b>             | <b>59,790</b>                         | <b>61,572</b>                                      | <b>1,782</b>              |
| <b>TOTAL EXPENSES</b>                       | <b>86,137</b>                         | <b>86,118</b>                                      | <b>(19)</b>               |
| <b>NET PROFIT (before distributions)</b>    | <b>76,439</b>                         | <b>73,955</b>                                      | <b>2,484</b>              |
| <b>Industry Distributions</b>               | <b>74,173</b>                         | <b>74,127</b>                                      | <b>(46)</b>               |
| <b>NET PROFIT (after distributions)</b>     | <b>2,266</b>                          | <b>(172)</b>                                       | <b>2,438</b>              |

**13b. Budgeted Statement of Financial Position**

|  | Actual 2013<br>As at 31-Jan<br>NZ\$ 000 | UNAUDITED<br>Budget 2013<br>As at 31-Jan<br>NZ\$ 000 | Variance 2013<br>NZ\$ 000 |
|--|---|--|---------------------------|
| Cash and Cash Equivalents                            | 22,742                                  | 21,940   | 802                       |
| Trade and Other Receivables                          | 12,109                                  | 9,179  | 2,930                     |
| Other Current Assets                                 | 33,541                                  | 34,545   | (1,004)                   |
| <b>Total Current Assets</b>                          | <b>68,392</b>                           | <b>65,664</b>  | <b>2,728</b>              |
| Property, Plant and Equipment (includes intangibles) | 52,135                                  | 52,466   | (331)                     |
| Other Financial Assets                               | 4,894                                   | 4,900  | (6)                       |
| <b>Total Non Current Assets</b>                      | <b>57,029</b>                           | <b>57,366</b>  | <b>(337)</b>              |
| <b>TOTAL ASSETS</b>                                  | <b>125,421</b>                          | <b>123,030</b>                                       | <b>2,392</b>              |
| Trade & Other Payables                               | 16,164                                  | 14,775   | (1,389)                   |
| Account Betting Deposits and Vouchers                | 15,785                                  | 16,032   | 247                       |
| Other Financial Liabilities                          | 10,504                                  | 12,481   | 1,977                     |
| Taxes Payable  | 6,844                                   | 6,029  | (815)                     |
| Provisions and accruals                              | 3,532                                   | 3,225  | (307)                     |
| <b>Total Current Liabilities</b>                     | <b>52,829</b>                           | <b>52,542</b>  | <b>(287)</b>              |
| Provisions and accruals                              | 1,072                                   | 1,406  | 334                       |
| <b>Total Non Current Liabilities</b>                 | <b>1,072</b>                            | <b>1,406</b>   | <b>334</b>                |
| <b>TOTAL LIABILITIES</b>                             | <b>53,901</b>                           | <b>53,948</b>  | <b>47</b>                 |
| <b>NET ASSETS</b>                                    | <b>71,520</b>                           | <b>69,082</b>  | <b>2,438</b>              |

**Explanation for significant variances:**

**Turnover and Net Betting Revenue:** Are ahead of budget due to increased HVC activity.

**Staff Expenses and Premises and Equipment Expenses:** Staff expenses increased due to a restructure in the business and a significant portion of the variance relates to one-off costs. Premises and equipment variances are due to the 'pause' and 'position for growth' strategy implemented in October 2012. This resulted in project expenditure being placed on hold in the short term. 14

**New Zealand Racing Board**  
**Condensed Notes to the Financial Statements**  
**For the Six Months Ended 31 January 2013**

**14. Comparative figures**

A number of line items in the condensed financial statements have been reclassified in order to better reflect the nature of the line item. The comparative figures have also been reclassified.

Details of the reclassification of comparative figures are as follows;

**(a) Income Statement**

**Net betting revenue**

|  |                |
|--|----------------|
| Net betting revenue - pre reclassification | 121,426        |
| Reclassification of HVC refunds            | (917)          |
| Net betting revenue - reclassified         | <u>120,509</u> |

**Total expenses**

|   |               |
|---|---------------|
| Operating expenses - pre reclassification | 80,050        |
| Reclassification of HVC refunds           | (917)         |
| Total expenses - reclassified             | <u>79,133</u> |

**Net surplus/(deficit) after distributions**

|   |              |
|---|--------------|
| Net surplus after distributions - as reported | 710          |
| Gaming Distribution Accrual                   | (848)        |
| Net deficit after distributions - restated    | <u>(138)</u> |

**UNAUDITED**  
**Actual 2012**  
**Six Months**  
**NZ\$ 000**

**(b) Statement of Financial Position**

**Trade and other payables**

|   |               |
|---|---------------|
| Trade and other payables - pre reclassification | 20,162        |
| Less employee entitlements                      | (3,579)       |
| Reclassification of Gaming Distribution accrual | 3,037         |
| Reclassification of other taxation payable      | (2,858)       |
| Trade and other payables - reclassified         | <u>16,762</u> |

**Taxation payable**

|  |              |
|--|--------------|
| Taxes payable - pre reclassification       | 4,260        |
| Reclassification of other taxation payable | 2,858        |
| Taxation payable - reclassified            | <u>7,118</u> |

**Personnel accruals**

|  |              |
|--|--------------|
| Employee entitlements - pre reclassification | 3,579        |
| Reclassification of employee accruals        | 67           |
| Personnel accruals - reclassified            | <u>3,646</u> |

**Other provisions (current liability)**

|   |            |
|---|------------|
| Provisions - pre reclassification (current liability)     | 3,263      |
| Reclassification of Gaming Distribution accrual           | (3,037)    |
| Reclassification of employee accruals (current liability) | (67)       |
| Other provisions - reclassified (current liability)       | <u>159</u> |

**Other current liabilities**

|  |              |
|--|--------------|
| Financial liabilities - pre reclassification | 9,442        |
| Split out code payables                      | (4,403)      |
| Other current liabilities - reclassified     | <u>5,039</u> |

**UNAUDITED**  
**31-Jul**  
**2012**  
**NZ\$ 000**



## ***Independent Accountants' Report***

to the Board Members of the New Zealand Racing Board

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

We have reviewed the interim condensed financial statements ("financial statements") of the New Zealand Racing Board ("NZRB") on pages 1 to 15, which comprise the statement of financial position at 31 January 2013, the statement of comprehensive income and statement of changes in equity and cash flow statement for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

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

The Board Members are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the NZRB at 31 January 2013, and its financial performance and cash flows for the period ended on that date.

### ***Accountants' Responsibility***

We are responsible for reviewing the financial statements presented by the Board Members in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

A review is limited primarily to enquiries of NZRB personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the NZRB for the period ended 31 January 2013 in accordance with the Review Engagement Standards issued in New Zealand.

We have no relationship with, or interests in, NZRB other than in our capacities as accountants conducting this review and providers of other assurance and advisory services. These services have not impaired our independence as auditors of the NZRB.



## ***Independent Accountants' Report***

New Zealand Racing Board

### ***Opinion***

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the NZRB at 31 January 2013 and its financial performance and cash flows for the period ended on that date.

### ***Restriction on Distribution or Use***

This report is made solely to the Board Members of the NZRB, as a body. Our review work has been undertaken so that we might state to the Board Members of the NZRB those matters which we are required to state to them in an accountants' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board Members of the NZRB, as a body, for our review procedures, for this report or for the opinions we have formed.

A handwritten signature in blue ink, reading 'Patricia Housego'.

Chartered Accountants  
5 April 2013

Wellington