

ANNUAL REPORT 2016



NEW ZEALAND
RACING BOARD



CONTENT

▶ 2016 HIGHLIGHTS	4
▶ ABOUT THE NEW ZEALAND RACING BOARD.....	5
▶ STATEMENT FROM THE BOARD	6
▶ STATEMENT FROM THE CHIEF EXECUTIVE OFFICER	9
▶ INDUSTRY AND BUSINESS UPDATE.....	13
▶ DISTRIBUTIONS INFOGRAPHIC	16
▶ BOARD MEMBERS.....	18
▶ GOVERNANCE STATEMENT	21
▶ RESPONSIBLE GAMBLING.....	25
▶ CLASS 4 GAMING DISTRIBUTIONS.....	27
▶ FIVE YEAR FINANCIAL SUMMARY AND FINANCIAL COMMENTARY	34
▶ FINANCIAL STATEMENTS	42
▶ DIRECTORY	78

2016 HIGHLIGHTS

NZRB DISTRIBUTED \$135.3 MILLION TO THE THREE RACING CODES...



... an increase of \$1.0 million on the previous year. An additional \$1.4 million was distributed from Net Profit After Distributions after balance date. A further \$11.7 million was applied to the racing industry from Gaming, through Racing Authorised Purposes.

Our customers

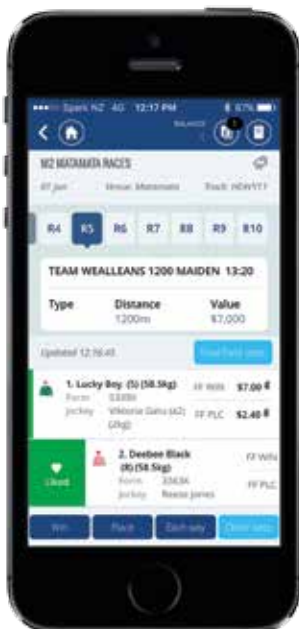
are more engaged than ever - total turnover hit a record \$2.67 billion, up an impressive 11.9% on last year. Net profit (excluding the gains on building sales) was \$5.6 million or 4.1% above the prior year.

Bumper sports punting



saw commission payments to National Sporting Organisations reach \$8.0 million, \$1.9 million more than in 2014/15.

MORE THAN 53,000 FIRST TIME BETTORS TOOK A PUNT IN 2015/16 - AN 18% INCREASE ON THE PREVIOUS FINANCIAL YEAR.



Record breaking active account customer growth, with 180,797 unique account bettors over the year, a 10% increase on 2014/15.

ACCOUNT BETTING TURNOVER GREW 17% TO \$1.29 BILLION IN 2015/16, WITH ACCOUNT GROSS REVENUE GROWING 18% TO \$173.0 MILLION.

TAB Mobile App - total downloads reached over 175,000, with over 22,000 new accounts generated.



Customers spent \$19.8 million on the 2015 Rugby World Cup. 31% of our account customers bet on the tournament, with 7,800 new customers joining for the event.

The Rugby World Cup's One Punt at a Million promotion had over 50,000 participants, resulting in 2,000 new accounts.

\$3.0 million in Gaming grants in 2015/16 was spread across 337 individual grassroots sporting organisations, up from 209 individual organisations receiving \$2.8 million in grants in 2014/15.

Gaming continues to grow, with Turnover reaching \$403.3 million, up from \$317.1 million in 2014/15.

ABOUT THE NEW ZEALAND RACING BOARD

The New Zealand Racing Board (NZRB) is a statutory body established by the Racing Act 2003. NZRB's primary purpose is to promote and enhance the racing industry, run a profitable betting business and generate long-term profit for the benefit of the racing industry.

NZRB operates the country's official racing and sports betting agency, the TAB. The TAB is a major entertainment business with more than 180,000 active TAB account-holders and a retail network consisting of almost 680 outlets. Every bet placed with the TAB makes an integral contribution to the growth of racing and sport in New Zealand and the livelihoods of the many thousands of Kiwis involved in the racing and sport sectors.

NZRB has a proud legacy stretching back to 1951 when the Totalisator Agency Board (TAB) was established as the sole betting operator in New Zealand, and first off-course totalisator service in the world. Throughout that decade the TAB became the fastest growing business in New Zealand's history.

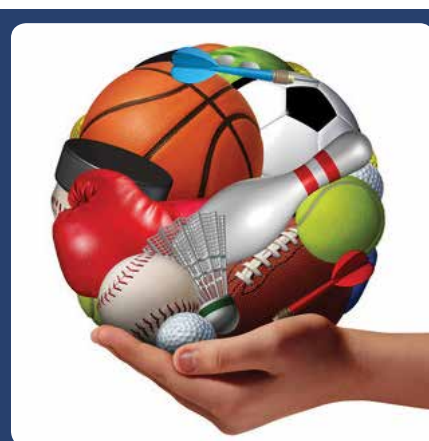
NZRB supports betting on more than 78,000 domestic and imported thoroughbred, harness and greyhound races each season, as well as on approximately 33,000 domestic and international sporting events. It has betting agreements with 34 New Zealand National Sporting Organisations.

NZRB continues to develop its Gaming premises, having held a Class 4 Operator's Licence since 2011. Currently, 42 of our 86 TAB Board Venues host NZRB gaming machines. It is estimated the NZRB operates around 3.5% of the total number of Class 4 Venues and around 2.9% of the total number of gaming machines in the New Zealand market. Net proceeds from the gaming operation are split with at least 80% funding Racing Authorised Purposes (integrity measures such as the Racing Integrity Unit, NZ Racing Laboratory Services and Judicial Control Authority as well as promotion of racing costs), and up to 20% distributed to community sporting organisations.

NZRB directly employs around 870 personnel (full-time, part-time and casual), with the majority of these people involved in the various facets that make up the TAB operation – scheduling daily racing for customers in New Zealand, selling racing and sports bets through the retail network, online and telephony channels, or the broadcast of racing on TAB Trackside 1, TAB Trackside 2, and TAB Trackside Radio.

After operating costs and expenses and distributions from Gaming as outlined above, NZRB's surplus is available for distribution to the three New Zealand Racing Codes – New Zealand Thoroughbred Racing, Harness Racing New Zealand and Greyhound Racing New Zealand – in accordance with an agreed funding model.

NZRB makes a significant contribution to the development of sports in New Zealand through the commission we pay to national sporting bodies for sports on which we take bets. In the 2015/16 year, NZRB paid commissions totalling \$8.0 million to National Sporting Organisations across the country.



MULTI BETS TAKING OFF

It's no secret that Multi bets return bigger dividends, and with more intense focus they have become a top selling bet type in 2015/16, with big wins getting mainstream attention across New Zealand.

Over 70,000 customers took 5,700,000 Multis in the last financial year alone, resulting in \$142.5 million in turnover. That's up from just under 54,000 customers taking a Multi in 2014/15, representing over 30% growth in a year.

Traditionally a sport betting product, racing customers are increasingly seeing the value Multi bets provide, with 20,100 Multis containing a racing leg last year, up from 17,000 in the previous year.

Two amazing Multi wins from pocket change outlays captured the public's imagination, with huge coverage for both across mainstream and social media. In April an anonymous account customer won \$220,000 from a \$13, eight-leg football and netball Multi. Then in May, an Auckland welder won \$183,894 from a \$12, nine-leg Multi he placed at Hunters Corner TAB in Papatoetoe.

STATEMENT FROM THE BOARD

NZRB has made good progress over the past year; Net Profit before Distributions reached \$146.7 million and a record \$135.3 million was distributed to the three racing Codes with a further \$1.4 million provided from Net Profit after Distributions following a Board decision in September 2016.

As I noted in our 2017-2019 Statement of Intent, the discussions in the industry have been clear for more than a decade that the domestic racing and betting industries are in decline and are unsustainable in their current forms. If we allow the decline to continue any longer New Zealand will risk losing its reputation as a world leader in the racing industry.

NZRB will continue to work with the Codes to explore broader strategic options for the industry; it is our responsibility to consider all of the views and take the action that we consider the best for the whole industry. Change will not be simply for the benefit of NZRB or for one particular Code or sector of the industry. All change will have impact. And with any change there are upsides and downsides that need to be carefully considered.

SUPPORTING NEW ZEALAND RACING AND SPORT

New Zealanders' great love of sport and racing goes back generations, and we are proud to be integral supporters of these pursuits.

As the primary funder of the New Zealand racing industry, NZRB has a responsibility to maximise profit for the long term benefit of the industry. Balancing the needs of the industry while also building a sustainable future is a delicate undertaking. However, the Board will continue to support the industry financially as best as we can. This has been demonstrated by the decision by the Board to provide an additional distribution of \$1.4 million to the racing Codes, from the 2015/16 Net Profit After Distributions.

As well as the record distribution to the three racing Codes, commission payments to National Sporting Organisations of \$8.0 million were an impressive 31.4% increase on 2014/15 reflecting the ever-increasing popularity of sports betting. Grassroots sporting groups also benefitted from increased funding this year, with \$3.0 million provided to amateur sport from our Gaming activities.

We have committed to increasing distributions to the Codes over the next two years through anticipated revenue/profit due to new race fields legislation. We will also revisit distributions each year and we expect them to increase as further benefits from our investment strategy are realised.

UNWINDING COST

Cost containment and cost reduction have continued to be a key focus and over the past year NZRB has taken several major steps to slow and reverse cost growth. The removal of senior staff bonuses and a reduction in contractors has illustrated our commitment to drive costs lower as has the further rationalisation of the NZRB property portfolio with the sale of the Petone and Christchurch buildings. Senior staff have been held at a zero percent pay increase. A disciplined approach to cost management has also yielded savings across various areas including insurance, chargebacks and property while staff expenses were adversely impacted by one off restructuring costs incurred including the closure of Phonebet.

We have invested the savings that have been made in these areas back into the business - in our IT platforms and underlying infrastructure to provide improvements in business interruption preparedness, disaster recovery and scalability resulting in overall operating expenses increasing due to what is vital remediation work. More work on improving revenue and reshaping NZRB's cost structure will be done in the coming year with a review of our customer channels and the delivery of a business case for the implementation of an automated FOB platform.

STATEMENT FROM THE BOARD (CONTINUED)

While NZRB is working to invest, innovate and deliver a more modern racing industry, we are driving the reshaping of legislation which impacts on the industry. There are a number of wide ranging issues we are working on closely with politicians and local government - tax issues that are needed to encourage people to engage in the acquisition of horses, alcohol legislation issues that need to be addressed to support the picnic carnivals around the country and many others around occupational safety and health, and earthquake management that need to be addressed.

ANIMAL WELFARE

Animal welfare is a critical issue for our business. While we are fortunate to have an independent governing body in the Racing Integrity Unit (RIU) in New Zealand, it does not mean that we can be complacent in addressing the underlying animal welfare needs of our sport. We were appalled by the findings of the recent inquiry into the NSW Greyhound industry. The New Zealand Greyhound industry is not the same as the NSW industry, the difference being the work of the RIU - an organisation independent of the racing Codes and NZRB that manages welfare and integrity investigations across our industry. The RIU has been and will continue to be very active in managing investigations across the racing industry and it gives us great confidence that the weaknesses identified in Australia are not evident in our industry. Animal welfare will continue to be a top priority for the racing industry, with issues like jumps racing and the use of the whip important ones for consideration over the next period.

2016/17 AND BEYOND

While I may say that these results are not game changing for the industry, they demonstrate NZRB's ability to deliver and reflect the work that has already begun to address fundamental changes to our operating environment. A number of challenges will continue into the coming years, and will require ongoing focus and vigilance by NZRB to overcome and deliver its targets. The Board will be continuing to increase the pace of implementation across both tactical initiatives and the larger scale transformation initiatives to build a long-term sustainable future for New Zealand racing.

The racing industry is at a critical juncture. We have a rich and successful history, and it is a history to be cherished. However, we must be able to make the decisions - and follow through on these decisions - that will take our industry into the future. It is something we must do together, and I am confident that NZRB has the right people, a clear plan, and the dedication to lead the way.



Glenda Hughes

Chair

New Zealand Racing Board



DIGITAL INNOVATION GROWS CUSTOMER BASE

This year, NZRB continued its focus on providing the most engaging betting experience for our TAB account customers.

We ran a wide range of innovative promotions, including TAB Stakes and TAB Apprentice which are digital games based around betting on Racing. During Rugby World Cup, the One Punt at a Million competition had over 50,000 participants, and resulted in 2,000 new account customers. We also continued to develop and improve our customer activation, providing a wide range of highly relevant content to our customers at the right time.

As a result of this approach, NZRB's active account customer base has grown to 180,797 unique account bettors, a 10% increase on 2014/15. More importantly, we also grew customer frequency, with strong growth of 10,000 account bettors per month. Account betting turnover grew 17% to \$1.29 billion, and account gross revenue grew 18% to \$173.0 million. We also attracted 53,626 first time bettors, an 18% increase on the last financial year – a fantastic result.



STATEMENT FROM THE CEO

It's been a year of action for the New Zealand Racing Board (NZRB). The year began with the formation of a new leadership team, and since then we've begun reshaping our business so that we can put all our energy behind projects necessary to build a sustainable long-term future for New Zealand racing. We are already starting to see results.

Net Profit before Distributions was \$146.7 million - exceeding the challenging Net Profit target of \$144.2 million we set last year. This has enabled us to distribute \$135.3 million from betting activities to the three racing Codes, \$1.0 million up on last year, and \$0.7 million ahead of SOI forecast. This is the second year in a row we have delivered our target. In addition, a further \$1.4 million was distributed to the racing Codes from the 2015/16 Net Profit after Distributions. This additional distribution will be reflected in the 2016/17 total distributions as it was approved after the 2015/16 balance date.

While this is a pleasing result I can assure you we are not resting on our laurels. We are operating in a highly competitive environment - our competitors are investing heavily and the whole structure of the industry is changing, so we're working hard to stay ahead. We are focussed on being innovative and on positioning our business to successfully deliver our targets and respond quickly to changes in customer behaviour. This means partnering, it means a focus on our punters and it means investing now to ensure future viability.

A primary driver of the future prosperity of the racing industry in New Zealand is the success of the betting and gaming activity of NZRB. We have to keep growing the financial returns for our industry so we can invest in stakes, in infrastructure, in the development of a new generation of talent and so we can be more effective in engaging the New Zealand public, introducing them to the excitement of racing. The only way that we can deliver the money that is required is through investment, cost management and revenue growth.

2015/16 KEY HIGHLIGHTS

Our Net Profit before distributions result is a year-on-year increase of \$2.7 million and \$2.5 million ahead of budget. Removing the impact of the gains on sale of Petone in 2014/15 and Christchurch in 2015/16, this shows a year-on-year increase of \$5.6 million, or 4.1%. Betting Net Profit was \$137.3 million, consistent with prior year, while Gaming Net Profit was \$15.1 million, an increase of 20.1% on the previous year.

Our focus on the customer continues to pay dividends with almost 181,000 account customers placing a bet over the past year - up 9.6% on last year. The trend of customer preference from Tote to Fixed Odds Betting (FOB) has continued, with FOB up 35.4% and turnover on in-play betting up 65% - compared with a decline in Racing Tote by 9.0%.

We've improved our turnover and revenue figures; Total Turnover reached \$2.7 billion and Total Revenue from Betting and Gaming of \$351.9 million was up 4.6% on last year. Domestic FOB racing margins were ahead of last year, with Harness racing the star performer. This is encouraging as higher than anticipated payout rates on Sports multis, the growth of in-play sports betting and the continuing shift to FOB have otherwise diluted our betting margins. Improving our FOB margins remains a key area of focus and further highlights the need for us to invest in an automated Fixed Odds Betting platform which forms a key part of our strategy for the next year.

Improving our customers' digital experience and our online competitiveness becomes ever-more critical, with digital channels accounting for 55.9% of our betting activity and the TAB Mobile App our fastest growing customer touchpoint, up 214.4% on last year. However, this doesn't come at the expense of our retail network, which saw a 4% increase in turnover across all venue types, and 12% for our Agencies, a fantastic result which emphasises the importance of our physical TAB presence across the country.

Gaming has continued to grow, with Gaming Revenue of \$23.2 million - a 26.0% increase on last year, coming off the back of total Gaming Turnover of \$403.3 million (27.2% ahead of 2014/15). We also opened four new TAB venues during the year.

STATEMENT FROM THE CEO (CONTINUED)

MANAGING OUR COSTS

Operating Expenses of \$138.8 million (up 8.6% on last year) have been tightly managed throughout the year in light of significant revenue volatility. Actions taken over the year include removing the senior leaders bonus scheme, selling our Christchurch property, and improved performance of our insurance arrangements.

We have also taken steps to move our business to a lower cost model where possible. Initiatives such as the closure of Phonebet cost us \$0.9 million in the 2015/16 year in restructuring costs, but will deliver future savings to the business of \$2.3 million per year.

It is also important to note that our operating expenses were budgeted to increase in 2015/16 to reflect the introduction of the Optimus programme which included a move to a managed technology service with Spark. This change was necessary to give us access to resilient technology and means we avoid substantial capital costs buying new equipment over coming years. This investment also allows us to replatform our technology and enables us to future proof the technology infrastructure that we need for growth.

Getting costs under control is not the same as a freeze on spending. It is about being careful where money is invested and tightly managing our costs in all areas. We are very aware that our costs have been growing faster than profit, and looking to 2016/17 we have budgeted a much smaller increase of just 0.3% to reflect the tighter management approach we are taking to costs.

INVESTING IN OUR FUTURE

In NZRB's Statement of Intent 2017-19, I outlined our major initiatives, which once fully delivered, will provide \$50-55 million in annualised Net Profit per year.

These initiatives require investment now to deliver benefits in the long term. The Optimus programme, implemented largely over this financial year is a critical enabler of some of this work, providing us with the technology and capability base from which we can now move to further development.

We are automating our Fixed Odds Betting platform. The growth of FOB isn't slowing. Our competitors are offering around 100,000 options a day compared to our 2,500 - we're not simply lagging behind, we're not even in the game.

We are focussing on our customers, gaining greater understanding of their needs than ever before, and using this data to implement a strategy that puts the customer experience at the heart of our betting offering. This is all about growing our customer base. We are targeting twice the number of regularly betting account customers within two years. Delivering this requires us to look at our channels, both digital and retail, new models and ways of doing things, and make sure we are meeting our customers' needs. A good example of one thing already in the works is an online ID verification system - this relatively low-cost investment will make it much simpler for people to set up their account and bet with us online, and should result in a much greater number of our new account sign-ups staying and betting with us for longer.



20 YEARS OF SPORTS BETTING

2016 marked the 20th anniversary of sports betting in New Zealand. The first event that the TAB took bets on was the 1996 Bledisloe Cup test, where the All Blacks beat Australia 43-6 at Athletic Park. This was also the first All Blacks Tri-Nations test match, as well as being the first Bledisloe Cup test of the professional era.

All Black legend Colin Meads, placed the first sports bet at our Courtenay Place branch in Wellington on 24 June 1996. It was a successful punt on the All Blacks to win 13+, and also first try scorer selections of Josh Kronfeld (\$14) and Robin Brooke (\$40). Intriguingly, both came very close to scoring.

New Zealanders bet \$1.15 million on that first match, with \$200,000 coming on in the last hour before kick-off. Although not massive when compared to major racing, the Bledisloe Cup was Australasia's largest single sports betting event ever at the time.

Turnover on sports betting in 1996/97 was \$33.8 million, in 2015/16 it was \$554.8 million.

STATEMENT FROM THE CEO (CONTINUED)

We are working with industry to look at how we can introduce an optimal racing calendar. Economic analysis has shown that the domestic racing industry is not delivering an economic return - it is dependant on income from international betting to sustain it. We want New Zealand racing to be the best it can be, with quality racing on quality tracks with quality facilities, so that it can stand on its own successes and is not at the mercy of international changes significantly impacting on our industry.

We are also working with Government to address the offshore betting issue. The Offshore Betting Working Group's findings were clear that there is a significant amount of betting income lost overseas, and that is money that is not going to our own New Zealand racing and sports. Proposed race fields legislation will go some way to recovering some of this lost income, and we will be passing this on through increased distributions to the Codes once it is in place.

We recognise that not everyone has the two to three years we estimate it will take to realise all of the benefits of the actions we are taking. That is why we are already taking steps to support the industry through this challenging time, and are looking at how we can potentially provide additional funding that could be applied to stakes, infrastructure and the education and development of the next generation of the New Zealand racing industry.

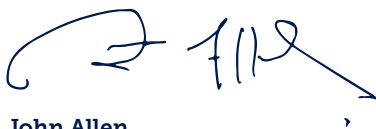
DELIVERING A FUTURE FOR NEW ZEALAND RACING

The New Zealand racing industry continues to excel on the international stage. This is an industry that should be on the front foot looking confidently to the future, and yet in every part of the country people are questioning this. Even those at the top - our best and brightest have asked me whether in ten years' time if this industry will be there for them, whether there is a future for the racing industry in New Zealand.

I genuinely believe the answer is yes, but the simple fact is that NZRB needs to be bringing more money into the industry if we are to achieve that future. I've said many times that there is no silver bullet, no single action that will completely transform our industry. However, I do believe that these initiatives that we have under way will make a significant difference to the industry.

This will take real alignment, with a genuine desire to work together for the mutual benefit of the entire industry - all codes, all vocations, all regions. It's only natural that there will be differences of opinion - but a fragmented industry will never be able to halt the inexorable decline. If we are to achieve a truly sustainable future for all, it will take all of us working together to the same ultimate ends.

I am committed to this future. My team here at NZRB is committed, as is our Board. We are focussed on delivering our targets, and with the progress made this year, I am confident we will do just that.



John Allen

Chief Executive Officer

New Zealand Racing Board



INDUSTRY AND BUSINESS UPDATE

RACING INDUSTRY

Independent analysis has shown that the domestic racing industry is not delivering an economic return - it is dependant on income from international betting to sustain it. The performance of our animals, breeders, jockeys, drivers and trainers still place New Zealand on the world stage but if we allow the domestic racing industry decline to continue any further we will risk losing our reputation as a world leader.

There are some promising signs - 2015/16 saw tremendous growth in the sale of New Zealand bloodstock. The Karaka yearling sale recorded an all time record median of \$55,000, up 22% from last year and smashing the previous record of \$52,000 set in January 2008. Subsequent select, weanling and broodmare sales followed the same record breaking trend.

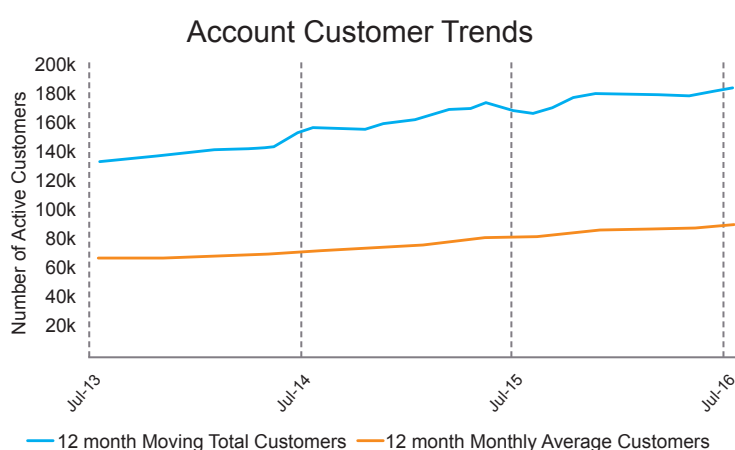
However we need to align the successes of our breeding industry with our wider racing industry if we are to maximise returns. The challenges facing the racing industry are well known, as is the fact that for many of them there is no quick fix. Racing clubs are facing aging infrastructure and increasingly costly maintenance programmes. Customer participation on course continues to decline, limiting the ability of clubs to generate revenue and fund the required programmes. The knock on effect of this is customer experience on course is compromised as facilities are not modernised.

Foal crops have continued to decline within the equine Codes. Action is now being taken within the Codes to counter this trend, and both equine Codes are looking at consolidation of races to generate greater field sizes over less races.

NZRB is working with the wider industry to develop an agreed domestic racing calendar, with supporting infrastructure, which maximises economic contribution to New Zealand. This is a key action in building a long-term sustainable future for the New Zealand racing industry.

CUSTOMERS

NZRB's positive financial performance has been underpinned by ongoing growth in core customers, and importantly, in monthly active customer accounts, continuing a trend over recent years. Active accounts is an important metric for NZRB as it represents our consistent and reliable customer base.

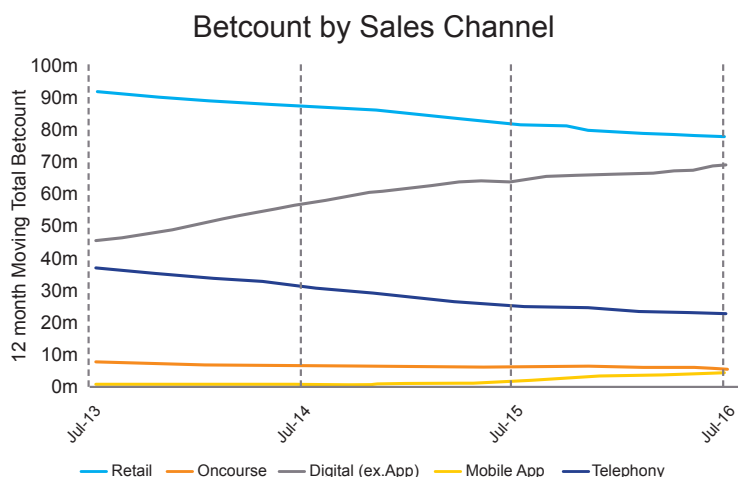


While customer numbers are up, they are also continuing to move away from totaliser products towards fixed odds products. This is most noticeable in New Zealand domestic racing, and becoming more prevalent in imported racing. However, while its proportion of sales has declined, Tote still made up 48.3% of turnover in 2015/16, and remains an important product for NZRB.

As has been noted in the CEO statement, the big growth in NZRB's fixed odds business is in sports, which has increased by 37.2% in 2015/16. Customers have shown a love of in-play sports options over the year, with growth in this product category topping 65% and the appetite for in-play on key sports showing no sign of abating.

INDUSTRY AND BUSINESS UPDATE (CONTINUED)

The way customers choose to access NZRB's products is also rapidly changing. There is significant migration to digital channels, with the TAB Mobile App emerging as a key sales channel for growth in 2015/16.



These active changes in customers' product and channel preferences come at a cost, and are putting pressure on the systems and processes that underpin the business. They require more active management, which impacts on operational costs and product margins, and ultimately, profitability.

THE AUSTRALIAN MARKET

The global betting landscape is becoming increasingly competitive as digital platforms break down geographic borders. While NZRB made improvements in delivering to our customers' needs, there are clear signs of international players targeting our customers. Many of our overseas competitors provide digital experiences, service and depth of products that far exceed our current offering, and NZRB customers are becoming more vocal about competitor approaches and their expanding options.

There is no better illustration of the intensifying competition for customers than the betting landscape in Australia. The major corporate bookmakers are actively targeting customer growth, with in-market commentary acknowledging their strategic intent to develop customer bases through reducing product margins, heavy investment in marketing and product development.

STRATEGY

NZRB has an unambiguous legislative purpose.

The objectives of the Board are:

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

Racing Act 2003

To deliver this, NZRB must strike a balance between generating profit to fund today's racing industry, and investing to ensure the long term sustainability of the industry. Finding this balance has proven difficult, particularly in recent times where a policy of fully, or even over distributing profit has taken precedence over strategic long term initiatives.

This has resulted in a racing industry that has suffered from decades of under-investment - in infrastructure, systems, and people - and balance sheets actively stripped of reserves for operational purposes. We have an industry that operates today on a patchwork quilt of systems, processes and entrenched experts to deliver its product to customers. Given this, it is unsurprising recent independent analysis has determined the industry is economically unsustainable in its current form.

We have a responsibility to the racing industry to return it to a state of economic sustainability from which it can grow and prosper. However, to do this NZRB must first repair the foundations on which any successful business is based; fit for purpose and robust systems, a customer-led sales and marketing strategy, a competitive customer offering, an appropriate infrastructure footprint, and an optimised cost base.

INDUSTRY AND BUSINESS UPDATE (CONTINUED)

To achieve this, NZRB is adopting a three-pronged strategy:

- Focusing investment in fit for purpose systems and infrastructure - to underpin our opportunity to grow.
- Transforming the operations of the industry to be customer-led - to ensure our future products, channels and initiatives are developed to meet the needs of our customers.
- Optimising the industry footprint, infrastructure, and cost base - to prioritise our infrastructure investment to align with the future needs of the industry.

We are focussing on the following key strategic initiatives to deliver this strategy:

- Optimus Programme - we're developing information technology systems that do what we need them to, and building commercial relationships with key technology partners, to ensure we can consistently and reliably deliver racing and betting to our customers.
- Customer Strategy - we're making sure customer insights and feedback are at the heart of the process of developing and delivering new products and services.
- Channel Strategy - closely connected to our Customer strategy, we're focussing in on our channels and how we can improve our customers' experience when accessing our products and services.
- Fixed Odds Betting - we're enhancing our betting platform to offer significantly more options for our customers and be more competitive with overseas bookmakers.
- Optimise the Calendar - we're working with the wider industry to set a race schedule and calendar that maximises both customer engagement and opportunities to lift revenue.
- Vision Capture - our broadcast van fleet is aging and near end-of-life, so we're looking at how we film and broadcast New Zealand racing that best meets the needs of our customers.
- Offshore Betting Legislation - we're working with Government to address the impact of offshore bookmakers on the New Zealand racing industry and enable NZRB to be more competitive.

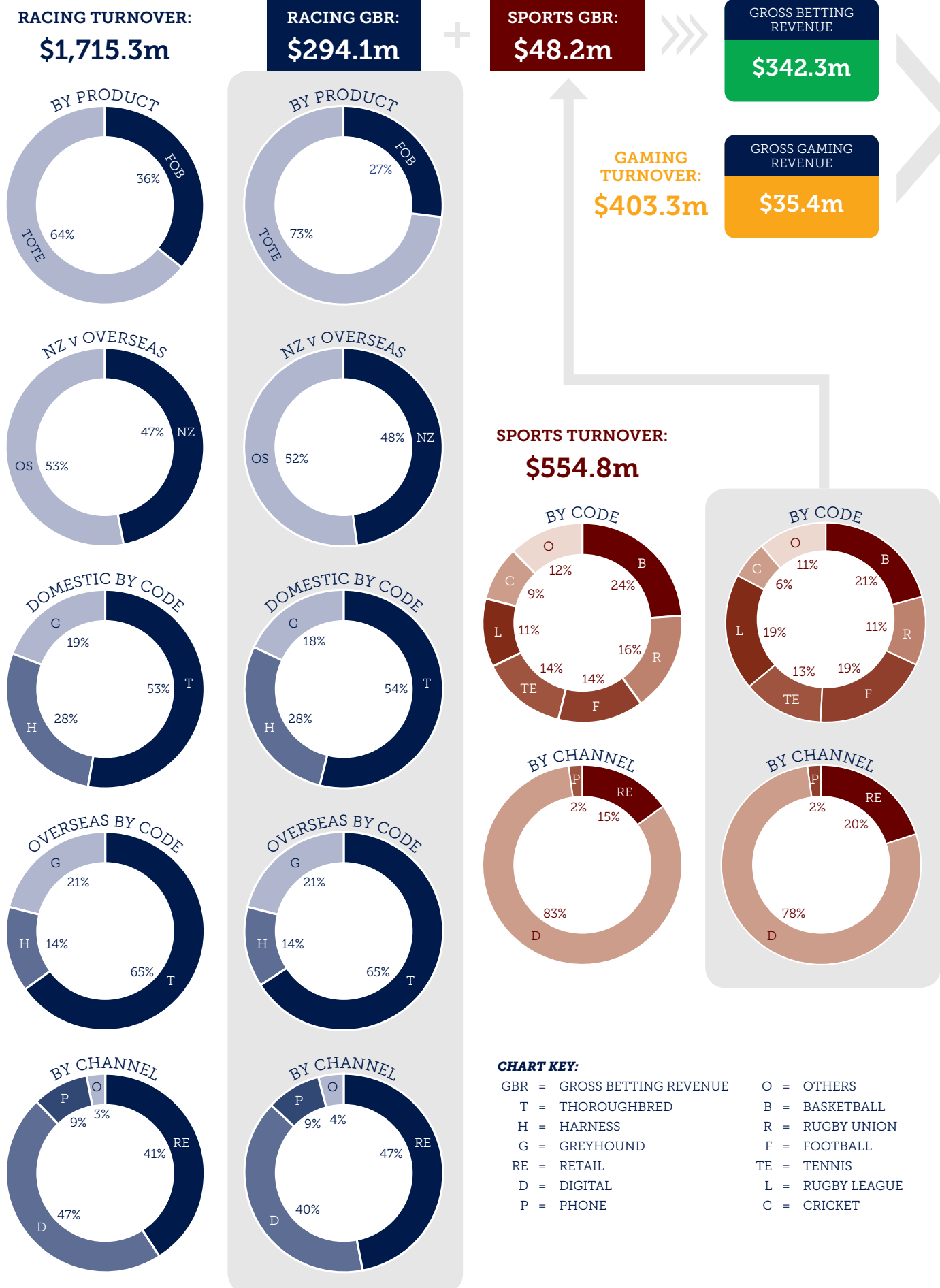
In addition, we are developing three new pilot enhancement funds to help support and grow the industry:

- Stakes enhancement fund - tactically boosting stakes to attract higher quality racing, improving the overall race experience for industry people and punters alike.
- Infrastructure enhancement fund - investing in the key infrastructure we need to advance our industry.
- Youth enhancement fund - helping build the next generation of racing by encouraging and incentivising the development of career paths into and through the industry.

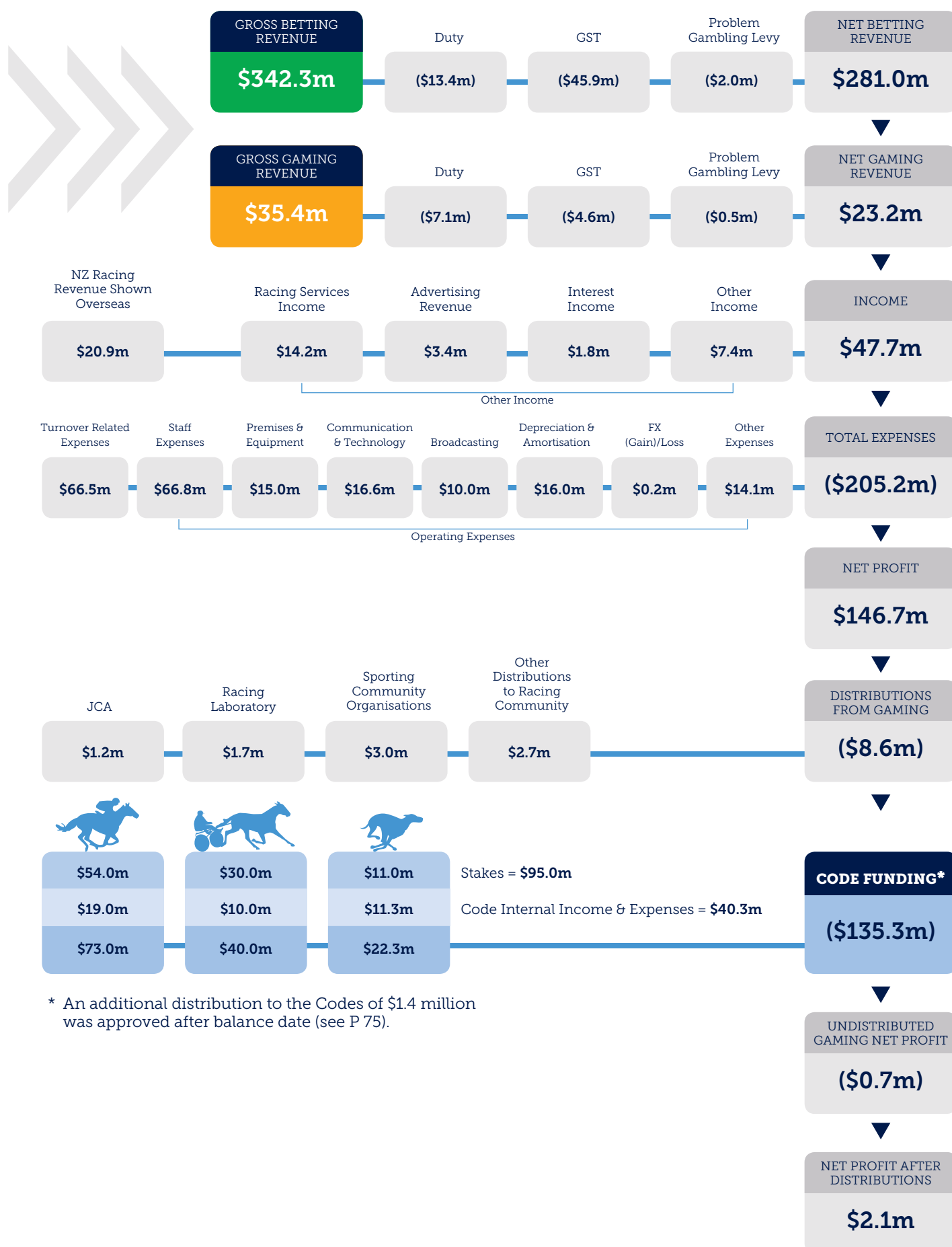
The journey from our current state to economic sustainability and growth will require the industry, including NZRB, to change, and this change will take time. We recognise that there will be differing views throughout the industry of where this journey should start, but as the organisation charged to lead the racing industry, NZRB is confident that these actions can and will make a tangible difference to the industry.

The successful delivery of our strategy will be instrumental in helping shape an industry that Kiwis want to be involved in, whether through animal breeding and ownership, employment and career development, or by simply enjoying a fantastic day at the races or punting on their favourite sport with good mates.

DISTRIBUTIONS INFOGRAPHIC



DISTRIBUTIONS INFOGRAPHIC (CONTINUED)



* An additional distribution to the Codes of \$1.4 million was approved after balance date (see P 75).

BOARD MEMBERS



GLEND A HUGHES
INDEPENDENT
CHAIRPERSON | BA

Glenda Hughes has 25 years' experience in management, leadership and corporate governance. She is owner and managing director of a communications and media strategy company, Glenda Hughes Communication, which specialises in strategic management, public change programmes, government relations, media liaison, marketing, promotions and launches. Ms Hughes has significant board and sporting experience through her service on the boards of charitable trusts and the Parole Board. She is a member of the Institute of Directors and has represented a number of sports teams, including New Zealand at the Commonwealth Games in 1982. In addition to her Bachelor of Arts degree, she holds a post graduate paper in creative non-fiction writing, a certificate in athletic career management and has completed papers for a Diploma in business administration, communications and dispute resolution.



MAURO BARS I
GREYHOUND CODE
NOMINEE | LLM(HONS), BA

Mauro Barsi has spent the last three years leading a business transformation project including resculpting the recruitment and retention functions of the business, reinvigorating the product offering, and managing the Employers and Manufacturers Associations' risk profile. He currently leads one of the major business units within the EMA and is also involved in helping shape the EMA's Employment Law activity, lobbying and policy work. He regularly represents the EMA in a variety of activities and is often requested as a speaker for industry events and conferences.

Previous to this, Mauro gained substantial experience in business management, corporate restructuring and litigation. He has successfully led teams in various industry sectors, including in events, the public sector, employment relations field and in corporate litigation. He has managed a number of successful business transactions and helped shape the strategy for a number of successful New Zealand entities.



BARRY BROWN
INDEPENDENT
MEMBER | LLB (HONS)

Barry Brown is one of New Zealand's leading corporate lawyers and has advised on many of the country's biggest deals over the past 30 years. Barry joined Chapman Tripp in 1972 and became a partner in 1980. Barry is currently acting as a Consultant in Chapman Tripp's corporate and commercial team, which advises New Zealand and multi-national clients on mergers and acquisitions, as well as securities law. During his time with Chapman Tripp, Barry has been Chairman of the Board and Managing Partner of the firm's Wellington office. Barry is a member of the Auditor Regulation Advisory Group of the New Zealand Institute of Chartered Accountants and a former member of the New Zealand Stock Exchange's Market Surveillance Panel. Barry holds a law degree with honours from Victoria University of Wellington.



ALISTAIR RYAN
INDEPENDENT
MEMBER | MCOM, CA

Alistair Ryan has extensive board and senior executive experience in both listed and unlisted companies in New Zealand and Australia. Alistair is a chartered accountant (CA) of ICANZ and holds an M.Comm degree (First Class Hons) in Accounting from Canterbury University. In addition to his board membership of NZRB, Alistair is currently Chairman of NZX listed companies Kingfish Limited, Barramundi Limited, and Marlin Global Limited, a Director and Audit and Risk Committee Chair of NZX and ASX listed companies Metlifecare Limited and Evolve Education Group Limited, and a director of unlisted companies Christchurch Casinos Limited and Lewis Road Creamery Limited.

Alistair is a Member of ICANZ's Auditor Regulation Advisory Group and has been a member of one of the judging panels for the annual INFENZ finance sector awards for the last four years. Alistair held a number of senior executive positions during an extended career with SKYCITY Entertainment Group, commencing in 1995 (prior to opening of SKYCITY) through to retirement as Chief Financial Officer in June 2011. Prior to SKYCITY, Alistair was a partner with Ernst and Young in Auckland.

BOARD MEMBERS (CONTINUED)



GREG MCCARTHY
THOROUGHBRED CODE
NOMINEE | BCA, CA

From the racing heartland of Cambridge, Greg McCarthy is a director of Sutton McCarthy Limited, a consultancy firm that provides strategic, financial and treasury advice to corporate and other clients. A Chartered Accountant, Greg is a director of Rangatira Forests Limited. Greg has been active in the thoroughbred industry for more than 20 years as a breeder and racehorse owner. Greg has a BCA in Accounting, Economics and Commercial Law. He also holds a Graduate Diploma in Rural Studies.



GRAHAM COONEY
INDEPENDENT MEMBER

Graham Cooney is an experienced director across a number of sporting business and education institutions. He is a founding director and now Chairman of Blue Sky Meats NZ Limited (since 2008), is a Director of Spark Digital franchises in Auckland and Southland and has previously served as a board member of the New Zealand Rugby Union. Graham participates in the racing industry through his breeding and racing of a few standardbred horses.



ROD CROON
HARNESS CODE NOMINEE

Rod was the owner of ECM Music (1995-05) and Lifestyle Sports (1991-94) and was appointed to the Board in August 2012 as Harness Code nominee. A standardbred breeder and owner, he has served as Chairman of Northern Harness Racing (2008-12) and is a past President of the Auckland Trotting Club. He has also served as Chairman and Director of the New Zealand Sire Stakes Board.

BOARD AND INTERESTS REGISTER - Board members as at 31 July 2016

GLEND A HUGHES

- Racing Integrity Unit, Chair
- National Party, Board Member
- Clubs New Zealand Incorporated, Client
- Kids Can, Director
- Parole Board, nonjudicial member

MAURO BARS I

- Greyhound Racing New Zealand, Board Member
- EMA, GM Enterprises and Strategy / Corporate Legal Counsel

GRAHAM COONEY

- Blue Sky Meats (NZ) Ltd, Chair
- Preston Russell Law, Independent Chair
- Gen-I Southland, Bay of Plenty, Auckland, Director (now Spark Digital)
- Southland Standardbred Breeders Association, Committee Member
- Standardbred ownership and breeding interests

ROD CROON

- Croon Bloodstock Limited, Managing Director
- Standardbred ownership and breeding interests
- Standardbred Breeders Association, Member
- Auckland Trotting Club, Vice President

GREG MCCARTHY

- Thoroughbred ownership interests
- New Zealand Thoroughbred Breeders' Association, Member
- New Zealand Thoroughbred Racehorse Owners' Federation, Member
- Rangatira Forests Limited, Director and Shareholder
- Spring Creek Estate Limited, Director
- Sutton McCarthy Limited, Director and Shareholder

BARRY BROWN

- Ironsand Forests Limited, Director
- Chapman Tripp, Consultant
- Wellington Racing Club, Member
- Family members who are involved in the racing industry

ALISTAIR RYAN

- Kingfish Limited, Chair
- Barramundi Limited, Chair
- Marlin Global Limited, Chair
- Metlifecare Limited, Director
- Christchurch Casinos Limited, Director
- Lewis Road Creamery Limited, Director
- Evolve Education Group Limited, Director, Audit and Risk Committee Chair
- Auditor Regulation Advisory Group, Member



GOVERNANCE STATEMENT

The Racing Act 2003 sets out the authority, responsibilities, membership and operation of the New Zealand Racing Board (NZRB).

BOARD STRUCTURE AND COMPOSITION

The management of the business and affairs of the NZRB takes place under the direction of its governing body, the Board. Under Section 11 of the Racing Act 2003, the Minister for Racing appoints a Board of seven members, consisting of:

- An independent Chairperson;
- Three members nominated by each of the three Racing Codes: New Zealand Thoroughbred Racing Inc; Harness Racing New Zealand Inc; and the New Zealand Greyhound Racing Association Inc;
- Three members recommended by a nomination advisory panel, comprising the Minister for Racing, the NZRB Chairperson and the Chairpersons of the three Racing Codes.

Board members are appointed for terms not exceeding three years, but may be eligible for reappointment.

At the start of the 2015/16 racing season the full Board consisted of:

- Glenda Hughes (Chair)
- Barry Brown (Independent Director)
- Graham Cooney (Independent Director)
- Alistair Ryan (Independent Director)
- Mauro Barsi (Greyhound Racing NZ Nominee)
- Rod Croon (Harness Racing NZ Nominee)
- Greg McCarthy (NZ Thoroughbred Racing Nominee)

As at 31 July 2016, the Executive Racing Board Leadership Team comprises:

- John Allen, Chief Executive Officer
- Trish Bolger, General Manager People
- Shaun Brooks, General Manager Finance
- Stephen Henry, General Manager Services
- Andy Kydd, General Manager Broadcasting
- Colin Philp, General Manager Technology
- Glen Saville, General Manager Betting
- Gary Woodham, General Manager Customer

GOVERNANCE STATEMENT (CONTINUED)

BOARD RESPONSIBILITIES

The Board meets regularly. The Chief Executive Officer, whose responsibility is the day-to-day operations of the NZRB, also attends all Board meetings.

In accordance with Section 19 of the Racing Act 2003, the NZRB submits a Statement of Intent for the upcoming three financial years, setting out its overall objectives, intentions and financial and performance targets. After due consultation with recognised industry organisations, the Statement of Intent is tabled by the Minister in Parliament.

BOARD PROCESS

The Board met ten times during the year to 31 July 2016. Every meeting is subject to a formal agenda and reporting procedures. Agendas are prepared by the Board's Secretary, in conjunction with the Chief Executive Officer and the Chair.

NZRB maintains an Interests Register in which the interests, of its members are recorded. Board Members are expected to manage any conflicts of interest in accordance with the provisions of the Racing Act 2003.

BOARD COMMITTEES

The Board formally constituted four committees in 2015/16: the Dates Committee, the Audit and Risk Committee, the Compensation and Development Committee and the Net Proceeds Committee.

These committees support the Board by considering relevant issues at a detailed level and report back to the Board. This reporting will generally include the making of recommendations to the Board, except where specific decision-making authority has been delegated to the committee by the Board.

All committees are governed by charters setting out their roles and responsibilities, membership, functions, reporting procedures and the manner in which they operate.

The purpose, structure and membership of each committee is reviewed regularly.

DATES COMMITTEE

The Dates Committee is established in accordance with Section 42 of the Racing Act 2003, which requires the committee to be established and maintained in order to determine, in consultation with each of the recognised industry organisations:

- All the dates in the forthcoming racing year on which domestic betting races will occur;
- The allocation of those dates among Racing Clubs; and,
- Any conditions of allocation.

As at 31 July 2016, members of the Dates Committee are: Graham Cooney (Chair), Greg McCarthy, Rod Croon and Mauro Barsi.

GOVERNANCE STATEMENT (CONTINUED)

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee assists the Board in discharging its responsibilities with respect to financial reporting, the risk management practices of the NZRB, the work of the internal audit function and NZRB's external auditor, PricewaterhouseCoopers.

The Audit and Risk Committee meets at least four times a year and as at 31 July 2016 consisted of Alistair Ryan (Chair), Graham Cooney, Greg McCarthy and Barry Brown.

Risk oversight is provided through the Racing Board Leadership Team, supported by the Investigations, Risk and Assurance team who report to the General Manager Services. Although the General Manager Services position reports to the Chief Executive Officer, the role also has a matrix reporting line to the Chair of the Audit and Risk Committee.

The Investigations, Risk and Assurance team are charged with:

- implementing an enterprise risk management framework;
- developing and maintaining the organisation's policy framework;
- monitoring and oversight of strategic and business risks from a risk matrix/ register process;
- oversight of risk incidents and control failures to enable feedback and rectification;
- establishment of risk appetite and tolerance in relation to particular transactions and activities;
- investigating suspicious or dishonest activity around wagering and gambling activities; and
- managing NZRB's third party insurance programme.

In performing its role, the Investigations, Risk and Assurance function is adopting a focus of improving its performance and capabilities particularly in implementing a risk-based approach with a greater emphasis placed on those areas where the highest risk exists.

COMPENSATION AND DEVELOPMENT COMMITTEE

The Compensation and Development Committee monitors issues and determines policies and practices relating to the remuneration of the Chief Executive Officer and the Racing Board Leadership Team. It also oversees management development and succession planning processes. As at 31 July 2016, the Compensation and Development Committee's members are Rod Croon (Chair), Mauro Barsi and Alistair Ryan.

NET PROCEEDS COMMITTEE

The Net Proceeds Committee was established to allocate the proceeds of the Class 4 gaming activity to racing and amateur sports bodies for authorised purposes. As at 31 July 2016, its members were: Graham Cooney (Chair), Alistair Ryan, Glenda Hughes and Barry Brown.

TECHNOLOGY COMMITTEE

A new Technology Committee was established and will commence meeting from the start of the 2016/17 financial year. As at 1 August 2016, its members are: Mauro Barsi (Chair), Alistair Ryan and Greg McCarthy. The Committee has been established in recognition of the increasing strategic investment in NZRB's technology to support the rapid customer shift to digital channels and services, and the need for the Board to fully engage with this work.

GOVERNANCE STATEMENT (CONTINUED)

BOARD MEMBERS AND REMUNERATION

Number of meetings:

	MEMBER'S REMUNERATION	BOARD MEETINGS	AUDIT & RISK COMMITTEE	DATES COMMITTEE	COMPENSATION & DEVELOPMENT COMMITTEE	NET PROCEEDS COMMITTEE
Mauro Barsi	41,000	9	-	2	2	-
Barry Brown	38,000	10	2	-	-	6
Graham Cooney	49,000	9	5	2	-	5
Rod Croon	44,000	9	3	2	2	-
Glenda Hughes	70,000	10	-	-	-	5
Greg McCarthy	41,000	9	5	2	-	-
Alistair Ryan	43,000	9	4	-	2	6
TOTAL	326,000	10	5	2	2	6

EMPLOYEE REMUNERATION BANDING EQUAL TO OR OVER \$100K

The table below shows the number of employees and former employees of the NZRB Group (including Racing Integrity Unit), not being directors, who, in their capacity as employees, received remuneration and other benefits during 2015/16 of at least NZ\$100,000.

The remuneration figures shown include all monetary payments actually made during the year, including incentives but excluding redundancies. The buy-out of the senior management and Racing Board Leadership incentive schemes in the 2016 financial year are included in the figures below.

NZ\$000	2016	NZ\$000	2016
100-110	30	220-230	2
110-120	23	230-240	1
120-130	15	240-250	2
130-140	15	250-260	1
140-150	7	260-270	3
150-160	6	290-300	1
160-170	11	330-340	2
170-180	12	350-360	1
180-190	3	650-660	1
190-200	1		
200-210	1		

RESPONSIBLE GAMBLING

For most customers, betting on racing and sports or playing gaming machines is a fun, safe and exciting pastime.

However some people are at risk from the impact of problem gambling. NZRB is committed to the highest and most robust standards in addressing the issue by providing industry-leading programmes in partnership with the Ministry of Health (MoH), Department of Internal Affairs (DIA), the Problem Gambling Foundation (PGF) and other problem gambling support services.

Under the Gaming Act 2001 and the Gambling Act 2003, the NZRB (TAB) can only accept bets on racing and sports events and may also operate gaming machines. The legislation sets out strict harm prevention and minimisation obligations. The Gambling (Gambling Harm Reduction) Amendment Act 2013 also imposes further obligations. NZRB ensures its training programmes and harm minimisation procedures go above and beyond the statutory requirements set out in both.

During the 2015/16 year, NZRB's investment in responsible gambling measures was \$2.5 million (\$2.4 million in 2014/15). Of this, approximately \$2.4 million (\$2.3 million in 2014/15) was paid to the Crown to recover the costs of the MoH's problem gambling management services.

FOCUS ON HARM PREVENTION AND MINIMISATION

As part of its focus on harm prevention and minimisation, NZRB works with industry partners on raising awareness of problem gambling and sporting integrity, maintains strong relationships with government officials, and works alongside problem gambling support agencies to better understand customer needs.

NZRB endorses the MoH's strategies and programmes in this area, and is a representative in the Stakeholder Reference Group coordinated by the DIA, in participation with the MoH.

This is an important opportunity to contribute, alongside other industry providers and parties, to the discussion on key issues within the sector from a harm prevention and minimisation perspective.

In 2015/16, \$118,500 was invested in the provision of training in harm minimisation and prevention procedures for staff in customer-contact roles within NZRB and the wider racing industry in order to ensure leadership continues to be taken in this area. This amount is consistent with last year.

IDENTIFICATION AND MANAGEMENT

NZRB has developed both proactive and reactive approaches to the identification and investigation of potential problem gambling situations.

It is a requirement of the TAB Retail Agency Contract that all store management staff, and those who work in sole operator positions, undertake appropriate and robust problem gambling

training to help meet responsibilities around harm prevention and minimisation.

In addition, NZRB provides complementary training programmes developed in conjunction with the PGF, allowing staff to undertake problem gambling awareness and refresher training online.

Staff who work at gaming sites are also visited personally onsite by a 'Harm Prevention and Minimisation' trainer from the PGF, who talks with staff in more depth about what they see every day and how best they can deal with any concerns.

Exception reporting is conducted aimed at identifying any significant changes or concerns around the betting behaviour of account customers.

With these processes and staff training in place 2015/16 saw 474 customers issued with exclusion notices (both self-exclusion and by NZRB), while 30 account customers were placed in the Set Your Limits betting restriction programme. These numbers represent an extremely small percentage of the TAB customer base.

GAMBLING RESTRICTION PROGRAMMES

NZRB offers self-exclusion and betting limit programmes to support customers who may wish to restrict their betting activity, and provide information online and in-store for customers on where they can seek problem gambling help.

The Set Your Limits programme is available to all TAB account customers, allowing them to place a limit or cap on their account betting activity.

The limitations on betting activity can be either a request to limit the amount of money able to be spent through the account each week, or a request to limit the level of losses through the account. Once the agreed limit has been reached, no further bets will be accepted on the nominated account for that week.

Under the multi-venue self-exclusion programme, any customer can voluntarily arrange for access to TAB betting services to be denied for a period of up to 24 months. At the end of this term the exclusion will lapse only with the agreement of NZRB.

NZRB also offers an "Account Only" exclusion programme. Through this programme a client can request to have themselves blocked from operating a TAB account but not from betting at our retail stores in cash. NZRB can also choose to exclude customers from having TAB accounts.

These programmes provide customers with practical ways of helping them control their betting behaviour while still allowing them the enjoyment of racing and sports bets and playing gaming machines.

DARTS ON THE UP

From humble origins in British pubs, the sport of darts has now taken centre stage in giant stadiums and on TV screens around the planet.

With its pageantry, partying crowds and fierce competition, all broadcast live to thousands of viewers, it hasn't taken long for darts to become a popular betting sport here. From turnover of just over \$1.0 million in 2011/12, to over \$2.8 million in 2014/15, it has quickly become apparent that there is huge betting demand for the traditionally social sport.

When it was announced that Auckland would hold a round of the PDC Darts Masters tour in 2015, the TAB were quick to get on board, becoming the main sponsor, with turnover that year reaching over \$4.8 million. That growth in turnover saw over \$65,000 in TAB commission payments generated for Darts NZ in 2014/15.

On the back of another TAB Auckland Darts Masters and betting throughout the year, 2015/16 turnover reached \$8.3 million, with Darts NZ receiving just under \$100,000 to grow the national game; an incredible result which will benefit darts aficionados across the country.



CLASS 4 GAMING DISTRIBUTIONS

The following tables show the application and distribution of net proceeds from the NZRB's Class 4 Gambling operation.

We are very proud to have been able to return close to \$15 million to the community through our sports and racing authorised purposes in the 2015/16 year.

RACING AUTHORISED PURPOSE	AMOUNT PAID \$NZ
Racing Integrity Unit	6,000,000
Racing Lab	1,780,606
JCA	1,300,000
Reimbursement of Race Form and Racing Calendar Publication expenses	2,055,762
Reimbursement for Events, Marketing and Logistics	746,208
TOTAL DISTRIBUTIONS TO RACING AUTHORISED PURPOSE (Racing Industry)	11,882,575
LESS RETURNED DISTRIBUTIONS FROM RACING INTEGRITY UNIT	(194,649)
TOTAL NET DISTRIBUTIONS TO RACING AUTHORISED PURPOSE (Racing Industry)	11,687,926

SPORTS AUTHORISED PURPOSE	AMOUNT PAID \$NZ
Aquabladz New Plymouth Swimming Club	6,500
Athletics Northland Inc	4,500
Auckland Basketball Services Ltd	20,000
Auckland City FC Inc	10,000
Auckland High Performance Fencing Inc	766
Auckland High Performance Fencing Inc	794
Auckland Hockey Association Inc.	8,000
Auckland Paraplegic & Physically Disabled Association Inc.	11,660
Auckland Rowing Regional Performance Centre Inc.	15,000
Auckland Softball Association Inc.	10,000
Auckland Table Tennis Association Inc.	13,896
Auckland University Cricket Club Inc.	6,104
Auckland University Rugby Football Club	5,000
Awanui Rugby Football Club Inc.	6,271
Awanui Sports Complex Inc.	25,459
Badminton Canterbury Inc	5,000
Badminton Canterbury Inc	10,000
Basketball Hawkes Bay Inc.	5,000
Bay of Plenty Area Pony Club Inc	1,183
Bay of Plenty Cricket Association	14,204
Bay of Plenty Rugby Union Inc	10,000

SPORTS AUTHORISED PURPOSE	AMOUNT PAID \$NZ
Bay of Plenty Rugby Union Inc	7,453
Bay of Plenty Rugby Union Inc	6,936
Bayside Westhaven Little League Baseball Club Inc.	5,000
Bayside Westhaven Little League Baseball Club Inc.	1,724
Beckenham Bowling Club Inc.	4,000
Beerescourt Bowling Club Inc.	1,770
Blenheim Rowing Club	12,000
Boccia New Zealand Inc.	3,294
Bowls Hornby Inc	2,000
Bowls Matua Inc.	2,966
Bowls Tauranga South Inc	3,000
Box Office Boxing Inc	4,500
Brooklyn Northern United AFC	2,607
Buller Basketball Association	7,997
Buller Hockey Association Inc	10,166
Cambridge Soccer Club Inc	3,696
Canoe Slalom New Zealand Inc.	10,000
Canterbury Alpine Ice Skating Club Inc.	3,522
Canterbury Basketball Association	7,221
Canterbury Cricket Association Inc.	29,565
Canterbury Indoor Bowls Association Inc	1,402

CLASS 4 GAMING DISTRIBUTIONS (CONTINUED)

SPORTS AUTHORISED PURPOSE	AMOUNT PAID \$NZ
Canterbury Regional Basketball Foundation	6,880
Canterbury Tennis Seniors Association Inc.	1,748
Canterbury United Inc	10,000
Carlton Netball Club	5,000
Celebration Centre Lions Sports Trust	5,300
Central Districts Hockey Inc	10,000
Central Squash Association Inc.	5,743
Centurions Rugby Football Club Inc	8,000
Challenge Wanaka Sports Trust	15,000
Christchurch Metropolitan Cricket Association Inc.	10,000
Christchurch School of Gymnastics	17,006
Clevedon Lawn Tennis Club Inc.	20,000
Clubs of Auckland Inc.	15,000
Clutha United Swimming Club Inc.	7,500
College Old Boys - Victoria University RFC	2,070
College Old Boys - Victoria University RFC	4,998
College Sport Wellington Inc	7,000
Collingwood Rugby Football Club Inc.	1,105
Cornwall District Cricket & Sports Association Inc	3,000
Counties Manukau Hockey Association Inc.	10,000
Counties Manukau Rugby Football Union	17,120
Cricket Wellington	6,770
Dunedin BMX Club Inc.	10,250
Dunedin Ice Hockey Association	2,609
Dynamo Cycling and Sports Club Inc.	11,110
Eastern Suburbs Association Football Club	8,000
Eastern Suburbs Cricket Club Inc.	2,500
Eastlink Cricket Club Inc.	3,059
Eastlink Tennis Trust Inc.	15,000
Eden Roskill District Cricket Club	4,269
Edgeware Tennis Club Inc	2,160
Equestrian Sports New Zealand	7,146
Everglades Country Golf Club Inc.	1,273
Everglades Country Golf Club Inc.	1,138
FC Twenty 11 Inc	5,000
Flagstaff Club Inc.	8,500

SPORTS AUTHORISED PURPOSE	AMOUNT PAID \$NZ
Forrest Hill Milford United Football Club Inc	7,958
Franklin Basketball Inc	5,000
Friends of the Otorohanga College Sports Committee	1,490
Fusion Netball Club Inc.	6,000
Gisborne Bowling Club Inc	11,960
Gisborne Gymnastic Club Inc.	9,183
Glendowie Tennis Club Inc	2,000
Glenfield Rovers AFC and Sports Club Inc	4,265
Great Lake (Taupo) Hockey Club Inc.	50,000
Greytown Rugby Football Club Inc.	2,250
Gymnastics Community Trust	8,863
GymSports New Zealand Inc.	5,670
Hamilton Cricket Association Inc	9,150
Hamilton Old Boys Rugby and Sports Club Inc.	10,400
Hamilton Squash and Tennis Club Inc	8,000
Hastings Rugby & Sports Club Inc	5,079
Hawke's Bay Basketball Foundation Inc	3,000
Hawkes Bay Cricket Association Inc.	6,000
Hawkes Bay Cricket Association Inc.	6,000
Hawkes Bay Hockey Association	7,500
Hawkes Bay Hockey Association	7,500
Hawkes Bay Karting Club Inc.	3,009
Hawkes Bay Mens Masters Hockey Club Inc.	5,000
Hawke's Bay Netball Centre Inc.	15,000
Hawkes Bay Rugby Football Union Inc.	10,000
Hawkes Bay Rugby Football Union Inc.	5,000
Hawke's Bay United Football Inc	7,000
Heartland Wairarapa Football Club Inc	8,795
Hibernian AFC	5,000
Hibiscus Coast Raiders Rugby League & Sports Club Inc	5,086
Hokitika Gymnastics Club Inc.	20,000
Hoop Club Inc.	9,328
Horse of the Year (Hawkes Bay) Ltd	10,000
Howick Sailing Club Inc.	8,000
Huntly College Old Boys R.F.C Inc.	1,834
Hutt City Community Facilities Trust	50,000

CLASS 4 GAMING DISTRIBUTIONS (CONTINUED)

SPORTS AUTHORISED PURPOSE	AMOUNT PAID \$NZ
Hutt Valley Basketball Association Inc.	10,000
Hutt Valley Dodgers Softball Club Inc	4,497
Hutt Valley Softball Association Inc.	10,000
Hutt Water Polo Club Inc	5,000
Ice Breaker Aquatics Inc.	2,350
Ice Breaker Aquatics Inc.	5,778
Ice Trampoline and Tumbling Sports Club Inc	6,500
Impact Gymsport Academy Inc.	10,000
Indoor Cricket New Zealand Inc.	5,400
International Taekwon-Do Riccarton Inc.	4,750
Invercargill Netball Centre Inc.	17,689
Island Bay Softball Inc.	4,108
Island Bay United AFC	5,772
Jellie Park Aqualand Sports Institute Inc	7,500
Johnsonville Rugby Football Club Inc	5,443
Kaierau Rugby Football Club Inc.	5,350
Karori United Tennis Club Inc	7,500
Kayaking Tauranga Inc.	8,183
Kihikihi Waikato Eventing Inc	8,649
Kiwi Athletic Club Inc.	671
Lake City Athletic Club Inc.	4,593
Lynn-Avon United AFC	2,219
Mana Kayak Racing Club Inc.	8,500
Manawatu Indoor Bowls Centre	1,487
Manawatu Showgrounds Skating Club Inc.	3,557
Mapua and Districts Football Club Inc.	750
Maranui Surf Life Saving Club Inc.	15,000
Maranui Surf Life Saving Club Inc.	7,840
Marist Softball Club Inc	950
Marlborough Basketball Association Inc.	20,000
Masterton Red Star Rugby Club	3,477
Masterton Red Star Rugby Club	5,886
Matamata Equestrian Group Inc.	7,500
Metro Mt Albert Sports Club Inc.	3,300
Mid Island Gymsports Inc.	25,000
Midway Surf Life Saving Club Inc.	13,800

SPORTS AUTHORISED PURPOSE	AMOUNT PAID \$NZ
Miramar Rangers Association Football Club Inc	10,000
Mita Mitaga Ole Pasefika Va'a-Alo Canoe Club Inc.	3,600
Mount Maunganui Lifeguard Service Inc	13,500
Moutere Rugby Football Club Inc.	12,931
Napier Aquahawks Swim Club Inc	8,000
Napier City Rovers Association Football Club Inc.	3,544
Napier Marist Football Club Inc	770
Napier Old Boys Marist Rugby Football Club Inc.	5,978
Nelson Basketball Association Inc.	5,000
Nelson Bays Football Inc.	10,000
Nelson Hockey Association Inc	5,000
Netball Central Zone Inc.	2,526
Netball Manawatu Centre	15,000
Netball South Zone Inc.	5,513
Netball South Zone Inc.	5,000
Netball Wairarapa Inc	15,000
Netball Wanganui Inc	5,717
Netball Wellington Centre Inc	18,000
New Plymouth Old Boys Swimming and Surf Life Saving Club Inc	20,224
New Zealand Badminton Federation Inc.	16,260
New Zealand Basketball Academy Inc	15,000
New Zealand Canoe Polo Association Inc.	3,780
New Zealand Ice Hockey League Inc	10,000
New Zealand Indoor Bowls	5,000
New Zealand Marist Rugby Football Federation Inc	8,000
New Zealand Marist Rugby Football Federation Inc	7,500
New Zealand Rural Games Trust	35,000
New Zealand Rural Games Trust	46,000
Nga Hau e Wha Whanau Hoe Inc.	15,000
Ngongotaha Association Football Club Inc.	3,000
No 3 District Federation of NZ Soccer Inc.	15,000
No 4 District Federation of NZ Football Inc	10,000
No.1 District Federation of New Zealand Soccer Inc.	7,560
North Canterbury Rugby League Club Inc.	10,101
North Harbour Basketball Association Inc.	15,000
North Wellington Association Football Club Inc.	4,659

CLASS 4 GAMING DISTRIBUTIONS (CONTINUED)

SPORTS AUTHORISED PURPOSE	AMOUNT PAID \$NZ
North Wellington Junior Football Club Inc.	5,355
Northern Districts Cricket Association	15,000
Northern United Hockey Club Inc	3,500
Northern United Rugby Football Club Inc.	10,000
Oamaru Rowing Club Inc.	4,180
Olympia Gymnastic Sports Inc.	3,245
Omanu Beach Surf Life Saving Club	16,936
Oratia United AFC Inc	10,845
Otago Country Cricket Association Inc.	6,339
Otago Cricket Association Inc.	4,000
Otago Southland Area of NZ Pony Club Inc.	1,489
Otumoetai Football Club Inc.	7,500
Otumoetai Tennis Club Inc.	4,856
Oxford Pony Club Inc	20,000
Paekakariki Surf Lifeguards Inc.	30,000
Paeroa Golf Club Inc.	15,000
Palmerston North Surf Life Saving Club Inc.	6,176
Papakura City Football Club Inc.	2,856
Papakura Netball Centre Inc	5,000
Papamoa Rugby Club Inc.	19,659
Papatoetoe Cricket Club Inc	5,000
Parafed Auckland Shooting Club Inc.	9,778
Paraparaumu Rugby Football Club Inc.	18,320
Paremata Plimmerton Rugby Football Club Inc	10,000
Parnell Cricket Club Inc.	4,695
Patumahoe Rugby Football Club Inc	2,535
Petone Football Club Inc	7,500
Petone Rugby Football Club Inc.	9,690
Pine Ridge Archery Inc	15,000
Pioneer Basketball Club Inc.	2,688
Plimmerton Boating Club Inc.	12,548
Poneke Football Club Inc.	40,000
Ponsonby Rugby Club Inc	3,960
Porirua Basketball Association	17,500
Porirua Basketball Association	10,000
Porirua ITF Taekwon-Do Club Inc.	8,075

SPORTS AUTHORISED PURPOSE	AMOUNT PAID \$NZ
Poverty Bay Cricket Inc.	12,298
Poverty Bay East Coast Golf Association Inc.	4,000
Poverty Bay Hockey Association Inc.	12,091
Poverty Bay Rugby Football Union	8,828
Pukekohe Golf Club Inc	10,000
Pukekohe Metro Cricket Club Inc	5,000
Queens Park Golf Club Inc	7,213
Queenstown Associated Football Club Inc	4,043
Ranui-Swanson Associated Football Club Inc	10,458
Red Beach Surf Life Saving Club Inc.	10,000
Riversdale Surf and Life Saving Club Inc.	3,190
Riversdale Surf and Life Saving Club Inc.	3,900
Rotorua Basketball Association	10,000
Rotorua Cricket Association Inc	5,068
Rugby League Northland Zone of NZRL Inc	4,440
Sailability Wellington Trust Inc	8,500
Saracens Rugby Football Club Inc.	5,500
Seatoun Association Football Club Inc	4,500
Selwyn Swim Club Inc.	3,286
Shandon Golf Club	7,500
Soccer Nelson Inc.	7,000
Sth Auckland Rangers Association Football and Sports Club Inc.	2,646
South Waikato Cricket Association Inc.	2,549
Southern Cross Taekwon-Do Academy	7,391
Southern Ice Hockey League Inc.	3,000
Southern United FC Inc	10,000
Southern United Rugby Football Club Inc	11,299
Southland Badminton Association Inc.	5,800
Southland Basketball Association Inc.	4,974
Southland Boxing Association Inc	7,852
Southland Tennis Association	2,955
Special Olympics Hawkes Bay	11,000
Special Olympics Horowhenua	3,235
Special Olympics Mana	15,000
Special Olympics Manawatu	10,000
Special Olympics New Zealand	14,554
Special Olympics New Zealand	9,751

CLASS 4 GAMING DISTRIBUTIONS (CONTINUED)

SPORTS AUTHORISED PURPOSE	AMOUNT PAID \$NZ
St Clair Golf Club Inc.	10,000
St George Rugby Football League Club Inc	8,217
St Martins Croquet Club Inc.	10,000
St. Clair Surf Life Saving Club	5,000
St. Clair Surf Life Saving Club	7,500
St. Pauls Indoor Bowling Club (Dallington) Inc	3,040
Stop Out Sports Club Inc	5,000
Stop Out Sports Club Inc	17,770
Suburbs New Lynn Cricket Club	5,000
Swim Waikato Inc.	3,680
Swimming Canterbury West Coast Inc.	6,580
Swimming New Zealand Inc.	15,000
Swimming Taranaki Inc	8,000
Taita District Cricket Club	4,100
Takaka Rugby Football Club Inc.	10,000
Takapuna Bowling Club Inc.	5,000
Taradale Cricket Club Inc.	1,785
Taranaki Basketball Club Inc	20,000
Taranaki Hockey Federation Inc.	5,000
Tararua Sports Club	5,000
Tasman Basketball Association Inc.	7,000
Tasman Hockey	4,000
Tasman Rugby Union Inc.	10,304
Tauhara Te Maunga Sports Club Inc	3,000
Taupo Association Football Club Inc.	9,948
Taupo Netball Centre Inc.	3,496
Taupo Rowing Club Inc.	6,087
Tauranga City Basketball Association	10,000
Tauranga City United A.F.C	3,659
Tauranga Sports Club Inc.	4,350
Tauranga Synchronised Swimming Inc	4,222
Tawa Association Football Club Inc	3,924
Tawa Rugby Football Club	10,000
Tawa Squash Rackets Club Inc	3,910
Te Atatu Association Football Sports and Social Club Inc	3,000
Te Atatu Association Football Sports and Social Club Inc	1,532

SPORTS AUTHORISED PURPOSE	AMOUNT PAID \$NZ
Te Atatu Tennis Club Inc	2,305
Te Awamutu Rugby Sports and Recreation Club Inc	6,000
Te Awamutu Rugby Sports and Recreation Club Inc	9,750
Te Kiri Hockey Club Inc.	3,052
Te Puke Gymsport Inc.	2,000
Te Upoko-O-Te Ika Wellington Maori Rugby Association Inc.	6,854
Team Wellington Soccer Inc	8,000
Tennis Canterbury Region Inc.	5,000
Titahi Bay Surf Life Saving Club Inc.	10,000
Touch New Zealand	9,030
Touch New Zealand	5,230
Touch Southland Inc.	5,000
Trentham Camp Golf Club Inc.	3,380
Tri Star Gymnastics Club Inc.	15,000
Union Boat Club Inc.	3,275
United North Piha Lifeguard Service Inc	3,531
Upper Hutt Athletic Club Inc	5,906
Upper Hutt Hockey Club Inc	2,000
Upper Hutt Junior Touch	1,955
Upper Hutt Rams Rugby Football Club	7,489
Upper Hutt United Cricket Club Inc.	6,000
Victoria University of Wellington Cricket Club Inc	2,606
Victoria University Rowing Club Inc.	1,813
Vikings Swim Club Inc	10,000
Waihi Beach Lifeguard Services Inc.	20,000
Waikanae Golf Club Inc.	10,000
Waikato Area Pony Club Inc.	10,000
Waikato Basketball Council Inc	10,000
Waikato Dragon Boating and Waka Ama Association Inc.	10,000
Waikato Rugby Union Inc.	10,000
Waikato Uicol AFC Inc	4,272
Waikato University Rowing Club Inc.	5,000
Waikato University Rugby Football Club Inc	5,000
Waikato Valley Cricket Association Inc.	7,500
Wainuiomata Association Football Club Inc.	5,028
Wainuiomata Darts Association Inc	8,468

CLASS 4 GAMING DISTRIBUTIONS (CONTINUED)

SPORTS AUTHORISED PURPOSE	AMOUNT PAID \$NZ
Wainuiomata Golf Club Inc	10,000
Wainuiomata Tennis Club Inc	1,000
Wainuiomata Tennis Club Inc	1,000
Wairarapa Cricket Association Inc.	10,000
Wairarapa Cricket Association Inc.	6,691
Wairarapa United Football Club Inc.	9,786
Waitakere United Inc.	10,000
Waitakere West Auckland Basketball Inc	20,000
Waitemata Football Club Inc	30,000
Wanderers Sports Club Inc	10,000
Wanganui Rugby Football Union	3,120
Wanganui Rugby Football Union	5,000
Waterside Karori Association Football Club Inc	50,000
Wellington Basketball Association Inc.	9,882
Wellington Diving Club	6624
Wellington Football Club Inc.	5,000
Wellington Golf Incorporated	7,070
Wellington Golf Incorporated	4,562
Wellington Hockey Association	8,000
Wellington Rowing Club Inc.	7,000
Wellington Rugby Football Union Inc	8,000
Wellington Touch Association Inc.	15,000
Wellington United Association Football Club	8,500
Wellington Water Polo Board Inc.	6,037
Wellington Youth Sailing Trust Inc	15,000
West Coast Basketball Association Inc.	18,033
West End Rowing Club Inc.	25,000
Western Suburbs RFC Inc.	7,800
Western Suburbs Soccer Club Inc.	7,500
Westport Rugby Football Club Inc.	2,375
Whangaparaoa Golf Club Inc.	10,000
Whangarei Amateur Swimming Club	10,000
Wharenui Amateur Swimming Club Inc.	10,000
Wharenui Gators Inc.	3,348
Y.M.P. Rugby Football Club Inc.	3,000
TOTAL DISTRIBUTIONS TO SPORTS AUTHORISED PURPOSE	3,069,818

GAMING FOR A GOOD CAUSE

The NZRB Net Proceeds Committee distributed \$3.07 million to grassroots sporting organisations in 2015/16, a \$0.3 million increase on 2014/15. This helped amateur clubs across the country provide equipment, hold events and visit tournaments, growing their sports for the next generation of participants.

More grants were provided during the year - 337 individual grants across 46 different sports, up from 209 individual grants last year, spreading the money farther and wider, with an average grant of \$8,515.

Gaming distributions operate on a 80/20 split between Racing Authorised Purposes, such as the Racing Integrity Unit, Judicial Control Authority and Lab Services, and Sports Authorised Purposes, which are grants for amateur grassroots organisations in New Zealand.



CLASS 4 GAMING DISTRIBUTIONS (CONTINUED)

SPORTS AUTHORISED PURPOSE GRANTS RETURNED	AMOUNT RETURNED \$NZ
Wellington United Association Football Club	267
Waikato Basketball Club	38
Mt Albert Ponsonby Association Football Club	170
Wainuiomata Tennis Club	59
Manawatu Indoor Bowls centre	106
Northern United Hockey Club	260
Canterbury indoor	33
Netball Wairarapa	6,000
Netball South Zone	2,714
Waikato Unicol A.F.C	146
Rugby League	1,475
Hawkes Bay United Football	7,500
Box Office Boxing	355
Special Olympics New Zealand Charitable Trust	5,537
Hawkes Bay Hockey Association	2,500
New Zealand Basketball Academy	869
Tauhara Te Maunga Sports Club Inc	380
Wellington Diving Club	88
Whangaparaoa Golf Club	7,973
Tauranga City United A.F.C	32
Whangaparaoa Golf Club Inc.	264
Hutt Valley Basketball Association (Lower Hutt)	13,704
Hutt Valley Basketball Association (Upper Hutt)	6,706
Glendowie Tennis Club Inc	35
Capital BMX Club Inc	380
Ocean Beach Kiwi Surf Life Saving Club	100
Wanganui Rugby Football Union	25
Bay Oval Trust	100
Selwyn Swim Club Inc.	26
Swimzone Racing	1,888
Franklin Basketball	393
Manawatu Showgrounds Skating Club Inc.	53
Lyall Bay Surf Life Saving Club	411
Napier Old Boys Marist Rugby Football Club Inc.	1,891
Malborough Rugby Football	141

SPORTS AUTHORISED PURPOSE GRANTS RETURNED	AMOUNT RETURNED \$NZ
South Island Rowing	4,051
Waitemata City Ass Football Club	69
Bay of Plenty Pony Club	1,183
Special Olympics Mana	1,006
Mount Maunganui Lifeguard Service Inc	15
Upper Hutt City Council Activation	451
Kayaking Tauranga Inc	1,646
New Plymouth Old Boys Swimming and Surf Life Saving Club Inc	3,505
Paraparaumu Rugby Football Club Inc.	974
Hutt Valley Softball Association Inc.	1,565
Ngongotaha Association Football Club Inc.	258
Wellington Basketball Association Inc.	1,731
Eden Roskill District Cricket Club	2,563
Otago Southland Area of NZ Pony Club Inc.	529
Moutere Rugby Football Club	369
Canterbury Indoor Bowls association	402
Johnsonville Rugby Club	147
TOTAL SPORTS AUTHORISED PURPOSE GRANTS RETURNED	83,086

TOTAL NET GRANTS TO SPORTS AUTHORISED PURPOSE	2,986,732
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FIVE YEAR FINANCIAL SUMMARY

FULL YEAR (\$M)	2011/12	2012/13	2013/14	2014/15 ⁽¹⁾	2015/16
Statement of Profit or Loss					
Total turnover	1,814.0	1,956.8	2,088.5	2,389.7	2,673.4
Net betting margin	14.4%	14.2%	13.9%	12.9%	12.4%
Total income	293.1	304.9	312.4	336.4	351.9
Turnover related expenses	42.6	44.7	47.0	64.6	66.4
Operating expenses	123.2	123.5	128.3	127.8	138.8
Operating expenses/total income	42.0%	40.5%	41.1%	38.0%	39.4%
Net profit before distributions	127.3	136.7	137.0	144.0	146.7
Distributions to Racing Industry (including Racing Integrity Unit) ⁽²⁾	135.5	142.9	142.3	144.8	147.0
Group Distributions to Racing Industry (excluding Racing Integrity Unit) ⁽³⁾	-	137.4	136.6	139.0	141.2
Net Distributions to Sporting Community Organisations	0.2	0.5	2.3	2.7	3.0
Distributions to National Sporting Organisations	4.0	3.8	5.0	6.1	8.0
Statement of Financial Position					
Total assets	125.5	122.4	125.0	131.9	139.9
Current assets	66.6	71.1	64.2	64.7	74.9
Current liabilities	53.6	50.5	55.8	56.7	62.1
Current assets to current liabilities ratio	1.2	1.4	1.2	1.1	1.2
Equity	69.3	69.5	68.1	70.8	73.8

⁽¹⁾ 2014/15 figures have been restated to reflect financial reporting changes made in the 2015/16 financial year. The changes include the reclassification of advertising & promotions and race form publications from Operating Expenses to Turnover Related Expenses. As a result the operating expenses/total income ratio for 2014/15 has decreased from 41.4% to 38.0%. 2011/12, 2012/13 and 2013/14 have not been restated.

⁽²⁾ Includes distributions from gaming. Note 4 of the Financial Statements on page 54 shows the distribution information in more detail.

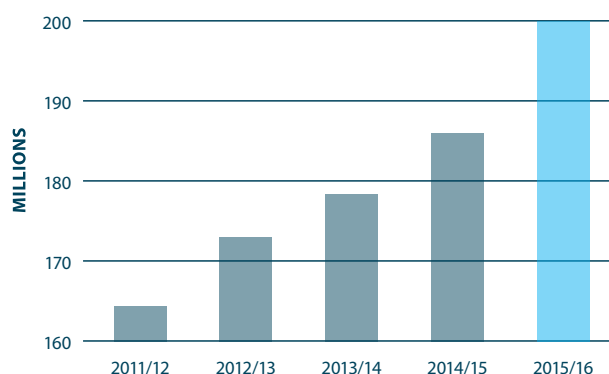
⁽³⁾ Group distributions reflect the distributions of the NZRB Group. The NZRB Group include the RIU results and therefore, the distributions to RIU are eliminated (excluded) from the Group distributions. The total distributions to RIU in 2015/16 were \$5.8 million (2014/15: \$5.8 million).

FIVE YEAR RACE SUMMARY

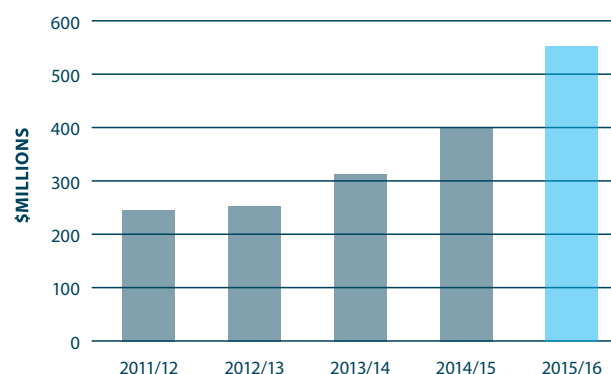
	2011/12	2012/13	2013/14	2014/15	2015/16
Greyhound	5,024	5,288	5,381	5,353	5,573
Harness	2,683	2,745	2,795	2,654	2,595
Thoroughbred	3,077	3,007	2,875	2,848	2,790
TOTAL	10,784	11,040	11,051	10,855	10,958
Imported	48,405	58,141	58,388	65,612	67,165
Exported	10,561	10,467	10,206	10,133	10,612

FIVE YEAR FINANCIAL SUMMARY (CONTINUED)

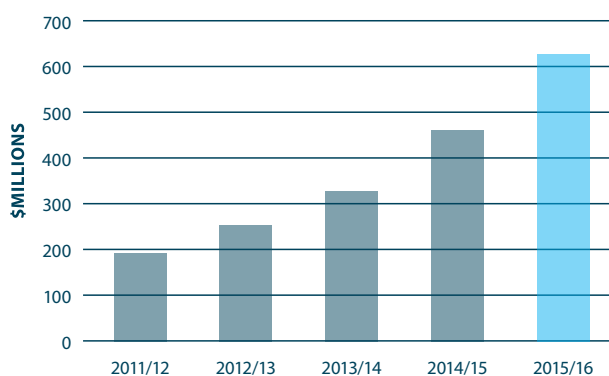
NUMBER OF TICKETS ISSUED



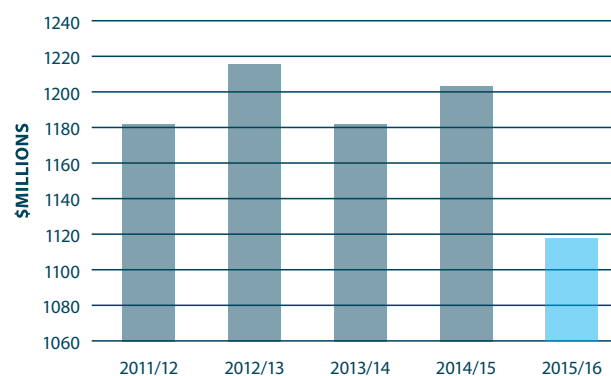
SPORTS FIXED ODDS BETTING



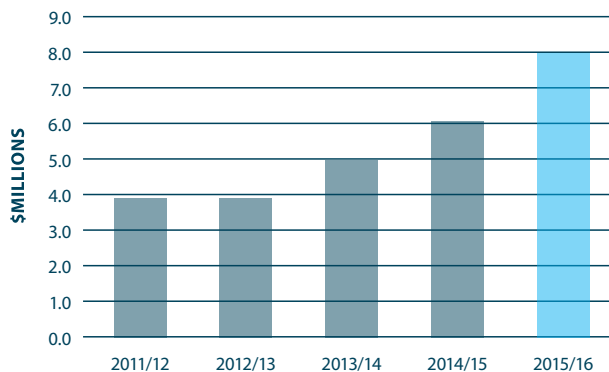
RACING FIXED ODDS BETTING



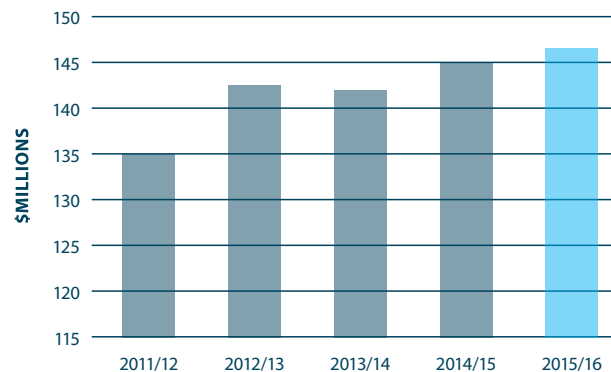
RACING TOTE



NATIONAL SPORTING ORGANISATION GRANTS



DISTRIBUTIONS TO THE RACING INDUSTRY (INCLUDING RIU)



The New Zealand Racing Board (NZRB) achieved a net profit of \$146.7 million for the year ended 31 July 2016, \$2.5 million ahead of Budget and \$2.7 million ahead of last year (1.9%). Excluding the gain on sale of the Christchurch (2016) and Petone (2015) buildings, underlying net profit was \$144.7 million, \$0.5 million ahead of Budget and \$5.6 million ahead of last year (4.1%).

CURRENT FINANCIAL PERFORMANCE AGAINST PRIOR YEAR

BETTING AND GAMING TURNOVER

Betting turnover continues to grow strongly reaching \$2.3 billion, 9.5% ahead of last year. Higher active customer numbers and additional fixed odds betting options are having a significant positive impact on overall turnover. Key events in racing such as Melbourne Cup, NZ Cup & Show week and sporting events including the Rugby World Cup and Euros 2016 attracted significant interest and contributed to the growth in turnover.

- Sports turnover grew by \$150.5 million (37.2%)
- Racing fixed odds turnover grew by \$156.2 million (33.8%)
- Racing tote turnover decreased by \$108.4 million (9.0%)

Gaming turnover increased by \$86.3 million or 27.2% to \$403.3 million. Gaming continues to perform strongly in line with investment in new venues. Six new venues were opened in the current year - Napier, Bethlehem, New Plymouth, Johnsonville, Palmerston North and Mayfields.

REVENUE

Total revenue was \$349.9 million, an increase of \$18.5 million or 5.6% compared to last year, excluding the gain on sale of the Christchurch (2016) and Petone (2015) buildings.

Net betting revenue grew by \$13.9 million or 5.2% on last year. Higher turnover was offset in part by a decline in net betting margin (12.4% compared to 12.9% in 2015) driven by the shift in customer preference adversely impacting product mix.

In addition to higher than anticipated payout rates on sports multis and winnings by high staking customers, the continual shift in customer preference from tote to fixed odds betting in racing and growth in in-play sports betting has diluted our betting margins. Positively, racing FOB margins were 0.9ppts ahead of last year (13.3% vs 12.4%), although sports margins were down 1.0ppts, driven by the growth in in-play betting combined with unfavourable results in the Rugby World Cup and Super Rugby competition.

Net gaming revenue was \$4.8 million or 26.0% above the 2015 year attributable to the strong increase in turnover.

Other revenue was \$3.7 million (12.2%) lower than the 2015 year. After excluding the impact of the gain on sale of the Petone building (2015) and the Christchurch building (2016), other revenue decreased by \$0.8 million (3.0%).

FINANCIAL COMMENTARY (CONTINUED)

EXPENSES

Turnover related expenses were \$1.8 million or 2.8% higher than the 2015 year. Increased turnover, particularly on sport and overseas racing led to higher national sporting organisation commissions (\$1.9 million) and overseas racing rights (\$1.1 million). This was offset by a reduction in commingling expenses (\$1.3 million) due to commingling restrictions put in place while the Tabcorp agreements are re-negotiated.

Operating expenses increased \$11.0 million or 8.6% on the prior year. This was driven by higher communications and technology costs in relation to the Optimus programme (\$7.0 million or 73.4%) and staff expenses (\$3.0 million or 4.8%).

The increase in communications and technology costs is linked to the new IT managed service agreement with Spark relating to the Optimus programme that is in line with Budget.

Staff expenses increased by \$3.0 million (4.8%). This was mainly driven by one-off costs incurred to enable longer term costs savings that include the buy-out of senior staff bonus incentives and restructuring costs (\$1.9 million). Restructuring costs of \$1.9 million include Phonebet (\$0.9 million) and other restructuring across the business to drive longer term savings and improve business performance. The increase also reflects additional capability in our Betting team to drive revenue growth and includes salary increments and the impact of agency conversions to branches in respect of our retail network.

NET PROFIT

After excluding the sale of the Petone and Christchurch buildings, net profit was \$5.6 million or 4.1% above the prior year. This represents a strong financial result amidst a volatile and heavily competitive market environment.

Total distributions to both the racing industry and sporting community organisations increased by \$3.2 million or 2.3% with racing industry distributions increasing by \$1.0 million or 0.8% on the prior year.

	GROUP		
	31 JULY 2016 NZ\$000	31 JULY 2015 NZ\$000	% CHANGE
Betting and gaming turnover	2,673,441	2,389,743	11.9
Total revenue	351,923	336,403	4.6
Total group distributions	143,854	140,648	2.3
Net profit before distributions excluding gain on sale of buildings	144,734	139,087	4.1

For more detail, the financial statements comparison to last year is found in the Statement of Profit or Loss and Other Comprehensive Income found on page 43 of the Financial Statements.

UNDERLYING NET PROFIT RECONCILIATION

	GROUP		
	31 JULY 2016 NZ\$000	31 JULY 2015 NZ\$000	% CHANGE
Net profit before distributions	146,736	144,033	1.9
Gain on sale of buildings	(2,002)	(4,946)	-59.5
Net profit before distributions excluding gain on sale of buildings	144,734	139,087	4.1

FINANCIAL COMMENTARY (CONTINUED)

FINANCIAL POSITION

Cash and cash equivalents have increased by \$10.1 million or 48.7% since July 2015 and includes the proceeds from the sale of the Christchurch building (\$3.6 million). This is due to active improvements in the management of working capital, a lift in operating profit and the prioritisation of project investments throughout the year ahead of the significant planned investment in strategic programmes in the coming years.

Total cash and term deposit balances, after excluding those relating to Betting Accounts and Vouchers Trust, are \$36.6 million (2015: \$28.7 million), representing an increase of \$7.9 million on last year.

Trade and other receivables increased by \$1.8 million (19.5%) compared to July 2015 due to timing of year end falling on a Sunday resulting in higher receivables from retail outlets and weekend internet receipts.

Total liabilities have increased by \$5.1 million since July 2015 driven largely by a significant increase in the Customer Betting Account Deposits and Vouchers balance of \$3.1 million (14.3%), reflecting the increased betting activity during the financial year.

Total equity is \$73.8 million as at 31 July 2016, increasing by \$3.0 million or 4.1% on last year.

CURRENT FINANCIAL PERFORMANCE AGAINST BUDGET

The following commentaries refer to the Budget as presented in NZRB's Statement of Intent 2016-2018 as approved by the Board on 4 June 2015.

BETTING AND GAMING TURNOVER

Total betting turnover was \$143.4 million or 6.7% ahead of Budget despite both domestic tote and domestic fixed odds racing products falling short of expectations. This performance was driven by higher active customer numbers, stronger betting activity from high staking customers and growth in in-play sports driven by customer preference.

Fixed odds betting turnover was \$39.9 million (6.9%) higher than Budget, with domestic fixed odds racing \$59.2 million (16.9%) below and overseas fixed odds racing \$99.1 million (43.2%) above Budget.

Total tote betting turnover was \$16.5 million or 1.5% below Budget, driven by below Budget performance in domestic tote racing (\$63.9 million) being partially offset by a higher than Budget performance in overseas tote racing (\$47.4 million).

Sports betting turnover was \$120.0 million or 27.6% higher than Budget driven by significant in-play growth and more betting options being offered to customers.

Gaming turnover was \$14.6 million or 3.8% higher than Budget. This was driven by investment in new venues and improvements in gaming machine performance.

FINANCIAL COMMENTARY (CONTINUED)

REVENUE

Net betting revenue was \$6.7 million or 2.4% higher than Budget for the 2016 year. This was primarily driven by stronger betting turnover offset partly by a lower net betting margin (12.4% vs 12.9%) resulting from the shift in customer preference adversely impacting product mix.

Net gaming revenue was \$0.3 million or 1.1% higher than Budget as a result of increased gaming turnover noted above.

Other revenue was \$2.1 million higher than budget, largely due to the gain on sale of the Christchurch building (\$2.0 million) which was not included in Budget. Higher revenue from NZ racing shown overseas helped offset a Budget revenue shortfall from broadcasting revenues.

EXPENSES

Turnover related expenses were \$5.1 million or 8.4% higher than Budget. These expenses increased as a result of higher overseas racing rights driven by increased overseas racing turnover and national sporting organisation grants resulting from increased sports betting.

Operating expenses were higher than Budget by \$1.4 million (1.0%) and were largely driven by unbudgeted restructuring costs (\$1.9 million), including Phonebet operations (\$0.9 million) which were incurred in order to drive longer term cost savings.

Communications & Technology expenses were \$0.5 million (3.1%) over Budget with higher managed services costs offset partly by savings in maintenance and software licence fees.

Depreciation and amortisation expenses were below Budget by \$2.3 million (12.6%) due to lower than expected investment in capital projects.

Premises and equipment expenses were above Budget by \$2.4 million (19.4%) that reflects budgeted cost saving initiatives achieved accross multiple cost categories.

Staff expenses were above Budget by \$1.1 million (1.7%) and largely driven by costs associated with the restructure of the Phonebet operation (\$0.9 million) to achieve longer terms cost savings.

Other expenses were below Budget by \$0.4 million (2.5%) with savings achieved across most cost lines offset by higher than expected consultancy expenses due to the top strategic projects.

NET PROFIT

After excluding the gain from the sale of the Christchurch building, net profit was \$0.5 million or 0.4% above Budget.

FINANCIAL COMMENTARY (CONTINUED)

	GROUP		
	ACTUAL 31 JULY 2016	UNAUDITED BUDGET 31 JULY 2016	VARIANCE
	NZ\$000	NZ\$000	NZ\$000
TURNOVER	2,673,441	2,515,456	157,985
REVENUE			
Net betting revenue	281,023	274,342	6,681
Net gaming revenue	23,225	22,962	263
NZ racing revenue shown overseas	20,910	19,036	1,874
Other revenue	26,765	26,541	224
TOTAL REVENUE	351,923	342,881	9,042
TURNOVER RELATED EXPENSES	66,436	61,313	5,123
OPERATING EXPENSES			
Broadcasting expenses	10,010	10,372	(362)
Communication and technology expenses	16,628	16,134	494
Depreciation and amortisation	15,951	18,249	(2,298)
Foreign exchange gain	214	(111)	325
Premises and equipment expenses	15,030	12,584	2,446
Staff expenses	66,824	65,690	1,134
Other expenses	14,094	14,448	(354)
TOTAL OPERATING EXPENSES	138,751	137,366	1,385
TOTAL EXPENSES	205,187	198,679	(403,866)
NET PROFIT BEFORE DISTRIBUTIONS	146,736	144,202	2,534
Gain on sale of buildings	(2,002)	-	(2,002)
UNDERLYING NET PROFIT BEFORE DISTRIBUTIONS	144,734	144,202	532

FINANCIAL COMMENTARY (CONTINUED)

	GROUP		
	ACTUAL 31 JULY 2016	UNAUDITED BUDGET 31 JULY 2016	VARIANCE
	NZ\$000	NZ\$000	NZ\$000
Current assets	74,946	65,155	9,791
Non-current assets	64,971	69,200	(4,229)
TOTAL ASSETS	139,917	134,355	5,562
Current liabilities	62,081	56,400	(5,681)
Non-current liabilities	4,067	4,500	433
TOTAL LIABILITIES	66,148	60,900	(5,248)
TOTAL EQUITY	73,769	73,455	(314)
TOTAL LIABILITIES AND EQUITY	139,917	134,355	(5,562)

ASSETS

Current assets are above Budget by \$10.0 million, driven mainly from an increase in cash and cash equivalents (\$17.0 million) offset by lower than expected term deposit balances (\$5.0 million). This was a result of increased cash held in the Betting Accounts and Betting Vouchers' Trust to cover higher customer betting account deposits and vouchers, lower than budgeted capital investments combined with the proceeds received from the sale of the Christchurch building of \$3.6 million.

Non-current assets are below Budget by \$4.2 million. This largely reflects the sale of the Christchurch building impacting on PP&E combined with lower than budgeted savings in depreciation and amortisation (\$2.3 million) and lower capital expenditure incurred against Budget.

LIABILITIES

Current liabilities are above Budget by \$5.9 million, largely driven from an increase in customer betting account deposits and vouchers (\$2.8 million) and additional provisions recognised which were not included in Budget (redundancy provision for the disestablishment of Phonebet operations and undistributed gaming net profit).

Total non-current liabilities are lower than Budget by \$0.4 million driven mainly from a decrease in non-current provisions.

FINANCIAL STATEMENTS

FOR YEAR ENDED 31 JULY 2016

STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME	43
STATEMENTS OF CHANGES IN EQUITY	44
STATEMENTS OF FINANCIAL POSITION	45
STATEMENTS OF CASH FLOWS	46
NOTES TO THE FINANCIAL STATEMENTS	48
AUDITOR'S REPORT	76



FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2016

		GROUP		PARENT	
	NOTE	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Betting and gaming turnover	5a	2,673,441	2,389,743	2,673,441	2,389,743
REVENUE					
Net betting revenue	5b	281,023	267,147	281,023	267,147
Net gaming revenue	5c	23,225	18,429	23,225	18,429
NZ racing revenue shown overseas	5d	20,910	20,348	20,910	20,348
Other revenue	6	26,765	30,479	26,758	30,449
TOTAL REVENUE		351,923	336,403	351,916	336,373
TURNOVER RELATED EXPENSES					
	7	66,436	64,607	66,436	64,607
OPERATING EXPENSES					
Broadcasting expenses		10,010	9,705	10,010	9,705
Communication and technology expenses	8a	16,628	9,590	16,570	9,518
Depreciation and amortisation		15,951	15,867	15,917	15,682
Foreign exchange loss		214	336	214	336
Premises and equipment expenses	8b	15,030	14,705	14,773	14,463
Staff expenses	8c	66,824	63,778	63,506	60,653
Other expenses	8d	14,094	13,782	12,038	11,723
TOTAL OPERATING EXPENSES		138,751	127,763	133,028	122,080
TOTAL EXPENSES		205,187	192,370	199,464	186,687
NET PROFIT BEFORE DISTRIBUTIONS		146,736	144,033	152,452	149,686
Distributions from betting	4	135,286	134,245	135,286	134,245
Distributions from gaming	4	8,568	6,403	14,373	12,247
Provision for undistributed gaming net profit	19	774	302	774	302
NET PROFIT AFTER DISTRIBUTIONS	3, 24	2,108	3,083	2,019	2,892
OTHER COMPREHENSIVE INCOME					
Movement in fair value of cash flow hedges *		825	(336)	825	(336)
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		2,933	2,747	2,844	2,556
TOTAL OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Non-controlling interests in Racing Integrity Unit Limited		67	143	-	-
NZRB reserves		2,866	2,604	2,844	2,556
		2,933	2,747	2,844	2,556

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

FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF CHANGES IN EQUITY *FOR THE YEAR ENDED 31 JULY 2016*

	GROUP			
	General reserve	Hedging reserve	Non-controlling interest	TOTAL GROUP EQUITY
	\$000	\$000	\$000	\$000
Balance as at 1 August 2014	68,066	-	23	68,089
Net profit after distributions	2,940	-	143	3,083
Other comprehensive loss	-	(336)	-	(336)
Balance as at 31 July 2015	71,006	(336)	166	70,836
Net profit after distributions	2,041	-	67	2,108
Other comprehensive income	-	825	-	825
Balance as at 31 July 2016	73,047	489	233	73,769

	PARENT		
	General reserve	Hedging reserve	TOTAL PARENT EQUITY
	\$000	\$000	\$000
Balance as at 1 August 2014	68,059	-	68,059
Net profit after distributions	2,892	-	2,892
Other comprehensive loss	-	(336)	(336)
Balance as at 31 July 2015	70,951	(336)	70,615
Net profit after distributions	2,019	-	2,019
Other comprehensive income	-	825	825
Balance as at 31 July 2016	72,970	489	73,459

FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2016

		GROUP		PARENT	
	NOTE	2016 \$000	2015 \$000	2016 \$000	2015 \$000
CURRENT ASSETS					
Cash and cash equivalents	10	30,807	20,717	26,393	16,868
Trade and other receivables	11	11,115	9,301	11,297	9,536
Non-current assets held for sale	17	-	1,314	-	1,314
Other financial assets	12	31,000	31,088	34,254	34,006
Derivative assets		525	-	525	-
Other current assets		1,499	2,255	1,489	2,241
TOTAL CURRENT ASSETS		74,946	64,675	73,958	63,965
NON-CURRENT ASSETS					
Property, plant and equipment	15	44,858	47,930	44,462	47,712
Intangible assets (including software assets)	16	14,731	16,612	14,731	16,612
Other financial assets	12	2,692	2,686	2,615	2,615
Other non-current assets	24	2,690	-	2,690	-
TOTAL NON-CURRENT ASSETS		64,971	67,228	64,498	66,939
TOTAL ASSETS		139,917	131,903	138,456	130,904
CURRENT LIABILITIES					
Trade and other payables	13	24,848	23,277	23,827	22,780
Customer betting account deposits and vouchers	14	24,521	21,451	24,521	21,451
Other financial liabilities	18	5,111	6,303	5,111	6,303
Derivative liabilities		-	346	-	346
Taxation payable		4,617	3,329	4,587	3,245
Provisions	19	2,984	1,951	2,884	1,754
TOTAL CURRENT LIABILITIES		62,081	56,657	60,930	55,879
NON-CURRENT LIABILITIES					
Other financial liabilities	18	3,028	3,315	3,028	3,315
Provisions	19	1,039	1,095	1,039	1,095
TOTAL NON-CURRENT LIABILITIES		4,067	4,410	4,067	4,410
TOTAL LIABILITIES		66,148	61,067	64,997	60,289
TOTAL EQUITY		73,769	70,836	73,459	70,615
TOTAL LIABILITIES AND EQUITY		139,917	131,903	138,456	130,904

The Board members of the New Zealand Racing Board authorised these financial statements for issue on 28 September 2016.



Glenda Hughes
Chair of the New Zealand Racing Board



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

FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF CASH FLOWS *FOR THE YEAR ENDED 31 JULY 2016*

	GROUP		PARENT	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
INFLOWS				
Betting and gaming turnover	2,674,447	2,390,112	2,674,447	2,390,112
International racing fees and other income	29,658	31,016	29,938	31,002
Racing services income	14,181	14,091	14,181	14,091
Jackpot retentions and account deposits (net)	3,085	1,787	3,085	1,787
TOTAL INFLOWS FROM OPERATING ACTIVITIES	2,721,371	2,437,006	2,721,651	2,436,992
OUTFLOWS				
Betting and gaming dividends paid	(2,297,199)	(2,036,785)	(2,297,198)	(2,036,785)
Betting and gaming GST paid	(49,504)	(46,683)	(49,445)	(46,729)
Betting and gaming duty paid	(22,564)	(20,895)	(22,564)	(20,895)
National sporting organisations grants	(7,648)	(6,017)	(7,648)	(6,017)
Payments to suppliers	(118,832)	(113,086)	(117,003)	(110,386)
Payments for employee benefits including termination payments and contractors	(65,551)	(63,054)	(62,280)	(60,495)
TOTAL OUTFLOWS FROM OPERATING ACTIVITIES	(2,561,298)	(2,286,520)	(2,556,138)	(2,281,307)
NET CASH PROVIDED BY OPERATING FACILITIES	160,073	150,486	165,513	155,685
CASH FLOWS FROM INVESTING ACTIVITIES				
INFLOWS				
Interest received	1,703	2,533	1,680	2,502
Proceeds from sale of property, plant and equipment	3,608	10,450	3,600	10,450
Repayments of industry loans	-	507	-	507
TOTAL INFLOWS FROM INVESTING ACTIVITIES	5,311	13,490	5,280	13,459
OUTFLOWS				
Investment of short-term deposits	-	(3,500)	(248)	(4,495)
Purchases of property, plant and equipment	(9,447)	(17,452)	(9,204)	(17,334)
Purchases of intangible assets	(3,125)	(3,810)	(3,125)	(3,810)
TOTAL OUTFLOWS FROM INVESTING ACTIVITIES	(12,572)	(24,762)	(12,577)	(25,639)
NET CASH USED IN INVESTING ACTIVITIES	(7,261)	(11,272)	(7,297)	(12,180)
CASH FLOWS FROM FINANCING ACTIVITIES				
OUTFLOWS				
Interest paid	(334)	(350)	(334)	(350)
Repayment of finance lease	(259)	(214)	(259)	(214)
Distributions to the racing Codes	(135,694)	(135,053)	(135,694)	(135,053)
Gaming distributions for racing industry costs	(2,972)	(2,557)	(8,941)	(8,402)
Gaming distribution to external bodies	(3,482)	(1,835)	(3,482)	(1,835)
NET CASH USED IN FINANCING ACTIVITIES	(142,741)	(140,009)	(148,710)	(145,854)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	10,071	(795)	9,506	(2,349)
Cash and cash equivalents as at the beginning of the year	20,717	21,732	16,868	19,437
Foreign exchange gain /(loss) on cash and cash equivalents	19	(220)	19	(220)
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	30,807	20,717	26,393	16,868

FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2016 (CONTINUED)

RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP		PARENT	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
NET PROFIT AFTER DISTRIBUTIONS	2,108	3,083	2,019	2,891
NON-CASH ITEMS				
Depreciation and amortisation expense	15,951	15,867	15,917	15,682
(Decrease) / Increase in provision for doubtful debts	(76)	57	(76)	57
Impairment	297	221	276	204
Other non-cash items	557	(71)	358	(25)
TOTAL NON-CASH ITEMS	16,729	16,074	16,475	15,918
ITEMS CLASSIFIED AS INVESTING/FINANCING ACTIVITIES				
Net gain on sale of property, plant and equipment	(2,044)	(4,989)	(2,045)	(4,977)
Net finance expense	143,710	137,419	149,206	143,295
TOTAL ITEMS CLASSIFIED AS INVESTING/FINANCING ACTIVITIES	141,666	132,430	147,161	138,318
MOVEMENT IN CURRENT ASSETS				
Decrease / (increase) in trade and other receivables	1,604	(1,420)	1,955	(1,437)
Decrease / (increase) in other assets	3,305	(486)	3,307	(524)
TOTAL MOVEMENT IN CURRENT ASSETS	4,909	(1,906)	5,262	(1,961)
MOVEMENT IN LIABILITIES				
Decrease in trade and other payables	(933)	(728)	(897)	(964)
(Decrease) / increase in customer betting account deposits	(3,070)	1,926	(3,070)	1,926
Increase in other financial liabilities	982	358	981	358
(Decrease) / increase in taxes payable	(1,342)	547	(1,343)	499
Decrease in provisions	(976)	(1,298)	(1,075)	(1,300)
TOTAL MOVEMENT IN LIABILITIES	(5,339)	805	(5,404)	519
NET CASH PROVIDED BY OPERATING ACTIVITIES	160,073	150,486	165,513	155,685

Distributions to the racing Codes, Gaming distributions for the racing industry and Gaming distributions to external bodies have been reclassified from Operating to Financing activities. Comparative balances have also been restated to reflect this change.



The notes to the financial statements include information which is required to understand the financial statements and information that is material and relevant to the financial performance, financial position and operations of NZRB.

The notes to the financial statements are organised into the following sections:

Basis of preparation: sets out the accounting policies that relate to the financial statements as a whole.

Group structure: provides information about how the key numbers of NZRB are reported internally and explains aspects of the wider group structure.

Key numbers: provides a breakdown of NZRB's financial performance. This section highlights the link between the income derived and the return provided to NZRB's stakeholders.

Operating assets and liabilities: provides information about the assets used to generate NZRB's key numbers and the liabilities incurred as a result.

Risk management: discusses NZRB's exposure to various financial risks, explains how these affect the financial position and performance and what NZRB does to manage these risks. This section also provides information on any items that are not recognised in the financial statements but could potentially have an impact on NZRB's financial position and performance.

INDEX

Who is NZRB and what was the basis of financial statement preparation?

Note 1 - Basis of preparation	49
-------------------------------	----

What is the structure of the Group and how were results reported internally?

Note 2 - Group entities	52
Note 3 - Operating segments	53

Key numbers: What was the return to NZRB's stakeholders?

Note 4 - Distributions	54
------------------------	----

Key numbers: Where did NZRB's income come from?

Note 5 - Revenue	56
Note 6 - Other revenue	57

Key numbers: What costs were incurred in deriving this income?

Note 7 - Turnover related expenses	58
Note 8 - Operating expenses	58
Note 9 - Transactions with related parties	60

Operating assets and liabilities - What was the working capital position of NZRB?

Note 10 - Cash and cash equivalents	61
Note 11 - Trade and other receivables	61
Note 12 - Other financial assets	62
Note 13 - Trade and other payables	63
Note 14 - Customer betting account deposits and vouchers	63

Operating assets and liabilities - What property, plant, equipment and intangibles were used by NZRB for its operations?

Note 15 - Property, plant and equipment	64
Note 16 - Intangible assets	66
Note 17 - Non-current assets held for sale	66

Operating assets and liabilities - Other liabilities incurred by NZRB

Note 18 - Other financial liabilities	67
Note 19 - Provisions	68

Risk management

Note 20 - Categories of financial instruments	69
Note 21 - Risk management	70
Note 22 - Commitments	74
Note 23 - Contingent liabilities	75
Note 24 - Other non-current assets	75
Note 25 - Subsequent events	75

Who is NZRB and what was the basis of financial statement preparation?

This section sets out the accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

1. BASIS OF PREPARATION

REPORTING ENTITY AND STATUTORY BASE

The New Zealand Racing Board (NZRB) is a statutory body established by the Racing Act 2003. Customer betting accounts and betting vouchers offered are debt securities within the meaning of the Securities Act 1978 and NZRB is therefore an 'issuer' for the purposes of the Financial Reporting Act 1993. The NZRB has not yet transitioned to the Financial Markets Conduct Act 2013 (FMCA) and in accordance with the FMCA transition provisions, will not be required to do so until later in 2016. As a result, it is still required to comply with the Financial Reporting Act 1993 and include Parent accounts in these financial statements. NZRB is domiciled in New Zealand.

The principal objectives of NZRB as outlined in the Racing Act 2003 are:

- (a) to promote the racing industry;
- (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 presented are for NZRB (the Parent) and its subsidiaries (together the Group). The Group comprises NZRB, Racing Integrity Unit (RIU) and the Betting Accounts and Betting Vouchers Trust.

STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with generally accepted accounting practice in New Zealand, as required under the Racing Act 2003 and the Financial Reporting Act 1993. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for for-profit entities. They comply with International Financial Reporting Standards. The Group is a Tier-1 entity, under the XRB A1 Accounting Standards Framework (For-Profit Entities).

BASIS OF MEASUREMENT

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

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the year ended 31 July 2016. All the accounting policies have been applied consistently throughout the period and are the same as those used in the financial statements for the year ended 31 July 2015.

PRIOR PERIOD COMPARATIVES

During the 2016 year, NZRB changed the presentation of the Statement of Profit or Loss and Other Comprehensive Income. The most significant change being reclassification of costs previously recorded as operating costs are now being included in turnover related expenses. These costs include advertising and promotion expenses and race form publications. Where required, prior period comparatives have been restated to conform to the current period's presentation.

The presentation of the Statement of Cash Flows has also changed due to the reclassification of the distributions to racing Codes, Gaming distributions to the racing industry and Gaming distributions to external bodies, from Operating Activities to Financing Activities.

NEW STANDARDS AND INTERPRETATIONS ISSUED

The financial statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period on 1 August 2014.

At the date of authorisation, the following new standards, amendments to or interpretations of existing standards were in issue but not yet effective.

- NZ IFRS 9 *Financial instruments* was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces NZ IAS 39 (and other previous version of NZ IFRS 9) that relate to the three aspects of financial instruments accounting: classification and measurement, impairment and hedge accounting. NZ IFRS 9 is effective for reporting periods beginning on or after 1 January 2018 and NZRB plans to adopt the new standard from 1 August 2018. NZRB has yet to assess NZ IFRS 9's full impact.

Classification and measurement

NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on NZRB's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. It is not expected that NZRB will make significant changes in this area.

Impairment

NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets; this will require NZRB to record expected credit losses on all of its loans and trade receivables either on 12-month or lifetime basis. NZRB is yet to perform a full impact assessment for affected items.

Hedge Accounting

NZ IFRS 9 does not change the general principles of how an entity accounts for effective hedges; as such, NZRB does not expect a significant impact as a result of applying NZ IFRS 9 for its hedges currently in place. NZRB believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under NZ IFRS 9.

- NZ IFRS 15 *Revenue from contracts with customers* replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. NZRB has yet to assess NZ IFRS 15's full impact. NZRB will apply this standard from 1 August 2019.
- NZ IFRS 16 *Leases* replaces NZ IAS 17 Leases. IFRS 16 eliminates the classification of leases as either operating or finance for lessees and, instead, introduces a single lessee accounting model. This model requires lessees to account for all of their leases in a manner similar to how finance leases were treated applying NZ IAS 17. This will result in the recognition of (a) a lease asset and lease liability in the statement of financial position; (b) depreciation of lease assets and financing costs on the lease liability in profit or loss; and (c) present the amount of cash paid for the principal portion of the lease liability within financing activities. Lessor accounting is broadly unchanged compared to NZ IAS 17. NZ IFRS 16 is effective for reporting periods beginning on or after 1 January 2019 and NZRB will adopt this standard from 1 August 2019. NZRB has yet to assess NZ IFRS 16's full impact.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

NZRB has determined that there are no critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements, except the ones identified below. The preparation of the financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

NZRB has used judgement in the reclassification of the distributions to racing codes, Gaming distributions to the racing industry and Gaming distributions to external bodies balances from Operating Activities to Financing Activities in the Statement of Cash Flows. It is NZRB's view that this reclassification provides a more accurate picture of the cash generated from the day to day business operations and the cash distributed to its stakeholders.

TAXES

NZRB is exempt from New Zealand income tax pursuant to section CW 47 of the Income Tax Act 2007.

The following taxes, duties, levies and similar charges are paid by NZRB:

- Betting duty of 4 cents in the dollar on Gross Betting Revenue
- Gaming machine duty of 20 cents in the dollar on Gross Gaming Revenue
- Problem Gambling levy of 0.52⁽¹⁾ cents in the dollar on Gross Betting Revenue and 1.30⁽¹⁾ cents in the dollar on Gross Gaming Revenue
- GST charged on GST-inclusive Gross Betting Revenue and Gross Gaming Revenue
- Broadcasting levy of 0.00051 cents in the dollar of revenue from broadcasting in New Zealand
- Fringe benefit tax (FBT)
- Accident Compensation Commission (ACC) levies
- Compulsory KiwiSaver employer contributions
- Property taxes including local body rates

NZRB may be subject to foreign income tax on certain income earned overseas.

(1) The Gambling (Problem Gambling Levy) Regulations 2013 amended the rate of Problem Gambling Levy with effect from 1 July 2016. Prior to 1 July 2016 the applicable rates were 0.60 cents and 1.31 cents, respectively.

GROUP STRUCTURE

This section explains aspects of the wider group structure and how changes may have affected the financial position and performance of the Group and provides information about how the key numbers of the business are reported internally.

What is the structure of the group?

2. GROUP ENTITIES

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by NZRB as at 31 July 2016 and the results of the operations of such entities for the year. NZRB and such entities are together referred to in these financial statements as NZRB or the Group.

NZRB controls an entity when NZRB is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Controlled entities are consolidated from the date on which control is transferred to NZRB. Subsidiaries are deconsolidated from the date that control ceases. Balances between controlled entities, including inter-entity transactions, are eliminated.

INTEREST IN SUBSIDIARIES

The Group includes the following subsidiary and controlled entity:

	Principal place of business	Reporting date	Interest 2016 (%)	Interest 2015 (%)
Betting Accounts and Vouchers Trust	New Zealand	31 July	100	100
Racing Integrity Unit Limited	New Zealand	31 July	25	25

CONSOLIDATION OF BETTING ACCOUNTS AND VOUCHERS TRUST

The Betting Accounts and Vouchers Trust (the Trust) was established by NZRB in 2004 to set aside funds for the purpose of covering amounts owed to customers on TAB betting accounts and unrepresented vouchers. NZRB is the Trustee of the Trust. The deposits and cash balance held in trust are not available for use by NZRB in the ordinary course of business, up to the value of the betting account deposits and vouchers liability.

NZRB controls the Trust which is therefore consolidated with these financial statements. The carrying amounts of the assets and liabilities in the consolidated financial statements reflect the restrictions that apply.

CONSOLIDATION OF RACING INTEGRITY UNIT

NZRB has consolidated the Racing Integrity Unit Limited (RIU). NZRB provides all the income, funding and financial support for this company. As such, despite only holding a 25% interest, NZRB is deemed to control RIU and consequently consolidates RIU. The remaining 75% interest in RIU (non-controlling interest) is owned equally by the three racing Codes. RIU manages integrity services to the racing industry and is responsible for investigating and prosecuting breaches of the Rules of Racing.

How are the results of NZRB reported internally?

3. OPERATING SEGMENTS

NZRB has two operating segments:

- **Gaming operations** - Operations relating to the provision of gaming activities.
- **Betting operations** - Operations relating to providing totalisator and fixed odds betting for racing and sports. Betting operations include broadcasting, racing services provided to the racing Codes, retail and Head Office functions of the NZRB. This segment includes all other NZRB functions and costs other than those relating to gaming.

In addition to the two operating segments, the RIU operations and the Betting Account and Vouchers Trust operations, including the impact of consolidation adjustments are presented separately in 'Other'. The distributions under 'Other' represent the funding from Gaming to RIU. This funding is intended to cover operating and capital expenditure. Consequently, the net profit after distributions represents the net of funding and operating and capital expenditure.

Costs specifically associated with gaming have been allocated to the gaming operating segment. Those costs associated with corporate services, that are not directly attributable to the gaming operations such as communications, legal, finance and human resources are included within the betting segment.

NZRB's Chief Executive has been identified as NZRB's chief decision maker for the purpose of applying segment reporting. The segment results disclosed are based on those segments reported to the Chief Executive and used by NZRB to analyse its business. The RIU operations are not considered an operating segment as financial information is not reported to the Chief Executive.

	GROUP			
	Betting	Gaming	Other	Total
	\$000	\$000	\$000	\$000
2016				
NET PROFIT BEFORE DISTRIBUTIONS	137,305	15,147	(5,716)	146,736
Less distributions	(135,286)	(14,373)	5,805	(143,854)
Less provision for undistributed gaming net profit	-	(774)	-	(774)
NET PROFIT AFTER DISTRIBUTIONS	2,019	-	89	2,108
KEY SEGMENT INFORMATION				
Total turnover	2,270,110	403,331	-	2,673,441
Depreciation and amortisation	(13,975)	(1,942)	(34)	(15,951)
Additions to non-current assets	10,589	1,875	241	12,705
Total assets	134,673	10,713	(5,469)	139,917
Total liabilities	61,110	10,713	(5,675)	66,148
	GROUP			
	Betting	Gaming	Other	Total
	\$000	\$000	\$000	\$000
2015				
NET PROFIT BEFORE DISTRIBUTIONS	137,137	12,549	(5,653)	144,033
Less distributions	(134,245)	(12,247)	5,844	(140,648)
Less provision for undistributed gaming net profit	-	(302)	-	(302)
NET PROFIT AFTER DISTRIBUTIONS	2,892	-	191	3,083
KEY SEGMENT INFORMATION				
Total turnover	2,072,663	317,080	-	2,389,743
Depreciation and amortisation	(14,375)	(1,307)	(185)	(15,867)
Additions to non-current assets	23,059	1,238	130	24,427
Total assets	128,411	8,109	(4,617)	131,903
Total liabilities	57,796	8,109	(4,838)	61,067

KEY NUMBERS

NZRB distributes almost all of its net profit to the Racing Industry and Sporting Community Organisations. This section focuses on the net profit result of NZRB that enabled this return to its stakeholders. Starting with a breakdown of total distributions, on the following pages you will find a breakdown of individual line items in the Statements of Profit or Loss and disclosures relating to the accounting policies, judgements and estimates relevant to understanding these line items.

What was the return to NZRB's stakeholders?

4. DISTRIBUTIONS

NZRB's net profit from its betting operations is distributed to the racing industry (directly through the racing Codes) in accordance with the Racing Act 2003.

Distribution payments include a funding component which is made directly to the racing Codes, based on funding agreements with the Codes. Any additional distributions become payable upon approval by the NZRB Board.

Distributions of gaming net profit are determined separately from distributions from betting net profit. Under the NZRB's Class 4 gaming licence, NZRB distributes funds to amateur sports organisations and applies funds to NZRB costs to cover specific industry costs which are considered to be for racing authorised purposes. These costs include Judicial Control Authority (JCA), RIU, Racing Laboratory Services and costs incurred by NZRB in relation to the publication of race form and the racing calendar. All distributions from gaming net profit are approved by NZRB's Net Proceeds Committee under a grants policy that ensures that the authorised purpose is consistent with the purpose specified in NZRB's Class 4 gaming licence.

Undistributed gaming net profit from prior year represents the payments made to the Racing Industry and Sports Authorised Purposes from the prior year provision for undistributed gaming net profit. As these amounts were undistributed in the prior year, they are considered to be distributions in the current year.

The Gambling (Class 4 Net Proceeds) Regulations 2004 requires gaming surplus to be distributed for authorised purposes and cannot be retained by the business. Consequently, any undistributed surplus at year end is recorded as a provision in the Statements of Financial Position.

	BETTING	GAMING	Undistributed Gaming net profit from last year	TOTAL
	\$000	\$000	\$000	\$000
31 JULY 2016				
DISTRIBUTIONS TO THE RACING INDUSTRY				
Code funding	135,286	-	-	135,286
RIU	-	5,622	183	5,805
Racing Laboratory Services	-	1,754	27	1,781
JCA	-	1,287	13	1,300
Other distributions to racing industry*	-	2,802	-	2,802
TOTAL DISTRIBUTIONS TO RACING INDUSTRY	135,286	11,465	223	146,974
Distributions to Sporting Community Organisations				
Sports Authorised Purposes (paid and payable)	-	2,908	79	2,987
TOTAL DISTRIBUTIONS TO SPORTING COMMUNITY ORGANISATIONS	-	2,908	79	2,987
Reversal of prior year provision for undistributed net profit	-	-	(302)	(302)
TOTAL DISTRIBUTIONS FROM NZRB PARENT	135,286	14,373	-	149,659
Distributions to RIU - eliminated on consolidation	-	(5,805)	-	(5,805)
TOTAL DISTRIBUTIONS FROM GROUP	135,286	8,568	-	143,854

* Other distributions to the racing industry relates to the application of funds to reimburse certain race form and racing calendar publication expenses under the NZRB's Racing Authorised Purpose defined under the NZRB Class 4 Licence. Refer to notes 7 and 8d.

On 28 September 2016, under the terms of the Code funding distribution agreement, the NZRB Board approved an additional distribution to the Codes of \$1.4 million from the net profit after distributions of \$2.1 million (2015: there was no additional distribution approved subsequent to balance date).

	BETTING	GAMING	Undistributed Gaming net profit from last year	TOTAL
	\$000	\$000	\$000	\$000
31 JULY 2015				
DISTRIBUTIONS TO THE RACING INDUSTRY				
Code funding	134,245	-	-	134,245
RIU	-	5,332	512	5,844
Racing Laboratory Services	-	1,257	238	1,495
JCA	-	1,100	108	1,208
Other distributions to racing industry	-	2,036	-	2,036
TOTAL DISTRIBUTIONS TO RACING INDUSTRY	134,245	9,725	858	144,828
Distributions to Sporting Community Organisations				
Sports Authorised Purposes (paid and payable)	-	2,522	214	2,736
TOTAL DISTRIBUTIONS TO SPORTING COMMUNITY ORGANISATIONS	-	2,522	214	2,736
Reversal of prior year provision for undistributed net profit	-	-	(1,072)	(1,072)
TOTAL DISTRIBUTIONS FROM NZRB PARENT	134,245	12,247	-	146,492
Distributions to RIU - eliminated on consolidation	-	(5,844)	-	(5,844)
TOTAL DISTRIBUTIONS FROM GROUP	134,245	6,403	-	140,648



Where did NZRB's income come from?

5. REVENUE

Betting turnover comprises turnover from totalisator and fixed odds betting:

- **Totalisator turnover** is recognised once the outcome of the betting event is confirmed.

- **Fixed odds turnover** is recognised on those bets that are placed with a fixed return, once the outcome of the betting event is known and the result confirmed. For multi fixed odds bets, turnover is only recognised when the last leg is resulted.

Gaming turnover is the gross proceeds derived from gaming machines. NZRB holds a licence to operate gaming machines issued by the Department of Internal Affairs under the Gambling (Class 4 Net Proceeds) Regulations 2004.

Betting and gaming turnover is measured at the fair value of the consideration received, net of any refunds and rebates, and inclusive of GST.

Dividends payable on betting and gaming operations are recognised once the event has resulted, at the fair value of the consideration to be paid. Any unclaimed dividends on totalisator and fixed odds revenue are recognised as unpaid dividends within other financial liabilities. Dividends paid on gaming turnover represents payouts to customers from the gaming machines, including jackpot payouts.

Net betting and gaming revenue represent the net win or loss to NZRB. Net betting and gaming revenue is comprised of turnover less dividends paid or payable, less duties and GST.

Problem gambling levies and betting and gaming machine duties are considered sales taxes, and are therefore included within net betting and gaming revenue, consistent with GST.

5a. TURNOVER (including GST)

Betting turnover - racing totalisator

Betting turnover - racing fixed odds

Total betting turnover - racing

Betting turnover - sports totalisator

Betting turnover - sports fixed odds

Total betting turnover - sports

Total betting turnover

Gaming turnover

TOTAL BETTING AND GAMING TURNOVER

5b. NET BETTING REVENUE

Total betting turnover

Less: dividends payable

Gross betting revenue

Betting duty

GST

Problem gambling levy

NET BETTING REVENUE

5c. NET GAMING REVENUE

Gaming turnover

Less: dividends paid

Gross gaming revenue

Gaming machine duty

GST

Problem gambling levy

NET GAMING REVENUE

5d. NZ RACING SHOWN OVERSEAS

Income earned on racing shown overseas represents fees received from international betting agencies on the export of New Zealand racing events. This income is recognised based on the turnover taken by the international betting agencies on exported racing events and is recognised at the time that the racing event takes place.

GROUP AND PARENT	
2016 \$000	2015 \$000
1,096,389	1,204,831
618,927	462,727
1,715,316	1,667,558
368	1,140
554,426	403,965
554,794	405,105
2,270,110	2,072,663
403,331	317,080
2,673,441	2,389,743
2,270,110	2,072,663
(1,927,819)	(1,747,612)
342,291	325,051
(13,357)	(12,532)
(45,902)	(43,461)
(2,009)	(1,911)
281,023	267,147
403,331	317,080
(367,952)	(289,008)
35,379	28,072
(7,076)	(5,614)
(4,615)	(3,661)
(463)	(368)
23,225	18,429

6. OTHER REVENUE

NZRB's other revenue comprises of the following:

Gain on disposal of property, plant and equipment is the difference between the net proceeds from disposal and the carrying amount of the item disposed and is recognised when the risks and rewards of ownership have transferred to the buyer (this is usually the date the title is transferred).

Interest income is earned on cash and cash equivalents, term deposits, corporate bonds and industry loans and recognised using the effective interest method when it is earned.

Merchant fee revenue is income derived from credit card transaction fees charged to customers.

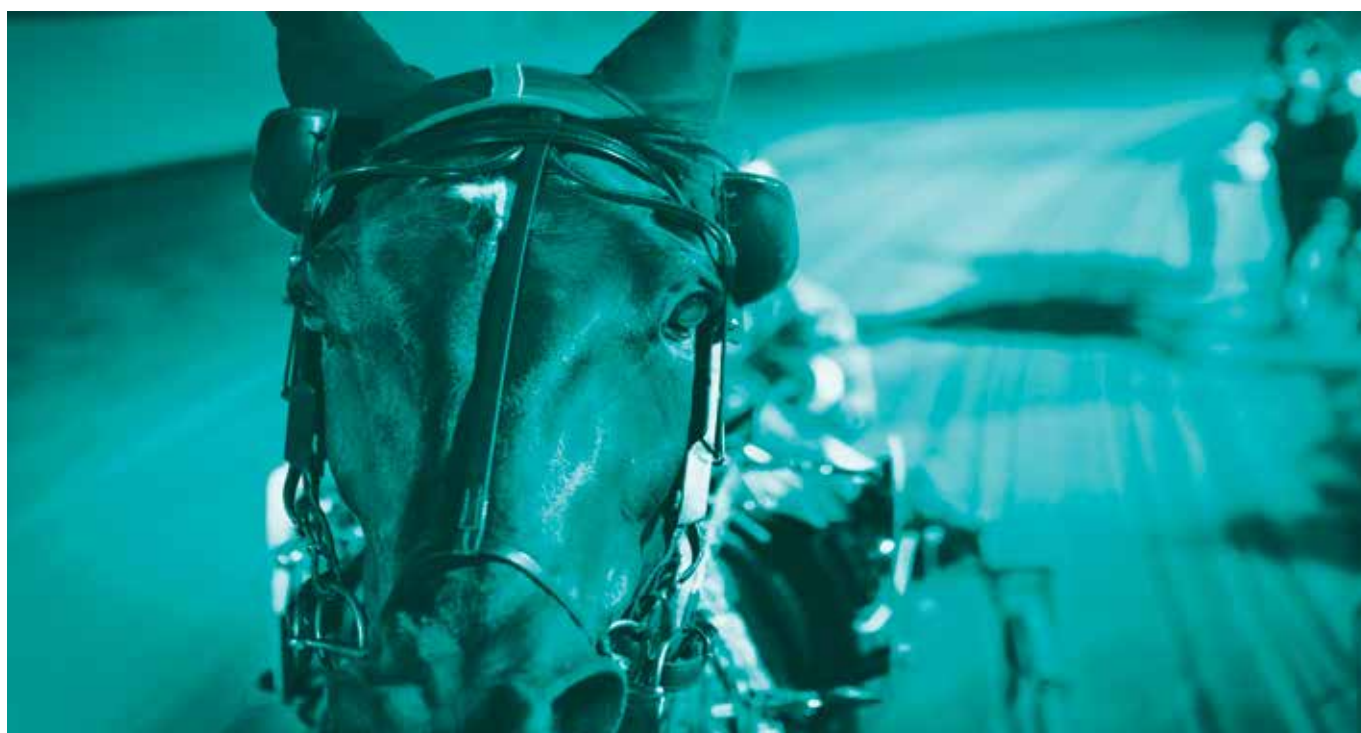
Racing services income represents income earned by NZRB from providing on-course raceday services to racing clubs. Racing services income is recognised at the time that the racing event takes place.

Revenue from broadcasting within New Zealand is advertising income earned on NZRB's Trackside TV channel and Radio Trackside and is subject to levies under the Broadcasting Act 1989.

All other revenue comprises mainly of telecommunications, rent and publications revenue. It is measured at the fair value of the consideration given and is recognised when risks and rewards transfer from NZRB.

	GROUP		PARENT	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Gain on disposal of property, plant and equipment and intangibles	2,044	4,989	2,044	4,989
Interest	1,777	2,376	831	1,270
Interest distributions received	-	-	922	1,075
Merchant fee	2,552	2,000	2,552	2,000
Racing services	14,181	14,091	14,181	14,091
Revenue from broadcasting within New Zealand	777	843	777	843
Other revenue	5,434	6,180	5,451	6,181
TOTAL OTHER REVENUE	26,765	30,479	26,758	30,449

The gain on disposal of property, plant and equipment in the 2016 year includes the sale of the Christchurch building of \$2.0m (2015: sale of the Petone building of \$4.9m).



What costs were incurred in deriving this income?

7. TURNOVER RELATED EXPENSES

Commingling fees are fees paid to overseas betting agencies on commingled pools. The fees are based on a percentage of the commingled turnover.

National sporting organisation grants are paid to New Zealand sporting bodies based on a combination of a percentage of turnover and betting margin earned on betting on the specific sport.

Outlet and agency fees are commissions paid to non-NZRB owned outlets for providing TAB services. A portion of the fees are fixed and the remaining is based on a percentage of the turnover earned by the outlet.

Overseas racing rights are fees paid to overseas broadcasters and betting agencies for taking bets on import racing. These fees are based on a percentage of turnover earned from each individual import race.

	GROUP AND PARENT	
	2016 \$000	2015 \$000
Advertising & promotions	7,519	7,728
Commingling	1,522	2,866
National sporting organisations	7,985	6,075
Overseas racing rights	27,872	26,743
Racing form publications	3,699	3,584
Less race form publications recovered from gaming	(2,055)	(2,036)
Retail fees	16,250	15,697
Other turnover related expenses	3,644	3,950
TOTAL TURNOVER RELATED EXPENSES	66,436	64,607

Race form publications costs recovered from gaming relates to the application of funds from gaming to reimburse certain race form publication expenses under the NZRB's Racing Authorised Purpose defined under the NZRB Class 4 Licence. Refer to note 4.

8. OPERATING EXPENSES

8a. OPERATING EXPENSES

Communications and technology expenses include the new IT managed service agreement with Spark relating to the Optimus programme of \$7.0 million (2015: nil).

8b. PREMISES AND EQUIPMENT EXPENSES

	GROUP		PARENT	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Rent	7,097	7,405	7,063	7,373
Repairs and maintenance	2,606	2,603	2,606	2,603
Other premises and equipment expenses	5,327	4,697	5,104	4,487
TOTAL PREMISES AND EQUIPMENT EXPENSES	15,030	14,705	14,773	14,463

8c. STAFF EXPENSES

	GROUP		PARENT	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Salaries and wages (including contractors)	60,254	57,885	57,258	55,032
Termination expenses	1,860	1,010	1,858	1,010
Other staff expenses	4,710	4,883	4,390	4,611
TOTAL STAFF EXPENSES	66,824	63,778	63,506	60,653

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2016 (CONTINUED)

Compensation of key management personnel

NZRB considers key management personnel as the Board members, the Chief Executive and the Leadership team of NZRB. The salaries and other short-term employee benefits and termination expenses are included within 'Staff Expenses'. The Board members' fees are included within 'Other Expenses'. Refer to note 8d.

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

	GROUP AND PARENT	
	2016 \$000	2015 \$000
Chief Executive and Leadership team remuneration		
Salaries and other short-term employee benefits	2,520	2,360
Termination expenses	-	866
Total Chief Executive and Leadership team remuneration	2,520	3,226
Board members' fees	394	389
TOTAL KEY MANAGEMENT PERSONNEL	2,914	3,615

The termination expenses relate to those amounts paid and accrued relating to the Leadership team restructuring taking effect on 31 July 2015.

8d. OTHER EXPENSES

	GROUP		PARENT	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Auditors remuneration				
- Audit and review services ¹	164	159	155	151
- Taxation compliance services	11	12	11	12
- Treasury advisory services	13	22	13	22
- Other services ²	9	6	9	6
Board members ³	394	389	329	326
Consultancy	2,454	1,694	2,447	1,671
Impairment	297	221	276	204
Interest	334	350	334	350
Legal	818	573	745	459
Merchant	3,590	2,919	3,590	2,919
Printing and stationery	438	488	427	480
Swabbing	1,259	1,282	-	-
Travel and accommodation	2,972	3,039	2,592	2,699
Other operating expenses	2,088	2,628	1,857	2,424
Less EML costs recovered from gaming ⁴	(747)	-	(747)	-
TOTAL OTHER EXPENSES	14,094	13,782	12,038	11,723

¹ Audit and review services includes fees for the annual audit of the financial statements and review of the half-year financial statements.

² Other services relates to the review of the gaming financial statements and forecast information for Class 4 relicensing purposes and review of club financial statement template.

³ Board fees for the Group include fees paid to the Board members of the RIU of \$66,000 (2015: \$63,000).

⁴ Events Marketing & Logistics (EML) costs recovered from gaming relates to the application of funds from gaming to reimburse certain EML expenses under the NZRB's Racing Authorised Purpose defined under the NZRB Class 4 Licence. Refer to note 4.

9. TRANSACTIONS WITH RELATED PARTIES

The related parties identified by NZRB include racing Codes and racing clubs and entities in which key management personnel have an interest. To enable users of the financial statements to form a view about the effects of related party relationships on NZRB we have disclosed the material transactions with those related parties during the year and any balances outstanding at year-end.

TRANSACTIONS WITH RELATED PARTIES		Transaction value		Balance outstanding		Relationship with Key Management Personnel
ENTITY	TRANSACTION	2016 \$000	2015 \$000	2016 \$000	2015 \$000	
New Zealand Greyhound Association Incorporated	Distributions paid and payable	(22,257)	(21,236)	(465)	(1,473)	Mauro Barsi, a Board member of NZRB, is also a Board member of the New Zealand Greyhound Racing Association Incorporated.
	On-course venue services, trackside operations and radio services	2,878	2,845	-	-	
	Other services provided by NZRB	854	782	122	54	
Harness Racing New Zealand Incorporated	Distributions paid and payable	(39,961)	(39,898)	(2,009)	(2,076)	
	On-course venue services, trackside operations and radio services	4,328	4,417	-	-	
	Other services provided by NZRB	504	605	32	33	
New Zealand Thoroughbred Racing Incorporated	Distributions paid and payable	(73,068)	(73,111)	(458)	(503)	Greg McCarthy, a Board member of NZRB, was also a Board member of the New Zealand Thoroughbred Racing Incorporated until April 2016.
	On-course venue services, trackside operations and radio services	6,975	6,830	263	250	
	Other services provided by NZRB	244	209	20	9	
Racing Integrity Unit Limited	Funding	(5,805)	(5,844)	(210)	(304)	Glenda Hughes, Chair of NZRB, was also Chair of the Racing Integrity Unit Limited.
	Other services provided by NZRB	53	49	689	284	
New Zealand Rugby Union Incorporated	National sports organisations grants	(1,214)	(1,067)	(97)	(91)	Graham Cooney, a Board member of NZRB, was also a Board member of the New Zealand Rugby Union Incorporated until April 2016.
Chapman Tripp	Legal fees and tax advisory services paid and payable	(6)	(10)	-	-	Barry Brown, a Board member of NZRB, was a partner of Chapman Tripp until December 2015.

Refer to note 2 for further information regarding RIU. The balance outstanding with RIU relates to certain payments made to RIU employees, for which RIU will reimburse NZRB. All related party transactions between RIU and NZRB are eliminated on consolidation into NZRB Group.

In addition to the above related party transactions, NZRB has provided a loan to Racing at Awapuni, Otaki and Trentham Combined Enterprise Incorporated (RACE Inc). Details relating to this loan is disclosed in note 12.

OPERATING ASSETS AND LIABILITIES

This section provides information about the assets used to generate the results of NZRB and the liabilities incurred as a result.

What was the working capital position of NZRB?

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, cash at bank and call deposits with an original maturity of three months or less.

The carrying values of cash and cash equivalents approximate their fair values. The maximum credit exposure is limited to the carrying value of cash and call deposits.

Cash denominated in foreign currencies is translated into New Zealand dollars at the spot rate at the reporting date. All differences arising on settlement or translation of monetary items are taken to profit or loss and included within other income.

	GROUP		PARENT	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Cash and cash equivalents - NZ currency	26,201	17,117	25,040	16,274
Cash and cash equivalents - Betting Accounts and Vouchers Trust	3,253	3,006	-	-
Cash and cash equivalents - foreign currencies	1,353	594	1,353	594
TOTAL CASH AND CASH EQUIVALENTS	30,807	20,717	26,393	16,868

The Betting Accounts and Vouchers Trust account balance is not available for operational use by NZRB.

11. TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at the fair value of the amounts to be received. They are subsequently measured at amortised cost, using the effective interest method, less any provision for impairment loss due to doubtful debts.

Included within trade and other receivables are the amounts owed to NZRB from non-NZRB owned retail outlets. The retail outlets are required to settle on a weekly basis. NZRB's practice is to require either bank guarantees or cash bonds from non-NZRB owned retail outlets of a value generally greater than a week's settlement; these cash bonds are included in trade and other payables.

Trade and other receivables are non-interest bearing and are generally on terms of 30 days or less.

NZRB maintains a provision for impairment losses when there is objective evidence of non-NZRB owned retail outlets being unable to make required payments. Any impairment provision for doubtful debts is calculated at an individual debtor level. In assessing the provision, factors such as a retail outlet's past collection history, the age of receivable balances and the level of activity in retail outlet accounts are taken into account. Bad debts are written-off against the provision for doubtful debts in the period in which it is determined that the debts are uncollectible. If those debts are subsequently collected then a gain is recognised in profit or loss.

	GROUP		PARENT	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Trade and other receivables	11,243	9,490	11,410	9,725
Provision for doubtful debts	(128)	(189)	(113)	(189)
TOTAL TRADE AND OTHER RECEIVABLES	11,115	9,301	11,297	9,536

As at 31 July 2016, \$0.3m of the total trade and other receivables were past due but not impaired (2015: \$0.3m).

12. OTHER FINANCIAL ASSETS

Other financial assets are initially recognised at their fair value when NZRB becomes a party to the contractual provisions of a financial instrument. Initial fair value is considered to be the cost price of the instrument, except for industry loans.

Where industry loans are advanced at an interest rate that is below the market rate for an investment on similar terms and of similar credit quality, the loan's fair value is less than its cost. Consequently, these loans are initially recognised at their fair value rather than cost. Fair value is determined by reference to bank lending rates for loans on similar terms and of equivalent credit quality.

Betting Accounts and Betting Vouchers Trust short-term deposits are funds held in trust to cover the balances of the customer betting account deposits and vouchers liability. The term deposit and cash balance of \$25.3 million at 31 July 2016 (2015: \$23.0 million) is held to cover the total owed to customers of betting account deposits and vouchers liability of \$24.5 million (2015: \$21.5 million). Refer to note 14 for further information regarding NZRB's obligation for these amounts. The deposits and cash balance held in trust are not available for use by NZRB in the ordinary course of business, up to the value of the betting account deposits and vouchers liability (refer to note 2).

Subsequent to initial measurement, all financial assets are measured at amortised cost, using the effective interest rate method.

At the end of each reporting period and whenever circumstances warrant, other financial assets are assessed for objective evidence of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably. Any financial asset impairment loss is recognised within other expenses in profit or loss.

	GROUP		PARENT	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Inter-company loan to Betting Accounts and Vouchers Trust	-	-	25,254	23,006
Industry loans	2,615	2,609	2,615	2,609
Term deposits - Betting Accounts and Vouchers Trust	22,000	20,000	-	-
Term deposits	9,000	11,000	9,000	11,000
Other	77	165	-	6
TOTAL OTHER FINANCIAL ASSETS	33,692	33,774	36,869	36,621
Disclosed as:				
Current	31,000	31,088	34,254	34,006
Non-current	2,692	2,686	2,615	2,615
TOTAL OTHER FINANCIAL ASSETS	33,692	33,774	36,869	36,621

Industry Loans

The balance of industry loans is comprised of one loan to RACE Inc.

The outstanding balance of the loan granted by NZRB is secured and is repayable in cash. NZRB has a second-ranking charge over the assets of RACE Inc and its associated racing clubs. Bank of New Zealand (BNZ) has the first-ranking charge over these assets. NZRB provided a guarantee to BNZ to the value of \$5.3 million plus up to two years' interest and the costs of collection (2015: \$5.3 million). Refer to note 23 for more information.

New Zealand Thoroughbred Racing Incorporated guarantees to cover any shortfall from the amount guaranteed to BNZ and the loan from the NZRB.

	Maturity	Interest rate		Rate type
		2016	2015	
RACE Inc	February 2019, or earlier if called by NZRB	3.25%	4.00%	Variable

It is not expected that this loan will be repaid within the next 12 months and it is therefore classified as a non-current asset.

13. TRADE AND OTHER PAYABLES

Trade and other payables are recognised when NZRB becomes obliged to make future payments resulting from the purchase of goods and services. These financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. All trade and other payables are non-interest bearing other than the racing Code distributions payable.

Employee entitlement liabilities for annual leave and other contractual payments expected to be settled within 12 months of the reporting date are recognised in other payables, in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

	GROUP		PARENT	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Accruals	7,602	6,477	7,339	6,137
Amounts payable to Board members	30	20	25	20
Employee entitlements	4,436	4,154	3,994	3,686
Racing code distributions payable	2,932	4,053	2,932	4,053
Trade payables	9,848	8,573	9,537	8,884
TOTAL TRADE AND OTHER PAYABLES	24,848	23,277	23,827	22,780

14. CUSTOMER BETTING ACCOUNT DEPOSITS AND VOUCHERS

The customer betting account deposits and vouchers balance represents the amount held in customers' TAB betting accounts and outstanding betting vouchers. A betting voucher is a voucher (including gift vouchers) purchased by customers that can be used to place a bet or can be exchanged for cash. A liability is recognised when a customer deposits cash into their betting accounts or when a betting voucher is purchased. The resulting liability is initially measured at fair value and subsequently at amortised cost using the effective interest method.

The customer betting account deposits and vouchers liability is non-interest bearing. The liability is derecognised when either a deposit or voucher is redeemed or used to place a bet, or in accordance with the Betting Rules, the betting account or voucher is deemed inactive.

The balance of the customer betting accounts deposit and vouchers liabilities as at 31 July 2016 was \$24.5m (2015: \$21.5m). Short-term deposits and cash totalling \$25.3 million (2015: \$23.0 million) is held in trust to cover this liability in the Betting Accounts and Vouchers Trust.



What property, plant, equipment and intangibles were used by NZRB for its operations?

15. PROPERTY, PLANT AND EQUIPMENT

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

At inception of NZRB in 2003, the deemed cost of land and buildings was the valuation of these assets at that time.

Depreciation is calculated on a straight-line basis so as to allocate the cost of each asset over its expected useful life (reviewed annually) to its estimated residual value. Depreciation is recognised within 'Depreciation and amortisation' in the profit or loss. Land is not depreciated.

ESTIMATED USEFUL LIFE	
Buildings (at deemed cost)	10-40 years
Leasehold improvements (shorter of lease period or estimated useful life)	6-7 years
Computer hardware	2-7 years
Motor vehicles	4-7 years
Operations and trackside equipment	5-15 years
Gaming machines	5 years
Other (mainly consists of laboratory equipment, furniture and office equipment)	5-10 years

Finance lease assets are depreciated over the lease term of 10 years.



15. PROPERTY, PLANT AND EQUIPMENT - CONTINUED

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent, if any, of the impairment loss recognised in the profit or loss.

GROUP	Land and buildings	Leasehold improvements	Computer hardware	Motor vehicles	Operations and trackside equipment	Gaming machines	Other	Work in progress	Total property, plant and equipment
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
AS AT 1 AUGUST 2014									
At cost	7,331	24,356	48,894	9,050	35,509	4,897	5,398	6,864	142,299
Accumulated depreciation	(3,980)	(18,118)	(38,875)	(5,309)	(29,344)	(1,724)	(3,162)	-	(100,512)
CARRYING AMOUNT	3,351	6,238	10,019	3,741	6,165	3,173	2,236	6,864	41,787
Additions	131	2,825	907	374	4,625	661	775	8,978	19,276
Disposals	(16)	(61)	-	-	-	(23)	(12)	-	(112)
Net transfers between asset classes	(890)	606	-	220	(220)	-	-	508	224
Transferred from work in progress	-	3,179	4,859	210	885	591	157	(9,881)	-
Transferred to assets held for sale	-	-	(1,060)	-	-	-	-	-	(1,060)
Depreciation for the year	(289)	(2,519)	(3,993)	(843)	(2,912)	(884)	(529)	-	(11,969)
Impairment losses	(15)	(120)	(6)	(17)	(1)	(30)	(27)	-	(216)
CARRYING AMOUNT AT 31 JULY 2015	2,272	10,148	10,726	3,685	8,542	3,488	2,600	6,469	47,930
At cost	3,586	29,870	43,414	9,670	40,682	6,115	6,209	6,469	146,015
Accumulated depreciation	(1,314)	(19,722)	(32,688)	(5,985)	(32,140)	(2,627)	(3,609)	-	(98,085)
CARRYING AMOUNT	2,272	10,148	10,726	3,685	8,542	3,488	2,600	6,469	47,930
Additions	-	2,259	272	580	661	529	321	5,264	9,886
Disposals	(1,342)	(47)	(22)	(37)	-	(34)	-	-	(1,482)
Net transfers between asset classes	-	-	-	-	-	-	-	-	-
Transferred from work in progress	-	2,891	1,086	335	1,530	1,346	71	(7,259)	-
Transferred to assets held for sale	-	-	-	-	-	-	-	-	-
Depreciation for the year	(131)	(2,864)	(3,691)	(561)	(2,111)	(1,459)	(583)	-	(11,400)
Impairment losses	-	(35)	(16)	(20)	(5)	-	-	-	(76)
CARRYING AMOUNT AT 31 JULY 2016	799	12,352	8,355	3,982	8,617	3,870	2,409	4,474	44,858
At cost	1,546	34,685	49,023	10,046	42,863	7,870	6,598	4,474	157,105
Accumulated depreciation	(747)	(22,333)	(40,668)	(6,064)	(34,246)	(4,000)	(4,189)	-	(112,247)
CARRYING AMOUNT	799	12,352	8,355	3,982	8,617	3,870	2,409	4,474	44,858

At 31 July 2016 the contractual commitment for acquisition of property, plant and equipment for the Group was \$2.0 million (2015: \$0.8 million).

At 31 July 2016, the total balance of property, plant and equipment for the Parent was \$44.5 million (2015: \$47.7 million). The NZ Live finance lease of \$3.1 million as at 31 July (2015: \$3.6 million) is included in Operations and Trackside Equipment.

There are no restrictions on property, plant and equipment assets or any assets pledged as securities for liabilities.

16. INTANGIBLE ASSETS

Broadcasting licences, software and other intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

NZRB develops specialised software for its own use in the business. The cost of internally generated software comprises all directly attributable costs necessary to create and prepare the asset to be capable of operating in the manner intended by management, including direct labour costs.

Amortisation is charged on a straight-line basis over the estimated useful lives of the asset and is recognised within 'Depreciation and amortisation' in the profit or loss. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

ESTIMATED USEFUL LIFE	
Software	3-7 years
Broadcasting licenses	14-20 years
Lease intangibles (term of lease)	2-6 years

The carrying amounts of intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent, if any, of the impairment loss recognised in the profit or loss.

GROUP & PARENT	Software	Broadcasting licenses	Other intangible assets	Work in progress	Total intangible assets
	\$000	\$000	\$000	\$000	\$000
AS AT 1 AUGUST 2014					
At cost	51,309	3,391	617	8,025	63,342
Accumulated amortisation	(45,678)	(1,709)	(112)	-	(47,499)
CARRYING AMOUNT	5,631	1,682	505	8,025	15,843
Additions	2,258	-	6	2,887	5,151
Net transfers between asset classes	284	-	-	(508)	(224)
Transferred from work in progress	8,768	-	31	(8,799)	-
Transferred to assets held for sale	(254)	-	-	-	(254)
Amortisation for the year	(3,663)	(124)	(112)	-	(3,899)
Impairment losses	(5)	-	-	-	(5)
CARRYING AMOUNT AT 31 JULY 2015	13,019	1,558	430	1,605	16,612
At cost	61,001	3,391	620	1,605	66,617
Accumulated amortisation	(47,982)	(1,833)	(190)	-	(50,005)
CARRYING AMOUNT	13,019	1,558	430	1,605	16,612
Additions	987	-	13	1,891	2,891
Disposals	-	-	-	-	-
Net transfers between asset classes	-	-	-	-	-
Transferred from work in progress	2,591	-	10	(2,601)	-
Transferred to assets held for sale	-	-	-	-	-
Amortisation for the year	(4,323)	(124)	(104)	-	(4,551)
Impairment losses	(221)	-	-	-	(221)
CARRYING AMOUNT AT 31 JULY 2016	12,053	1,434	349	895	14,731
At cost	64,579	3,391	643	895	69,508
Accumulated amortisation	(52,526)	(1,957)	(294)	-	(54,777)
CARRYING AMOUNT	12,053	1,434	349	895	14,731

At 31 July 2016, work in progress relates mainly to internally generated software (2015: software).

At 31 July 2016, the contractual commitment for acquisition of software and other intangibles was nil (2015: nil).

There are no restrictions on intangible assets or any assets pledged as securities for liabilities.

17. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

As at 31 July 2016, there were no non-current assets classified as held for sale. The non-current assets held for sale as at 31 July 2015 of \$1.3 million were relating to computer hardware and software assets.

OTHER LIABILITIES INCURRED BY NZRB

18. OTHER FINANCIAL LIABILITIES

Jackpot retentions are established in accordance with the Racing Rules pursuant to section 52 of the Racing Act 2003. These comprise amounts set aside from the dividend pools of certain specified bet types. The funds accumulated are used solely for supplementing certain future dividend pools for the originating racing or sports code.

Finance leases, which effectively transfer to NZRB substantially all the risks and benefits of ownership of the leased assets, are capitalised at the lower of the asset's fair value or the present value of the minimum lease payments at inception of the lease.

Unclaimed dividends represent the liability to winning customers on betting activities that have yet to be claimed. Unclaimed dividends are recognised at the time the related revenue is recognised which is when the outcome of the betting event is known. This liability includes unclaimed dividends that are less than six months old. Unclaimed dividends equal to or greater than six months are derecognised and recorded as a reduction in dividends in profit or loss.

Unresulted turnover represents open totalisator and fixed odds betting positions. Open betting positions are those where customers have placed bets and where at balance date the event to which the bet relates has not occurred. These open betting positions are considered to be derivative financial instruments for financial reporting purposes. Unresulted turnover is initially measured at fair value on the date the bet is placed. Fair value is the amount placed on the bet. Subsequently, derivative financial instruments are re-valued to their fair value at each reporting date. NZRB has determined that the value of the balance upon initial recognition approximates fair value at 31 July 2016.

	GROUP AND PARENT	
	2016 \$000	2015 \$000
Jackpot retentions	-	1,369
Finance lease	3,315	3,574
Unclaimed dividends	2,893	2,877
Unresulted turnover	1,931	1,766
Other	-	32
TOTAL OTHER FINANCIAL LIABILITIES	8,139	9,618
Disclosed as:		
Current	5,111	6,303
Non-current	3,028	3,315
TOTAL OTHER FINANCIAL LIABILITIES	8,139	9,618

Finance Lease

On 1 September 2014, NZRB recognised a finance lease asset and corresponding liability for a value of \$3.8 million, payable over 10 years. As at 31 July 2016, the carrying amount of the liability is \$3.3 million (2015: \$3.6 million). The finance lease relates to broadcasting equipment used by NZRB in relation to the 10 year broadcast service contract between NZRB and NZ Live.

FINANCE LEASE	GROUP AND PARENT	
	2016 \$000	2015 \$000
Future minimum lease payments repayable as follows:		
Within one year	501	491
Later than one year but no later than five years	2,105	2,066
Later than five years	1,717	2,258
	4,323	4,815
Less future finance costs	(1,008)	(1,241)
PRESENT VALUE OF LEASE PAYMENTS	3,315	3,574
Present value of lease payments repayable as follows:		
Within one year	287	259
Later than one year but no later than five years	1,476	1,341
Later than five years	1,552	1,974
TOTAL VALUE OF LEASE PAYMENTS	3,315	3,574

19. PROVISIONS

Provisions are recognised when the following three conditions are met:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources with economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount of a provision represents the best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rates used are government stock rates consistent with the term of the obligation.

The provisions of the Parent are materially consistent with that of the Group.

	Make good	Employee benefit	Redundancy	Undistributed gaming net profit	Animal welfare	Onerous contracts	Total provisions
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
BALANCE AT 31 JULY 2015	1,162	751	668	302	-	163	3,046
Additional provisions	21	98	1,365	774	100	-	2,358
Provisions released	(75)	-	(230)	-	-	-	(305)
Amounts used	-	(157)	(454)	(302)	-	(163)	(1,076)
BALANCE AT 31 JULY 2016	1,108	692	1,349	774	100	-	4,023

Disclosed as:

Current

Non-current

TOTAL PROVISIONS

GROUP		PARENT	
2016 \$000	2015 \$000	2016 \$000	2015 \$000
2,984	1,951	2,884	1,754
1,039	1,095	1,039	1,095
4,023	3,046	3,923	2,849

Provision	Description of balance	Expected use
Make good	Restoring leased premises to their original condition at the end of the lease term. Costs are included within the carrying amount of Leasehold Improvement assets. The actual payment dates and costs will be known once each lease reaches its expiry date and the extent of the corresponding make-good is ascertained.	Expiry dates up to 2024
Employee benefit	Long service leave entitlements and retirement gratuity entitlements on legacy employment contracts.	Expiry dates up to 2037
Redundancy	Expected redundancy costs as a result of some restructuring across the organisation.	First quarter of 2017
Undistributed gaming net profit	Class 4 Gaming net profit must be distributed for authorised purposes and cannot be retained within the business. NZRB is obligated to distribute this provision within 90 days.	First quarter of 2017
Animal welfare	Animal welfare fund setup to promote and enhance the NZ Racing Industry. It accumulates at \$50,000 per annum. The Codes can apply to request funds for animal welfare initiatives.	Unknown
Onerous contracts	Commitments under one existing rental contract that no longer provides economic benefits to NZRB.	Commitments expired in 2016

RISK MANAGEMENT

This section discusses NZRB's exposure to various financial risks, explains how these affect the financial position and performance of NZRB and what NZRB does to manage these risks. This section also provides information on any items that are not recognised in the financial statements but could potentially have an impact on NZRB's financial position and performance.

How did NZRB manage its financial risks?

20. CATEGORIES OF FINANCIAL INSTRUMENTS

NZRB classifies its financial assets in the following categories: held to maturity, loans and receivables and fair value through profit or loss (FVTPL). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

HELD-TO-MATURITY

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that NZRB has the intention and ability to hold to maturity other than those that meet the definition of loans and receivables.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

NZRB classifies its financial liabilities under 'financial liability measured at amortised cost' category with the exception of derivative assets/liabilities which are categorised as 'financial asset/liability at fair value through profit or loss'. Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in other comprehensive income as part of the hedging reserve. When the derivative is no longer an effective hedge or is sold or cancelled, the cumulative gain or loss recognised to date on the derivative is recognised in profit or loss.

GROUP	2016				2015			
	Held-to-maturity	Loans and receivables	Other financial assets / liabilities	Total	Held-to-maturity	Loans and receivables	Other financial assets / liabilities	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS								
Cash and cash equivalents	-	30,807	-	30,807	-	20,717	-	20,717
Derivative assets (FVTPL)	-	-	525	525	-	-	-	-
Trade and other receivables	-	11,115	-	11,115	-	9,301	-	9,301
Other financial assets	31,000	2,692	-	33,692	31,000	2,774	-	33,774
TOTAL FINANCIAL ASSETS	31,000	44,614	525	76,139	31,000	32,792	-	63,792
Total non-financial assets				63,778				68,110
TOTAL ASSETS				139,917				131,902
LIABILITIES								
Trade and other payables	-	-	24,848	24,848	-	-	23,277	23,277
Customer betting deposits and vouchers	-	-	24,521	24,521	-	-	21,451	21,451
Unclaimed dividends and unresulted turnover	-	-	4,824	4,824	-	-	4,643	4,643
Finance lease	-	-	3,315	3,315	-	-	3,574	3,574
Derivative liabilities (FVTPL)	-	-	-	-	-	-	346	346
Other financial liabilities	-	-	-	-	-	-	1,401	1,401
TOTAL FINANCIAL LIABILITIES	-	-	57,508	57,508	-	-	54,692	54,692
Total non-financial liabilities				8,640				6,375
TOTAL LIABILITIES				66,148				61,067

20. CATEGORIES OF FINANCIAL INSTRUMENTS - CONTINUED

PARENT	2016				2015			
	Held-to-maturity	Loans and receivables	Other financial assets / liabilities	Total	Held-to-maturity	Loans and receivables	Other financial assets / liabilities	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS								
Cash and cash equivalents	-	26,393	-	26,393	-	16,868	-	16,868
Derivative assets (FVTPL)	-	-	525	525	-	-	-	-
Trade and other receivables	-	11,297	-	11,297	-	9,536	-	9,536
Other financial assets	34,254	2,615	-	36,869	33,990	2,631	-	36,621
TOTAL FINANCIAL ASSETS	34,254	40,305	525	75,084	33,990	29,029	-	63,025
Total non-financial assets				63,372				67,879
TOTAL ASSETS				138,456				130,904
LIABILITIES								
Trade and other payables	-	-	23,827	23,827	-	-	22,780	22,780
Customer betting deposits and vouchers	-	-	24,521	24,521	-	-	21,451	21,451
Unclaimed dividends and unresulted turnover	-	-	4,824	4,824	-	-	4,643	4,643
Finance lease	-	-	3,315	3,315	-	-	3,574	3,574
Derivative liabilities (FVTPL)	-	-	-	-	-	-	346	346
Other financial liabilities	-	-	-	-	-	-	1,401	1,401
TOTAL FINANCIAL LIABILITIES	-	-	56,487	56,487	-	-	54,195	54,195
Total non-financial liabilities				8,510				6,094
TOTAL LIABILITIES				64,997				60,289

21. RISK MANAGEMENT**CAPITAL RISK MANAGEMENT**

NZRB manages its capital considering stakeholders' interests, in particular distributions to the racing Codes, the value of NZRB assets and funding/retentions required for approved initiatives.

NZRB's equity mainly comprises the general reserve, consisting of accumulated balances of prior years' retained surplus net of any losses, plus the current year net profit or loss. NZRB's capital management policies are designed to ensure that agreed distributions to the racing Codes are maintained while also allowing for approved initiatives to be funded.

FINANCIAL RISK MANAGEMENT

In the normal course of business, NZRB is exposed to a variety of financial risks. This section explains NZRB's exposure to financial risks, how these risks could affect the Groups' financial performance and how they are managed. The Treasury function co-ordinates the investment of cash, surplus to current operational requirements, as well as monitoring and managing all financial risks relating to the operations of NZRB.

The use of financial instruments is governed by the Treasury policy approved by the Board of NZRB. The policy provides written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments. The policy also outlines the principles for liquidity risk management. NZRB does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

21. RISK MANAGEMENT - CONTINUED

NZRB uses recognised bookmaking tools and strategies to appropriately manage its Betting risk and exposure. These include customer profiling, pricing management and using a spread of options to take a portfolio approach. In addition to this, the bookmakers are also able to lay off exposures with other betting agencies. NZRB is exposed to the following risks:

Risk	Exposure arising from	Monitoring	Management
1.0 Liquidity risk	Liabilities and financial guarantees	Cash flow forecasting	Maintaining adequate cash reserves of liquid short-term deposits.
2.0 Credit risk	Cash and cash equivalents, trade and other receivables, industry loans and financial guarantees, derivative contracts	Credit ratings of banks	Ongoing review of balances and contractual arrangements involving bank guarantees or cash bonds Ongoing review of business plans and financial viability of RACE Inc.
3.0 Foreign exchange rate risk	Foreign currency denominated transactions, Foreign currency denominated monetary held assets and liabilities	Forecasting of foreign currency transactions	Use of foreign exchange hedges
4.0 Interest rate risk	Cash and cash equivalents, short-term deposits and industry loans	Sensitivity analysis	Ongoing review by management



21. RISK MANAGEMENT - CONTINUED

1.0 LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that NZRB will encounter difficulties in meeting its payments obligations as they fall due.

As NZRB's revenues are principally transactions involving immediate cash receipts, short-term liquidity is covered by trading receipts and highly liquid bank deposits. NZRB manages longer dated liquidity risk by maintaining adequate cash reserves of liquid short-term deposits to satisfy anticipated capital expenditure and distribution requirements.

The following table outlines NZRB's remaining contractual maturities for its financial liabilities.

The table comprises the notional undiscounted cash flows for financial liabilities, including both interest and principal, based on the earliest date on which NZRB can be required to pay.

GROUP FINANCIAL LIABILITIES	Carrying amount	On demand	Less than 3 months	3 months to 1 year	1-5 years	+5 years	Total contractual cash flows
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2016							
Trade and other payables	24,848	-	24,848	-	-	-	24,848
Customer betting deposits and vouchers	24,521	24,521	-	-	-	-	24,521
Unclaimed dividends and unresulted turnover	4,824	2,893	1,931	-	-	-	4,824
Finance lease	3,315	-	124	377	2,105	1,717	4,323
Total notional cash outflows for recognised financial liabilities	57,508	27,414	26,903	377	2,105	1,717	58,516
<i>Financial guarantees (maximum amount payable)</i>							
Industry loan guarantees	-	5,286	-	-	-	-	5,286
Other third party guarantees (note 23)	-	7,958	-	-	-	-	7,958
TOTAL NOTIONAL CASH OUTFLOWS	57,508	40,658	26,903	377	2,105	1,717	71,760

GROUP FINANCIAL LIABILITIES	Carrying amount	On demand	Less than 3 months	3 months to 1 year	1-5 years	+5 years	Total contractual cash flows
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2015							
Trade and other payables	23,277	-	23,277	-	-	-	23,277
Customer betting deposits and vouchers	21,451	21,451	-	-	-	-	21,451
Unclaimed dividends and unresulted turnover	4,643	2,877	1,766	-	-	-	4,643
Finance lease	3,574	-	122	369	2,066	2,258	4,815
Derivative liabilities	346	-	35	301	10	-	346
Other financial liabilities	1,401	-	1,401	-	-	-	1,401
Total notional cash outflows for recognised financial liabilities	54,692	24,328	26,601	670	2,076	2,258	55,933
<i>Financial guarantees (maximum amount payable)</i>							
Industry loan guarantees	-	5,286	-	-	-	-	5,286
Other third party guarantees (note 23)	-	17,794	-	-	-	-	17,794
TOTAL NOTIONAL CASH OUTFLOWS	54,692	47,408	26,601	670	2,076	2,258	79,013

As at 31 July 2016, it is not expected that the financial guarantees will be called.

21. RISK MANAGEMENT - CONTINUED

2.0 CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to NZRB. The credit risk of the Parent is materially consistent with that of the Group.

The maximum exposure is equal to the carrying amount of the financial assets, as set out in note 20. All industry loans are fully secured. Refer to note 23 for further disclosure on the guarantees.

Total financial assets (refer to note 20)

Unrecognised credit exposures:

Salaries and other short-term employee benefits

Termination expenses

Unrecognised credit exposures:

TOTAL CREDIT EXPOSURES

GROUP	
2016 \$000	2015 \$000
76,139	63,792
5,286	5,286
7,958	17,794
13,244	23,080
89,383	86,872

Concentrations of credit risk

NZRB is exposed to the following industry and geographical concentrations of credit risk for trade and other receivables:

	GROUP		GROUP	
	2016 %	2016 \$000	2015 %	2015 \$000
Trade and other receivables				
(Industry & geographical concentrations)				
Australian betting agencies	21.8%	2,426	24.9%	2,316
New Zealand retail TAB outlets	29.4%	3,271	27.8%	2,583
Bank and other banking institutions	23.0%	2,556	11.8%	1,095
Other New Zealand trade and other receivables	25.8%	2,862	35.5%	3,307
TOTAL TRADE AND OTHER RECEIVABLES	100.0%	11,115	100.0%	9,301

NZRB has a concentration of credit risk with its liquid investments and foreign exchange contracts, which are held with three New Zealand registered banks. All the New Zealand registered banks with which the liquid investments are held have a credit rating of AA-.

To mitigate the credit risk of certain receivables, NZRB's practice is to require either bank guarantees or cash bonds from non-NZRB owned retail outlets of a value generally greater than a week's settlement.

3.0 FOREIGN CURRENCY EXCHANGE RATE RISK

NZRB is exposed to exchange rate fluctuations from certain foreign currency denominated transactions it undertakes. Exchange rate exposures may be managed within approved policy parameters which may include the use of forward foreign exchange contracts. As at balance date, NZRB had foreign exchange contracts in place to manage this risk and had no other material exposure to foreign currency.

4.0 INTEREST RATE RISK

NZRB is exposed to interest rate risk through its industry loans, cash and call account balances, short-term deposits and corporate bonds held. The carrying values of these exposures are detailed in the credit risk section of this note at 2.0 above.

As at 31 July 2016, if the interest rates had increased/decreased by 0.5% (50 basis points), with all other variables held constant, the net surplus before distributions would have been \$0.3 m (2015: \$0.3m) higher/lower as a result of higher/lower net interest receipts. There would also be a corresponding increase/decrease in equity.

What were NZRB's unrecognised transactions?

22. COMMITMENTS

22a OPERATING LEASE COMMITMENTS

At inception of a lease, a lease classification test is performed to determine whether the lease is a finance or operating lease. An operating lease is a lease that does not transfer all the risks and rewards of ownership to NZRB. Operating lease payments are recognised in profit or loss on a straight-line basis over the lease term, within premises and equipment expenses. Any sublease income is recognised as other income.

NZRB leases buildings under operating leases, as a lessee, for its TAB operations, as well as certain buildings for office functions. The leases have varying terms and renewal options. Upon renewal, the terms of the leases are negotiated.

For the year ended 31 July 2016 \$7.1 million was recognised as an expense within premises and equipment expenses in the profit or loss in respect of operating leases (2015: \$7.4 million).

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	GROUP		PARENT	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Within one year	6,951	7,049	6,920	7,018
Later than one year but no later than five years	17,756	16,999	17,692	16,996
Later than five years	6,065	7,047	6,065	7,047
TOTAL OPERATING LEASE COMMITMENTS	30,772	31,095	30,677	31,061

22b OTHER NON-CANCELLABLE OPERATING COMMITMENTS

NZRB has a number of non-cancellable operating commitments that relate to services other than the lease of land and buildings.

A contract is considered non-cancellable for any period where either no cancellation provision exists in the contract or where the requirements or costs of cancellation are so significant that cancellation of the contract is remote.

Non-cancellable contracts held by NZRB predominantly comprise technical services associated with the broadcasting of racing plus telecommunication services.

Non-cancellable operating commitments are payable as follows:

	GROUP AND PARENT	
	2016 \$000	2015 \$000
Within one year	18,105	20,319
Later than one year but no later than five years	34,410	34,207
Later than five years	27,221	30,381
TOTAL OTHER NON-CANCELLABLE OPERATING COMMITMENTS	79,736	84,907

23. CONTINGENT LIABILITIES

Where NZRB enters into financial guarantee contracts to guarantee the indebtedness of third party entities, NZRB considers these to be insurance arrangements under NZ IFRS 4 Insurance Contracts and accounts for them as such. A liability is recognised when it becomes probable that NZRB will be required to make a payment under the guarantee. If it becomes probable, NZRB will recognise an expense and corresponding liability based on estimates of future cash flows under the contract. NZRB assesses at the end of each reporting period whether its recognised liability is adequate in comparison to the estimates of future cash flows under the contract. If that assessment shows that the carrying amount of the liability is inadequate, the entire deficiency shall be recognised in profit or loss.

INDUSTRY LOAN GUARANTEE

On 5 February 2009, NZRB provided a guarantee to the BNZ in relation to Racing at Awapuni, Otaki and Trentham Combined Enterprises Incorporated (RACE Inc) to the value of \$5.3 million plus up to two years' interest and the costs of collection (2015: \$5.3 million). New Zealand Thoroughbred Racing Incorporated have provided a back-to-back guarantee to NZRB covering the amounts guaranteed to BNZ. Refer to note 12.

OTHER THIRD PARTY GUARANTEES

On 31 October 2013, NZRB provided a guarantee to Westpac Bank in relation to NZ Live Limited to the value of \$8.9 million. This guarantee was released on 10 May 2016. On 1 April 2014, NZRB also provided a guarantee to Windsor Park Leasing Limited over the payments of the NZ Live leased premises. As at 31 July 2016, the amount payable under this guarantee had reduced to \$3.3 million (2015: \$3.7 million).

In 2015, NZRB assigned two leased properties to third parties, whereby NZRB continues to be liable for any outstanding rent in the event of default. As at 31 July 2016, the total amount payable under these agreements was \$4.6 million (2015: \$5.2 million). In the event of default by the third party, the Landlord and NZRB must undertake their best endeavours to secure a new tenant to mitigate losses.

24. OTHER NON-CURRENT ASSETS

The non-current asset balance of \$2.7 million (2015: nil) relates to transition cost associated with the Optimus programme that are capitalised over the term of agreement.

25. SUBSEQUENT EVENTS

On 28 September 2016, under the terms of the Code funding distribution agreement, the NZRB Board approved an additional distribution to the Codes of \$1.4 million from the net profit after distributions of \$2.1 million (2015: there was no additional distribution approved subsequent to balance date).

Independent Auditors' Report

to the Board Members of the New Zealand Racing Board

Report on the Financial Statements

We have audited the financial statements of the New Zealand Racing Board on pages 43 to 75, which comprise the statements of financial position as at 31 July 2016, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the New Zealand Racing Board and the Group. The Group comprises the New Zealand Racing Board and the entities it controlled at 31 July 2016 or from time to time during the financial year.

Board Members' Responsibility for the Financial Statements

The Board Members are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Board Members determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the New Zealand Racing Board and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the New Zealand Racing Board and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We are independent of the Group. Our firm carries out other services for the Group in the areas of assurance, tax, and treasury advisory services. The provision of these other services has not impaired our independence.

Independent Auditors' Report

New Zealand Racing Board

Opinion

In our opinion, the financial statements on pages 43 to 75:

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the New Zealand Racing Board and the Group as at 31 July 2016, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 July 2016:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the New Zealand Racing Board as far as appears from an examination of those records.

Restriction on Use of our Report

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



Chartered Accountants
20 October 2016

Wellington

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