



ANNUAL REPORT 2015

NEW ZEALAND
RACING BOARD
|||||

TAB





2015 HAS BEEN A BUSY YEAR OF
MANY **POSITIVES** COUPLED WITH
SOME MAJOR **CHALLENGES**

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RETURNS TO RACING & SPORTS

In 2014/15, The New Zealand Racing Board distributed \$134.2m to the three racing Codes, an increase of \$0.2m on the previous year with a further \$10.6m applied to the racing industry from Gaming. Commission payments to national sporting organisations of \$6.1m were \$1.0m ahead of 2013/14, and grassroots community sporting organisations received \$2.7m of Gaming grants (net of grants returned).

BROADCASTING

TAB Trackside delivered an extra 7,352 races this season which produced an additional \$62.0 million in turnover.

OPTIMUS PROGRAMME

This major business improvement programme was approved in 2014/15 for implementation in the next financial year.

Gaming continues to grow

Gaming was a standout performer. Turnover reached \$317m, exceeding \$300m for the first time.

GROWTH IN ACTIVE CUSTOMERS

The number of unique account customers

EXCEEDED 165,000

with a large number of customers reactivated during the year.

\$134.2 million

DISTRIBUTED TO THE THREE RACING CODES



TAB MOBILE APP

The TAB Mobile App was released in September 2014. Downloads of the app are now in excess of 50,000 with over **10,000 new accounts** generated from the app alone.

CRICKET WORLD CUP

Punters spent \$28 million during the Cricket World Cup, exceeding the target of \$22 million. Over 43,000 of our account customers (27%) bet on the tournament, with 99% of first time bettors making their first bet through a digital channel.

CUSTOMER SERVICE STANDARDS

Customer Service Standards continued to be rolled out internally so that providing an excellent customer experience is embedded across our business.



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 165,000 active TAB account-holders and a retail network consisting of more than 670 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 hundreds of 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 76,000 domestic and imported thoroughbred, harness and greyhound races each season, as well as on approximately 32,000 domestic and international sporting events. It has betting agreements with 32 New Zealand national sporting organisations.

NZRB has also held a Class 4 Operator's Licence since 2011. Currently 36 of our 670 TAB retail network sites host gaming machines controlled by NZRB. It is estimated NZRB operates around 2.8% of the total number of Class 4 Venues and around 2.4% of the total number of gaming machines. Net proceeds are split with 80% funding racing Authorised Purposes (e.g. the majority is used to fund integrity measures such as the Racing Integrity Unit, NZ Racing Laboratory Services and Judicial Control Authority), and up to 20% distributed to community sports.

NZRB directly employs around 820 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, the NZRB 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 2014/15 year, NZRB paid a total of \$6.1 million to national sporting organisations across the country.

A record year for TAB account customers



This year, NZRB implemented a customer activation and lifecycle management programme which focused on timeliness, relevance and personalisation. Identifying key account states such as inactive or zero balance accounts, the programme responded with targeted communications and offers for customers to generate more play days and betting revenue. The quality and performance of TAB emails was also improved by introducing new campaigns like Mid-Week Past Winners, and new promotional formats such as TAB Stakes and Smash for Cash which were very popular.

As a result of this innovative approach, NZRB's active account customer base has grown to 165,287 unique account bettors, a 7% increase on 2013/14. More importantly, we also grew customer frequency, with strong growth of 10,000 account bettors per month and 4,214 active account bettors per week. Account betting turnover grew 20% to \$1.08b, and account gross revenue grew 15% to \$158m. We also attracted 41,900 first time bettors, an 8% increase on the last financial year – a fantastic result.

STATEMENT FROM THE BOARD

The past year was a busy and stimulating one with many positives and some major challenges. The Board's decision making has been focused on balancing the long term needs of the industry with the short term essentials.

Uppermost focus for the Board is always to support and enable the racing industry and the wider sporting community.

The racing community is passionate and the people in it all want what's best for the industry and what is best for their Code. But there is often disagreement on the best way to achieve it. The individual passion of each of the Codes, working to get the best for their own constituency, inevitably leads to disagreements as to the right way forward.

During my travels around New Zealand and my attendances at race meetings and functions I have been impressed with the successes of our breeders, trainers and jockeys both here and on the world stage. I have also been heartened by the level of understanding the industry has for the need to change, and I recognise the importance of getting this right. But "right" will not always mean that everyone will get exactly what they want.

Continued growth

An increased customer base is important for the sustainability of the industry and in 2015 good progress has been made in acquiring new customers and lifting customer engagement.

Critical to securing growth is enhancing our digital offerings. Turnover from digital channels now accounts for 52%, and the TAB Mobile App is the fastest growing channel with turnover growth of 210% between the first and second half of 2014/15. We projected higher costs relating to the mobile app and IT operating expenses for the year, however have finished slightly under budget (\$0.8m). Our betting customers are active and engaged. Active new account customer numbers are up 7.8%. Gaming turnover is up 24% and surpassed \$300 million for the first time. We have again achieved record turnover results, surpassing the \$2 billion mark for the second year in a row.

We still need to become more competitive. Innovation from offshore bookies and the accessibility of betting apps means we have to work smarter and harder to maintain let alone improve on our position in the market. Online betting is the fastest growing channel and is also the most competitive. Customers have more choice than ever before. Our customers are telling us we need a better and more diverse range of products and higher, more responsive service. Over the past two years we have made some good progress and this has underpinned the growth in customer accounts and turnover. There remains much to do to meet customer expectations. That is the focus of the Statement of Intent we released earlier this year.

However, there are two important points.

First, we must recognise that while growing product and refining service will go a long way, it is still only part of the solution. There remain some structural changes that only the Government can make to ensure both sport and racing are benefiting from the betting their sport generates. For example, the products we provide are, in part, restricted by the Racing Act 2003 and the volume of international betting on NZ racing and sport is beyond our control without a legislative mandate to protect that interest and return some proceeds to the industries generating a world class betting product.

Second, we need to remain focussed on the need to provide our customers with a safe betting experience. New Zealand's overall gambling framework and strong regulatory settings are a critical part of this. But in order for NZRB to continue to uphold its reputation as a responsible provider, we must continue to ensure our innovations in product and service are backed by support for customers.

Active cost management

NZRB requires a fundamentally lower cost structure to generate the profits the industry requires to build a sustainable future. However, we also need to work with the industry to progress some major programmes that will position NZRB to deliver this outcome.

We must live within our means and use our resources efficiently. We have a range of initiatives, some already completed, and a number in progress, to achieve exactly that. We have exited our former Auckland locations, condensed our office space in Stanley Street and flattened the previously multi-tiered management structure. Costs are being actively managed, revenue is growing and more significant gains will come from outsourcing or partnering to lower our costs.

2014/15 results

Our Net Profit before distributions was \$144.0m, however excluding the one-off gain on the sale of the Petone building our actual performance was \$139.1m, a modest increase on our 2013/14 result, and \$0.2m ahead of budget. While this is a positive result, the mix of betting and gaming included in the Net Profit was different to what we anticipated. Betting Net Profit before distributions was \$132.2m (excluding the gain), or \$2.0m below budget while Gaming Net Profit before distributions was \$12.5m, \$1.8m above budget. The Racing Integrity Unit was \$0.4m above budget.

SNAPSHOT

This reflects a clear improvement on the previous year in challenging conditions. Significant growth should come once NZRB successfully manages the fixed odds margin to offset the impact of the continued growth of import racing and sports betting which has driven a shift away from high margin domestic tote to lower margin fixed odds betting. We are working to reduce our costs to increase net revenue, whilst also continuing to invest smartly in our business so that we have the right capability to compete – be it for the discretionary dollar generally, or with our betting competitors directly.

Animal welfare

Health and safety and animal welfare remain two major challenges facing the racing industry, now and in the future. Recent issues faced in Australia highlight the need for integrity measures at every level of our industry. Both the Victorian and Queensland governments have recommended the establishment of an amalgamated integrity operation along similar lines to what we have in New Zealand, so our Racing Integrity Unit is leading the way for Australasia.

2015/16 and beyond

NZRB is committed to a more participatory approach with the three racing Codes, and the Board has full confidence in NZRB's ability and the Codes to work closely together with them to ensure the challenges of the industry are being met.

We do still face an uncertain and ever changing sports betting landscape, and the difficulty of balancing investment in the business and dealing with the upfront costs incurred to achieve economic efficiencies. However, the Board feels that with the progress made this year, NZRB is better positioned now to maximise margin, minimise expenses and deliver greater returns to the industry. We are confident the industry has the capability to succeed in the long term and if we work together there will be no barriers out there, just numerous things to do.

— Glenda Hughes

Chair
New Zealand Racing Board

TAB Mobile App flying high



Back in July 2014 our aims were clear – engage a new, younger generation of potential racing customers who are used to having everything in the palm of their hand, as well as the wider 64% of Kiwis who own a smartphone. With the TAB Mobile App now in full swing, and regular performance and stability enhancements being made, it continues to exceed expectations.

Total bettors have grown by approximately 40% and turnover by almost 90%. Downloads of the app are now in excess of 50,000, with over 10,000 new accounts having been opened and approximately 3,500 daily users.

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

My first five months at the helm of the New Zealand Racing Board (NZRB) were a whirlwind of meeting, listening, learning and reflection as I threw myself head first into the diverse and extensive world of racing and sports in New Zealand.

It has been a busy five months – the world doesn't stop turning just because there's a new CEO learning the ropes – but it was worth it for the insights and understandings which are now shaping NZRB's way forward.

One of the clearest messages I took from my initial few months was that this is an industry under significant pressure; people are struggling and NZRB's performance both as a funder and as an advocate is pivotal to the industry's ongoing future. In one of my first messages to NZRB staff, I told them the industry faces immense challenges, but also has immense potential. I still firmly believe this. Looking back over the past year's performance it's clear that we have already made some positive progress, but we can and must do better.

Nowhere is this more apparent than in our Net Profit before Distributions result. Setting aside the one-off profit on the sale of the Petone building, we improved our performance from last year by \$2.0 million, continuing a recent trend for modest year-on-year growth. This is encouraging but we only just reached our budget by \$0.2 million, and while hitting the target is important, when you have a racing industry of nearly 17,000 depending on you to make your budget so they can continue to operate, we were cutting it close.

There are a number of factors that go into the bottom line result. Net Betting Revenue was heavily impacted by the continued movement of customers to lower-margin products, as well as a high number of abandonments in the final months of the year. Conversely, Net Gaming Revenue performed strongly and benefited from new sites and the reopening of the Courtenay Place branch in Wellington. And while operating expenses were budgeted to increase in the short term due to the work needed to lift core systems and capability for future growth, we finished slightly under budget by \$0.8m.

Key NZRB highlights of the year

NZRB has had a big year, facing challenges ranging from changing product mix, aging infrastructure, increasing competition from overseas, and the ever-present need to lift our support for the industry. To emerge at the end and see that overall performance has improved is satisfying and reflects the hard work of the NZRB team.

Customer numbers are up, with over 165,000 unique TAB account bettors in the last 12 months, and a 13.8% increase in our average monthly bettors.

We set a new record for unique account bettors in a month, breaking through 100,000 for the first time in November 2014. We also attracted more new account bettors than ever before, with a 7.8% increase on the previous financial year. The introduction of new Customer Service Standards has also seen an improvement in the ratings customer give us on their experiences with the TAB across our touch points.

We began to see the positive impact from some of our major strategic initiatives in recent years. Our Broadcasting operations were successfully moved to new premises in Auckland, and the dual-channel programming changes have meant that more than 7,300 previously non-TV races have been televised, greatly lifting turnover on these races.

Also boosting turnover by an additional \$27 million in its first year, the much anticipated TAB Mobile App was launched in September 2014. The app was updated over the year with ongoing feature additions and improvements embraced by customers, with more than 50,000 downloads to Android and Apple devices by the end of the financial year.

In November 2014, we welcomed the announcement by the Minister for Racing of the formation of an Offshore Betting Working Group. This group was appointed in April 2015, chaired by former MP Chris Tremain and included myself, Sir Paul Collins – the Chair of Sport New Zealand: breeder, owner and NZRB's Thoroughbred representative – Greg McCarthy, and two senior officials from the Department of Internal Affairs. A report went to the Minister in October 2015 with recommendations for his consideration and we look forward to hearing his feedback on this report and direction for next steps in due course.

A significant new business improvement programme, the Optimus programme, was begun during the year and will continue over the coming financial year. The benefits this work is bringing to the business include financial savings through a strategic partnership with Spark Digital for IT support services, as well as other significant benefits in terms of risk, capability, mobility, and collaboration opportunities.

Internal cost vigilance

Since my arrival I have made no bones about the fact that NZRB must reduce its costs and this continues to be a challenge for the business. There are significant costs involved with the running of an organisation with this breadth of operations, and the major work needed to ensure NZRB can respond to our customers' and the industry's future needs also comes with a price tag.

I recognise that it may seem contradictory to say we are focussing on reducing costs while also budgeting for an increase over the year. However, much of the budgeted increase is to enable NZRB to undertake activities designed to provide long-term benefit for the organisation in lifting revenue and/or providing long-term cost savings.

There are still other areas where we can and will rationalise costs. The Optimus programme has introduced a strategic partnership with Spark to reduce our IT costs. We have also restructured the leadership team, so that we are better positioned to truly focus in on projects that will support NZRB to address our key challenges and provide the most return, rather than trying to do everything at once.

Challenges and opportunities

NZRB must address key challenges if we are to grow our Net Profit for Distributions and properly support the racing and sports industries that depend on us. Changing product mix, declining race fields, increasing competition from overseas bookmakers in a digital world, and of course getting our own house in order are all top of mind as we head into the coming year.

A key area of focus is on how we can extract greater margin from our turnover. Our customers are betting with us, in greater numbers than in recent years, but they are more often betting on products with a lower margin than traditional tote. One of the ways we will address this is through the implementation of an automated Fixed Odds Betting platform, which will provide much enhanced capability to offer significantly more options for our punters.

Continuing to improve our digital offering is fundamental to remaining competitive. This is increasingly the main channel that our customers use to interact with our business, be it online, through their mobile devices, or through social media. It is also the primary location of our wagering competition, and we simply cannot afford to fall behind in this dynamic, ever-changing and growing space.

And while we must increasingly look online for future growth, the value of our retail network cannot be overlooked. We have one of the broadest retail footprints of any business in New Zealand, and the opportunities this provides in providing community presence, as a customer acquisition channel and in assisting and educating customers must continue. We will need to continue to evolve our retail operation to gain the most value from it.

The racing calendar is another key focus, and is one we are working on with our partners in the three racing Codes.

Extracting maximum value from our core product as an industry will involve some hard decisions, particularly around the number of meetings and races, field sizes, minimum stakes and even the number of race venues that is appropriate for our industry. I expect there will be plenty of healthy debate across the industry on how we go about this, which I welcome as it shows the passion of our people and their desire to make sure we're making the right changes.

Learning from the past, looking to the future

I am confident we are heading in the right direction. The focus of the business is very much on getting things done and working with the industry, our partners and customers to define and deliver the future.

We need to act now if our industry is to flourish. This will see us implementing projects, setting clear milestone targets and trialling ideas and innovations to see if they work. It is all about being quicker to market, more innovative and relentlessly disciplined in evaluating performance and delivering results.

I am also challenging the wider industry to do the same. There is no time for in-fighting, finger pointing and self-interest. It is imperative that we work together if we are to have any chance of successfully turning the tide on the slow but persistent decline impacting on all levels of the industry.

As I wrote in the New Zealand Herald earlier this year, it is true our industry is facing challenges. Many are difficult and require tough decisions. But it is equally true that at its core, racing still attracts talented and passionate people and is a significant contributor to the New Zealand economy. This is an industry that can and will flourish. I look forward to going on this journey with you.



— John Allen

Chief Executive Officer
New Zealand Racing Board



INDUSTRY AND BUSINESS UPDATE

RACING INDUSTRY

The New Zealand racing industry is fighting to retain its relevance to the New Zealand public. Now more than ever, the industry must tackle the shared challenges of declining mainstream consumer appeal, increasing competition across a range of gambling and entertainment options, aging infrastructure, animal welfare needs, and a dwindling pipeline of talent that is so critical to lead racing in the next generation.

In the past 30-40 years, a number of major reports^[1] have been produced on the industry. Common issues highlighted include governance structure, the funding distribution model, divergence of objectives, infrastructure, internal costing models, returns to owners, quality of races, falling product supply, and on-course attendance. Without exception, all recommended significant transformation initiatives across the industry. While some were actioned, many were not.

There is no good reason why racing cannot have a bright and profitable future here in New Zealand. We have top quality horses and dogs, world class jockeys and drivers, and premier breeders and trainers. We need to unlock this talent and potential to improve economic returns and grow our contribution to New Zealand.

EXTERNAL MARKET

The importance of the Australian market

Australia is a critical market for New Zealand, both in terms of wagering and for the wider industry, and the health of the Australian racing industry has significant consequences for New Zealand.

The Australasian market is increasingly accessible and competitive. The landscape has changed dramatically with mergers and acquisition from UK operators who see Australia as an opportunity for continued growth. Market analysts, Morgan Stanley, are forecasting the Australian betting market to grow at +7% in 2016/17.

Betting accounts for \$76.7b or 13.5% of global gambling revenue. The Oceania gambling market, dominated by Australia (89%) and New Zealand (8%), represents just 5% of total global gambling. However, the global betting market is forecast to grow by 21% by 2019.

From a wagering perspective, the re-negotiation of the Tabcorp contracts relating to commingling, wagering and broadcasting rights was a key focus which continued into the current season. Negotiations were impacted early on by uncertainty relating to the Australian thoroughbred broadcasting rights for Tabcorp.

A Transitional Agreement was put in place from 1 July 2015 following the expiration of the previous agreements, until final agreements are confirmed.

SNAPSHOT

Successful revamp for TAB Trackside



The broadcasting content strategy saw NZRB move to a dual-channel format from 1 August 2014 with TAB Trackside 1 and 2. This enabled an additional 7,352 imported races to be televised, seeing the total number of televised races across domestic and import racing reach 66,931. This additional import racing allowed the growth strategy for FOB Racing to also be realised on Australian product.

October saw the launch of two new shows for Trackside, DogZone and Weigh In, while fan favourites The Box Seat and The First Call were revamped following the re-launch of TAB Trackside 1 and 2 in August. The introduction of both a new thoroughbred and a new greyhound show have been popular with viewers and the industry that have been keen to see more local content on our screens.

In April 2015, TAB Trackside Radio was brought entirely in-house, and introduced a new weekday breakfast show, The Kick Off, featuring sports previews, special guests and hot tips from the TAB on upcoming sports fixtures.

[1] Report of the Royal Commission into Horse Racing, Trotting and Dog Racing in New Zealand (1970); Final Report of the Ministerial Committee on Race Betting Systems (1991); Ernst and Young Report on the Performance and Efficiency Audit of the New Zealand Racing Industry Board (1997); Working Party Report into Racing Industry Structure (2002); PwC Report on the NZ Racing and Bloodstock Industry (2002); NZRB Performance and Efficiency Audit (2008); One Racing: Industry Taskforce Report (2009); KPMG Performance and Efficiency Audit (2014).

The impact of offshore betting

The shift in the structure of the Australian market continues as corporate bookmakers continue to grow their market share. Over the past decade that share has grown from 20% to 35%. This shift is forecast to continue with at least one analyst predicting corporate bookmakers to increase their share to 45%.

Dominance in the growth of online betting and in particular the role of mobile betting in driving growth. This is in part a consequence of race field legislation which has had a positive impact in stabilising the economics of the industry in Australia and shifting competition away from price toward innovation.

The aggressive activity from these offshore corporate bookmakers continues to reach new levels to acquire customers, including New Zealand based customers.

Offshore bookmakers are having a substantial effect on NZRB and the local racing and sport industry. Bookmakers are taking bets on NZ racing and sport and from New Zealanders without making a contribution back to the sport and industry or without bearing any of the costs associated with offshore customers.

The Government's establishment of the Offshore Racing and Sports Betting Working Group in April 2015 was welcomed by NZRB. It is the first time Government has taken a very close look at the issue and the range of options to address it. NZRB looks forward to the release of the Government's decision, which will help shape our strategic focus in this area.

CUSTOMERS

The core business continues to be strong and our customers are active and engaged, reflected in the key account customer metrics.

TAB ACCOUNT CUSTOMER METRICS	2011 (\$'000)	2012 (\$'000)	2013 (\$'000)	2014 (\$'000)	2015 (\$'000)	% CHANGE (5 YEAR)
Active Bettors – Annual	128	147	133	154	165	+29%
Active Bettors – Average Monthly	63	68	66	70	80	+27%
Reactivated Bettors – Average Monthly	10.8	12.3	13.0	13.3	14.3	+32%
First Time Bettors – Annual	27	38	22	39	42	+56%

Optimising our betting channels

While our account performance has been strong, we also have touch points with our customers including our cash channels (retail and on-course) which are still not performing to their potential.

Retail is our point of difference against offshore competitors. For the majority of our existing customers the retail network provides a personal touch which improves trust (Colmar Brunton). However, currently TAB stores are a place to do business rather than a place to engage.

NZRB is facing the same shift in consumer preferences as other operators yet we have no alignment across channel strategies and the overall customer journey. Over the past ten years:

- Retail's share of betting turnover has declined to 36% from 55%, due to both a preference towards online, but also a lack of historical investment in retail.
- Digital turnover (online and mobile) has grown from 27% to 85% of account betting activity and now comprises 52% of total betting turnover. But competing in the digital marketplace requires significant investment in IT infrastructure and customer-facing digital offerings.
- Our sub-standard digital offering and inconsistency of experience across channels is impacting customer retention.

CHALLENGES FOR NZRB

While the global betting market continues to grow, domestically, NZRB is competing in a sector which has had static growth for an extended period of time. Nationally, gambling sector gross revenue has remained flat at around \$2b while the TAB market share is steady at 14.2% (GBR of \$300 million). It is clear that NZRB has an opportunity to increase our betting revenue, but we must buck the national trend to do so.

Of particular concern, operating costs have increased at a greater pace than revenue in recent years. As noted in the Board and Chief Executive Officer's statements, a tighter focus on cost management is now a priority, whilst also ensuring we are continuing to invest in initiatives which will provide long-term benefit.

The shape of the business continues to change led by a shift in customer preferences and on-going digitisation of the marketplace and shift towards fixed odds betting. As a result, margins have reduced and costs have grown, both of which have impacted NZRB's performance in recent years. NZRB has already begun taking steps to address this changing product mix to mitigate the impact by ensuring our business is best set up for this new environment.

We must invest in our business to lift our ability to compete for the customers' attention and betting dollars. One of the ways we will do this is by the development of an automated Fixed Odds Betting (FOB) platform, which is critical to the ongoing performance of NZRB. Racing FOB options offered has grown from 22,000 to 87,000 in five years. In-play sports betting now makes up 37.1% of overall sports betting activity, and 76% of our account base placed a FOB bet last season, growing from 58% in 2011. Customer preference towards FOB, and competition from overseas, has resulted in an increased desire from customers for a greater breadth of options, which the TAB's manual processes and tools simply cannot keep up with.

STRATEGY

NZRB is focussed on delivery. We know that it requires us to work much more closely with Codes and clubs, and we know action is needed now to create confidence and strong foundations for future growth.

The momentum that we have got in customer activation and retention, and turnover growth provides a solid foundation for 2015/16, whilst being mindful of the need to manage margins and costs, and to deliver comparable growth in Net Profit for Distributions.

We are at the point where some major, long term decisions need to be made by NZRB and the Codes in relation to investment prioritisation and the degree of transformation required. Simply put, there are two fundamental questions that must be answered:

- What does a sustainable industry look like?
- What do we need to do to get there?

Any approach to a future solution needs to be collaborative to ensure it is inclusive of all critical participants. It also needs to align to our key stakeholders' expectations, particularly given the varying group of stakeholders we have (Government, the Codes, industry bodies, industry participants, customers and staff).

Moving into 2015/16, NZRB will be progressing the following major initiatives, the aim of which is to lift returns significantly which can be applied to revitalise the industry:

- Completion of key international agreements.
- Optimising the racing calendar.
- Addressing (with Government) a loss of revenue from offshore betting.
- Reviewing the basis of distribution to the Codes.
- Implementing a fully functional automated FOB platform.
- Developing and implementing a new future-proofed channel strategy across our retail and digital channels.
- Leveraging our broadcast assets to accelerate customer acquisition and deliver revenue growth.



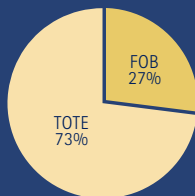
DISTRIBUTIONS FLOWCHART

Betting and Gaming Activity

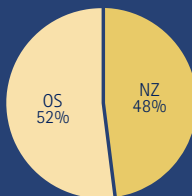
Racing

**RACING
TURNOVER**
\$1,668m

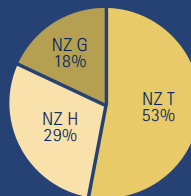
TURNOVER BY PRODUCT



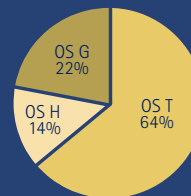
TURNOVER NZ VS OVERSEAS (OS)



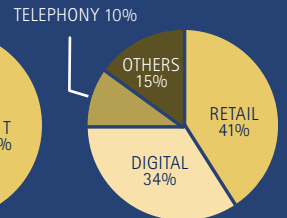
DOMESTIC TURNOVER BY CODE



OVERSEAS TURNOVER BY CODE

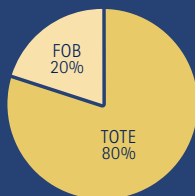


TURNOVER BY CHANNEL

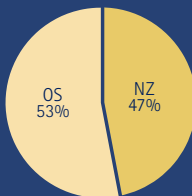


**GROSS BETTING
REVENUE**
\$285m

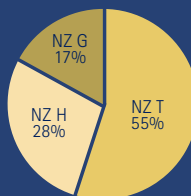
GROSS BETTING REVENUE (GBR) BY PRODUCT



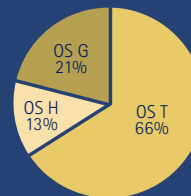
GBR NZ VS OS



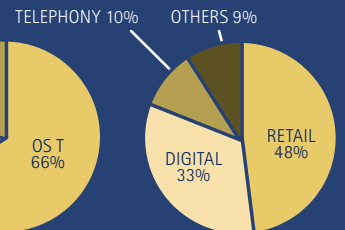
DOMESTIC GBR BY CODE



OVERSEAS GBR BY CODE



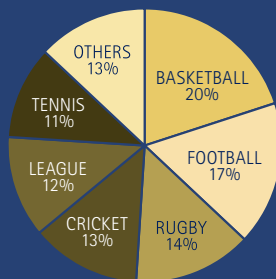
GBR BY CHANNEL



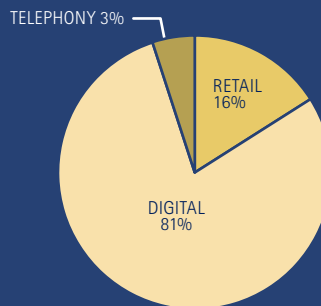
Sports

**SPORTS
TURNOVER**
\$405m

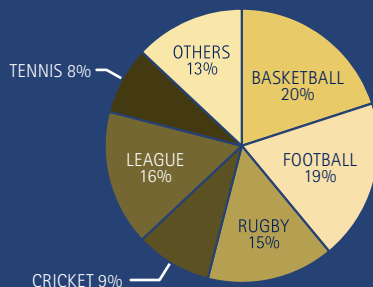
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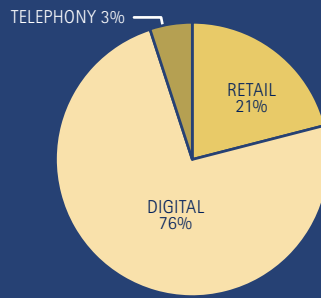
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GBR BY CODE



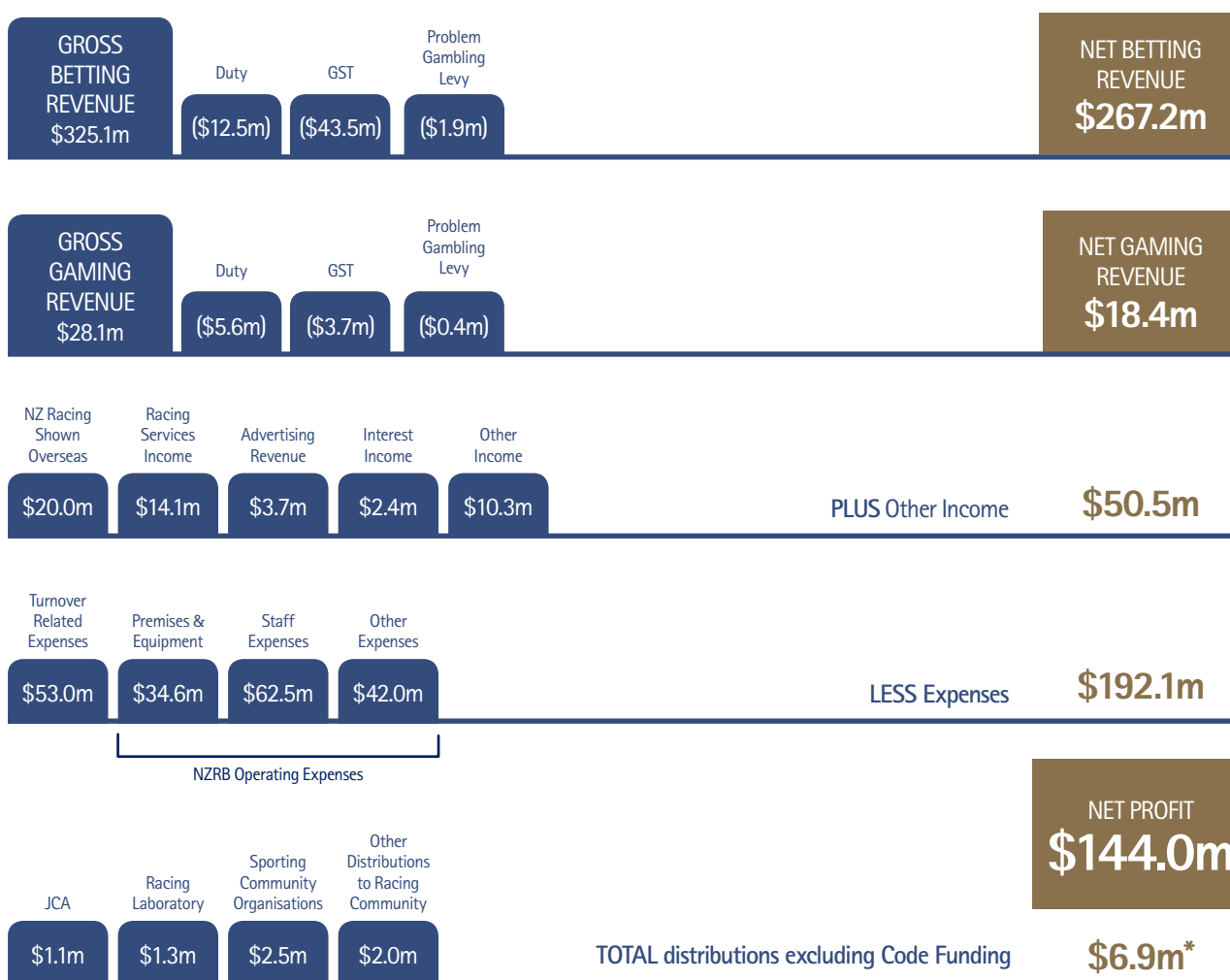
GBR BY CHANNEL



Gaming

Gaming Turnover
\$317m

Gross Gaming Revenue
\$28m



Stakes

\$94m



\$53m



\$30m



\$11m

Code Internal Income & Expenses

\$20m



\$73m

\$10m



\$40m

\$10m



\$21m

NET CODE FUNDING

\$134m

* Net Profit/(Loss) after Distribution, \$3.1 million (See p37)

BOARD MEMBERS

Glenda 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 Barsi

Greyhound Code Nominee | LLM (HONS), BA

Mauro Barsi leads one of the major business units at the Employers and Manufacturers Association (EMA). He 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 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 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 a Senior Partner 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.

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) and has been a board member of the New Zealand Rugby Union since 2010. 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 (1995-2005) 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 immediate past President of the Auckland Trotting Club. He has also served as Chairman and Director of the New Zealand Sire Stakes Board.

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.

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 INFIZ 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.



Glenda Hughes

*Independent Chairperson
BA*



Mauro Barsi

*Greyhound Code Nominee
LLM (HONS), BA*



Barry Brown

*Independent Member
LLB (HONS)*



Graham Cooney

Independent Member



Rod Croon

Harness Code Nominee



Greg McCarthy

*Thoroughbred Code Nominee
BCA, CA*



Alistair Ryan

*Independent Member
MCOM, CA*

BOARD AND INTERESTS REGISTER

Board Members, as at 31 July 2015

GLEND A HUGHES

- Racing Integrity Unit, Chair

MAURO BARS I

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

BARRY BROWN

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

GRAHAM COONEY

- Blue Sky Meats (NZ) Ltd, Chair
- New Zealand Rugby Union, Board Member
- Preston Russell Law, Independent Chair
- Gen-I Southland, Bay of Plenty, Auckland, Director
- 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, Life Member

GREG MCCARTHY

- New Zealand Thoroughbred Racing Incorporated, Board Member
- 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

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 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; and
- 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 2014/15 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 2015, the Executive Racing Board Leadership Team consisted of:

- John Allen, Chief Executive Officer
- Stewart McRobie, Chief Financial Officer
- Glenn Patrick, Executive General Manager TAB
- Emma Scott, Executive General Manager People, Culture and Talent
- Colin Philp, Chief Information Officer

However, it should be noted that a new structure took effect on 1 August 2015 where a number of the above positions were disestablished.

BOARD RESPONSIBILITIES

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

In accordance with Section 19 of the Racing Act 2003, 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 PROCESSES

The Board met ten times during the year to 31 July 2015. 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 2014/15: 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.

SNAPSHOT

Basketball boosted by seven-figure sum



Basketball New Zealand was given a significant boost at the beginning of the year after receiving \$1m in commission payments. Basketball was just the third New Zealand sport to get a seven-figure commission payment within a calendar year, and the first not to be buoyed by world cup betting. Basketball, particularly the NBA, has long been a favourite for Kiwi punters and is one of our most bet-on sports.

We can also put some of basketball's record commission payment down to bets on the Women's NBA (WNBA), made available through our online TAB Watch&Bet service, which proved to be popular with punters. In a media release in January, Basketball New Zealand Chief Executive Iain Potter says Kiwi interest in basketball has never been better. "We know Kiwi punters love the NBA and that as a result, basketball in New Zealand is benefiting – which is great for the local game," says Potter.

The commission payment was contributed to community-focused activities such as Kiwi Hoops, tournaments and talent development, as well as the national team.

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 2015, members of the Dates Committee are: Graham Cooney (Chair), Greg McCarthy, Rod Croon and Mauro Barsi.

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 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 2015 consisted of Alistair Ryan (Chair), Graham Cooney, Greg McCarthy and Rod Croon.

Risk oversight is provided through the Racing Board Leadership Team, supported by the Investigations, Risk and Assurance team who report to the Chief Financial Officer. Although the Chief Financial Officer 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 the NZRB's 3rd 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 2015, 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 2015, its members were: Graham Cooney (Chair), Alistair Ryan, Glenda Hughes and Barry Brown.



BOARD MEMBERS AND REMUNERATION

NUMBER OF MEETINGS

	MEMBER'S REMUNERATION NZ\$	BOARD MEETINGS	AUDIT & RISK COMMITTEE	COMPENSATION & DEVELOPMENT COMMITTEE	DATES COMMITTEE	NET PROCEEDS COMMITTEE
Mauro Barsi	41,000	10	0	2	2	0
Barry Brown	36,000	10	0	0	0	6
Graham Cooney	49,000	10	5	0	2	6
Rod Croon	46,000	9	4	2	1	0
Glenda Hughes	70,000	10	0	0	0	2
Greg McCarthy	41,000	10	5	0	2	0
Alistair Ryan	43,000	10	5	2	0	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 New Zealand Racing Board Group (including Racing Integrity Unit), not being directors, who, in their capacity as employees, received remuneration and other benefits during FY14/15 of at least NZ\$100,000.

The remuneration figures shown include all monetary payments actually made during the year, including incentives but excluding redundancies. There were no incentive payments awarded relating to the 2014 financial year under senior management or Racing Board Leadership incentive schemes that were paid in the 2015 financial year.

NZ\$000	2015	NZ\$000	2015
100-110	26	200-210	1
110-120	14	220-230	1
120-130	20	230-240	2
130-140	16	250-260	2
140-150	11	260-270	1
150-160	9	270-280	1
160-170	6	300-310	1
170-180	2	370-380	1
180-190	3	450-460	1
190-200	3	500-510	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 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 2014/15 year NZRB's investment in responsible gambling measures was \$2.4 million (\$2.3 million in 2013/14). Of this, approximately \$2.3 million (\$2.1 million in 2013/14) 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.

The NZRB endorses the MoH's strategies and programmes in this area, and is a representative in the Stakeholder Reference Group co-ordinated 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 2014/15 approximately \$118,500 (\$118,500 in 2013/14) 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.

Identification and management

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

It is a requirement in 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, 2014/15 saw 441 customers issued with exclusion notices (both self-exclusion and by NZRB), while 37 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 request the TAB place a limit or cap on 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.

The TAB also offers an "Account Only" exclusion program. Through this program 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.

CLASS 4 GAMING DISTRIBUTIONS

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

We are very proud to have been able to return \$13.3 million^[1] to the community through our sports and racing authorised purposes, which is 54.28% of total Class 4 Net Proceeds (excluding GST) in the current year.

RACING AUTHORISED PURPOSE	AMOUNT PAID NZ\$
Racing Integrity Unit	5,844,400
Racing Lab	1,494,832
JCA	1,208,333
Reimbursement of Race Form and Racing Calendar Publication expenses	2,036,084
TOTAL DISTRIBUTIONS TO RACING AUTHORISED PURPOSE	10,583,649

SPORTS AUTHORISED PURPOSE	AMOUNT PAID NZ\$
Albion Softball Club	5,700
Aquablaz New Plymouth Swimming Club	5,333
Auckland Basketball Services Ltd	21,869
Auckland Down Syndrome Association	6,333
Auckland Grammar Rowing Club	5,500
Auckland High Performance Fencing	722
Auckland University Cricket Club	10,000
Auckland University Rugby Football Club	9,095
Avalon Rugby Football Club	8,218
Bay of Islands Yacht Club	16,346
Bay of Plenty Area Pony Club	370
Bay of Plenty Cricket Association	9,576
Bay Oval Trust	16,400
Birkenhead Bowling Club	9,745
Boulcott's Farm Heritage Golf Club	50,127
Bowls Tauranga South	5,000
Box Office Boxing	8,116
Brooklyn Northern United AFC	9,599
Brooklyn Northern United AFC	5,000
Buller Basketball Association	8,073
Cambridge Racquets Club	5,000
Cambridge Soccer Club	5,200
Canoe Slalom Bay of Plenty	18,826

SPORTS AUTHORISED PURPOSE	AMOUNT PAID NZ\$
Canterbury Indoor Bowls Association	1,656
Canterbury Masters Figure Skating Club	4,957
Canterbury Regional Basketball Foundation	15,000
Canterbury Tennis Seniors Association	4,484
Celebration Centre Lions Sports Trust	10,500
Central Districts Cricket Association	8,133
Christchurch School of Gymnastics	6,625
Christchurch School of Gymnastics	1,554
Clubs of Auckland	20,000
Clubs of Auckland	25,000
Cockle Bay Tennis Club	10,000
College Old Boys - Victoria University of Wellington Rugby Football Club	17,594
College Old Boys - Victoria University of Wellington Rugby Football Club	10,874
College Sport Wellington	3,000
Cornwall Cricket Club (Hastings)	1,638
Cornwall District Cricket & Sports Association	6,000
Counties Manukau Hockey Association	15,000
Counties Manukau Rugby Football Union	6,288
Cricket Wellington	21,459
Cricket Wellington	16,800
Dunedin (New Zealand) Masters Games Trust	8,683

[1] The 13.3 million is made up of \$12.2 million relating to current year net profit plus \$1.1 million relating to prior year undistributed net profit.

SPORTS AUTHORISED PURPOSE	AMOUNT PAID NZ\$
Dunedin Ice Hockey Association	1,522
Dunedin Ice Hockey Association	2,130
Eastern Suburbs Association Football Club	4,561
Eastern Suburbs Cricket Club	5,000
Eden Roskill District Cricket Club	10,000
Equestrian Sports New Zealand	5,649
Equestrian Sports New Zealand	22,164
Eventing Wairarapa	30,000
FC Twenty 11	3,000
Forrest Hill Milford United Football Club	5,000
Franklin Basketball	6,318
Franklin Basketball	16,528
Gisborne Bowling Club	489
Gisborne Dressage Group	15,109
Glendowie Tennis Club	2,000
Gymnastics Community Trust	1,430
Gymnastics Community Trust	10,000
Hamilton Cricket Association	9,000
Hamilton Squash and Tennis Club	10,000
Harry Barker Sports Facilities Trust	50,000
Hastings Rugby & Sports Club	5,910
Hawkes Bay Golf Club	6,000
Hawkes Bay Rugby Football Union	3,500
Hawke's Bay United Football	10,000
Hawke's Bay United Football	7,500
Heartland Wairarapa Football Club	15,000
Helensville Bowling Club	10,000
Hutt Old Boys Marist Rugby Football Club	45,000
Hutt Valley Basketball Association	11,217
Hutt Valley Basketball Association	40,000
Hutt Valley Dodgers Softball Club	6,953
Hutt Valley Thunderbolts BMX Club	20,000
Island Bay United AFC	5,380
Johnsonville Rugby Football Club	6,936
Johnsonville Rugby Football Club	6,748
Judgeford Golf Club	20,000

SPORTS AUTHORISED PURPOSE	AMOUNT PAID NZ\$
Kayaking Tauranga	7,445
Ken Maunder Park Community Trust	8,572
Kerikeri Tennis Club	16,000
Kia Toa Bowling Club	10,000
Kihikihi Waikato Eventing	4,125
Linwood Rugby League Football Club	1,600
Lower Hutt Tennis Club	8,000
Lyall Bay Surf Life Saving Club	3,309
Lynn-Avon United AFC	5,153
Manawatu Indoor Bowls Centre	1,157
Manor Park Golf Club	10,000
Maramarua Golf Club	3,500
Martinborough Cricket Club	789
Martinborough Golf Club	20,000
Martinborough Rugby Football Club	1,800
Masterton Red Star Rugby Club	5,811
Masterton Red Star Rugby Club	2,621
Masterton Red Star Rugby Club	4,925
Masterton Tennis Centre	20,000
Mid Central Zone of NZRL	15,000
Miramar Rangers Association Football Club	17,725
Miramar Rangers Association Football Club	14,767
Mount Maunganui Lifeguard Service	22,975
Mount Maunganui Sports Club	7,341
Mt. Albert Ponsonby Association Football Club	6,341
Nelson Bays Football	8,140
Nelson Hockey Association	2,000
Nelson Hockey Association	5,000
Netball Hutt Valley	4,324
Netball Manawatu Centre	10,000
Netball South Zone	13,024
Netball Wairarapa	20,000
Netball Wanganui	399
Netball Wanganui	2,470
Netball Wellington Centre	7,824
Netball Wellington Centre	6,650

SPORTS AUTHORISED PURPOSE	AMOUNT PAID NZ\$
New Plymouth Old Boys Swimming and Surf Life Saving Club	20,618
New Plymouth Old Boys Swimming and Surf Life Saving Club	20,000
New Zealand Basketball Academy	20,173
New Zealand Ice Hockey League	10,000
New Zealand Ice Hockey League	10,000
New Zealand Indoor Bowls	8,922
New Zealand Rural Games Trust	128,301
Ngahuru Charitable Trust	16,000
No 4 Federation of NZ Soccer	10,500
No 4 Federation of NZ Soccer	7,500
North Canterbury Netball Centre	11,847
North City Cricket Club	4,100
North Shore Canoe Club	6,026
North Shore Rowing Club	1,500
Northern Districts Cricket Association	18,111
Northern United Hockey Club	4,904
Northern United Rugby Football Club	15,000
Ocean Beach Kiwi Surf Life Saving Club	2,900
Ocean Beach Kiwi Surf Life Saving Club	2,995
Omanu Beach Surf Life Saving Club	15,200
Oratia United AFC	34,872
Otago Rugby Football Union	15,500
Otaki Golf Club	20,000
Papakura Netball Centre	2,185
Papamoa Surf Lifesaving Club	30,240
Papatoetoe Cricket Club	9,443
Paralympics New Zealand	70,000
Paraparaumu Beach Bowling Club	9,700
Paraparaumu Beach Golf Club	20,000
Paraparaumu Rugby Football Club	12,360
Paremata Boating Club	12,750
Paremata Plimmerton Netball Club	3,037
Paremata Plimmerton Rugby Football Club	15,000
Patumahoe Rugby Football Club	3,496
Petone Football Club	16,131
Petone Football Club	10,000

SPORTS AUTHORISED PURPOSE	AMOUNT PAID NZ\$
Petone Hockey Club	5,000
Ponsonby Rugby Club	3,345
Ponsonby Rugby Club	20,000
Porirua Rowing Club	17,191
Poverty Bay Bowling Club	28,000
Poverty Bay Rugby Football Union	17,185
Pukekohe Golf Club	10,000
Pukekohe Metro Cricket Club	10,397
Queenstown Junior Football Club	12,548
Rimutaka Inline Hockey Club	8,000
Rotorua Basketball Association	10,448
Rugby League Northland	10,708
Sailability Wellington Trust	11,970
Seatoun Association Football Club	10,000
Somerville Hockey Club	3,043
South Auckland Volleyball Club	4,000
South Island Rowing	98,222
Southern Cross Taekwon Do Academy	7,000
Southern Zone Rugby League	10,000
Southland Tennis Association	3,349
Special Olympics Horowhenua	3,350
Special Olympics Hutt Valley	5,040
Special Olympics Manawatu	3,000
Special Olympics North Taranaki	1,075
St. Clair Surf Life Saving Club	6,500
St. Pauls Indoor Bowling Club (Dallington)	2,661
Stop Out Sports Club	6,000
Stop Out Sports Club	7,230
Suburbs New Lynn Cricket Club	15,685
Surf Life Saving New Zealand	4,830
Swimming Taranaki	8,666
Swimming Taranaki	14,109
Swimzone Racing	15,000
Taita District Cricket Club	4,700
Taranaki Hockey Federation	20,000
Tauhara Te Maunga Sports Club	3,095

SPORTS AUTHORISED PURPOSE	AMOUNT PAID NZ\$
Tauranga City Basketball Association	10,000
Tauranga Rowing Club	15,631
Tauranga Synchronised Swimming	4,219
Tawa Association Football Club	4,175
Tawa Association Football Club	5,000
Tawa Rugby Football Club	7,340
Te Atatu Association Football Sports and Social Club	2,348
Te Awamutu Bowling Club	30,000
Te Awamutu Rugby Sports and Recreation Club	6,000
Te Puke Gymsport	5,000
Team Wellington Soccer	10,000
Upper Hutt Hockey Club	5,000
Upper Hutt Rams Rugby Football Club	28,800
Upper Hutt Rams Rugby Football Club	14,451
Upper Hutt Rugby League Club	7,874
Victoria University of Wellington Cricket Club	3,962
Victoria University of Wellington Hunters RLC	6,103
Vikings Swim Club	10,736
Volleyball Bay of Plenty	4,539
Waihora Clay Target Club	10,300
Waikanae Surf Lifesaving Club	9,750
Waikato Basketball Council	5,513
Waikato Basketball Council	14,181
Waikato Basketball Council	14,282
Waikato Basketball Council	3,752
Waikato Rowing Club	6,565
Waikato Rugby Union	10,000
Waikato Unicol AFC	4,000
Waikato University Rowing Club	1,864
Wainuiomata Association Football Club	6,091
Wainuiomata Hockey Club	719
Wainuiomata Tennis Club	1,000
Wairarapa A&P Society	13,000
Waitakere City Water Polo Club	13,608
Wakatipu Rowing Club	20,000
Wanderers Sports Club	8,139

SPORTS AUTHORISED PURPOSE	AMOUNT PAID NZ\$
Wanganui Rugby Football Union	3,840
Wanganui Rugby Football Union	10,000
Waterside Karori Association Football Club	7,500
Waterside Karori Association Football Club	3,750
Wellington Diving Club	10,000
Wellington Fencing Club	4,156
Wellington Fencing Club	2,843
Wellington Hockey Association	3,824
Wellington Hockey Association	5,846
Wellington Hockey Association	1,589
Wellington Rowing Club	14,103
Wellington Rugby Football Club	15,000
Wellington Rugby Football Union	8,000
Wellington Rugby Football Union	20,000
Wellington Rugby Football Union	5,000
Wellington Rugby Football Union	10,000
Wellington Rugby League	15,000
Wellington Rugby League	10,000
Wellington Softball Association	3,043
Wellington United Association Football Club	9,834
Wellington United Association Football Club	17,819
Wellington Youth Sailing Trust	10,000
Weymouth Cosmopolitan and Sports Club	10,797
Whangarei Amateur Swimming Club	4,995
Whangarei Amateur Swimming Club	5,000
Winter Games New Zealand Trust	45,212
Youth Education and Sports Club	9,500
TOTAL DISTRIBUTIONS TO SPORTS AUTHORISED PURPOSE	2,815,475

SNAPSHOT

Grant funding figures on the rise



The NZRB Net Proceeds Committee has continued its great work this year confirming that it has provided \$2.7 million in gaming grant funding in the 2014/15 financial year (net of grants returned). That funding has gone to 209 different amateur sporting entities in communities all across New Zealand, through 252 individual grant applications under our 'Sports' Authorised purpose, and is almost a \$0.4 million increase on grant funding under the 'Sports' Authorised Purpose from the 2013/14 financial year.

This grant funding has given members of various amateur sporting organisations the ability to, or to provide the items necessary to, train and compete in a wide range of different sports. Since acquiring our Class 4 Operator's Licence in August 2011, \$6.5 million has been distributed to amateur sporting organisations in communities all across New Zealand.

This is in addition to the net proceeds we have been applying to our Racing Authorised Purpose, with the majority of funding applied to the integrity costs of racing (the Judicial Control Authority, the Racing Integrity Unit and NZ Racing Laboratory Services) and domestic race meeting promotional costs (Race Form).

GRANTS RETURNED	AMOUNT RETURNED NZ\$
Northern United Rugby Football Club	55
Manawatu Indoor Bowls Centre	8
Waikato Basketball Council	226
Box Office Boxing	2,794
Netball Manawatu Centre	8,801
Bay of Plenty Rugby Union	170
Badminton Canterbury	123
Rugby League Northland	514
Wellington Rugby League	5,538
Clubs of Auckland	20,000
Hutt Valley Basketball Assc. (Upper Hutt)	15,390
Hutt Valley Basketball Assc. (Lower Hutt)	6,798
Wanganui Rugby Football Union	3,840
Wainuiomata BMX Club	1,598
Northern Districts Cricket Association	66
Wellington United Association Football Club	50
Mount Maunganui Lifeguard Service	500
Martinborough Cricket Club	42
Oratia United AFC	79
Birkenhead Bowling Club	95
Eastern Suburbs Association Football Club	23
St. Pauls Indoor Bowling Club (Dallington)	7
Clubs of Auckland	6,817
Kayaking Tauranga	1,253
Eden Roskill District Cricket Club	4,249
TOTAL RETURNED	79,036



FIVE YEAR FINANCIAL SUMMARY

FULL YEAR (\$M)	2010/11	2011/12	2012/13	2013/14	2014/15
Statement of Profit or Loss					
Total turnover	1,531.6	1,814.0	1,956.8	2,088.5	2,389.7
Net betting margin	14.7%	14.4%	14.2%	13.9%	12.9%
Total income	268.3	293.1	304.9	312.5	336.1
Turnover related expenses	43.9	42.6	44.7	47.0	53.0
Operating expenses	100.5	123.2	123.5	128.5	139.1
Operating expenses/total income	37.5%	42.0%	40.5%	41.1%	41.4%
Net profit before distributions	123.8	127.3	136.7	137.0	144.0
Distributions to Racing Industry (including Racing Integrity Unit) ¹	126.4	135.5	142.9	142.3	144.8
Group Distributions to Racing Industry (excluding Racing Integrity Unit) ²	-	-	137.4	136.6	139.0
Distributions to Sporting Community Organisations	-	0.2	0.5	2.3	2.7
Distributions to National Sporting Organisations	3.0	4.0	3.8	5.0	6.1
Statement of Financial Position					
Total assets	128.4	125.5	122.4	125.0	131.9
Current assets	52.1	66.6	71.1	64.2	64.7
Current liabilities	46.7	53.6	50.5	55.8	56.7
Current assets to current liabilities ratio	1.1	1.2	1.4	1.2	1.1
Equity	80.8	69.3	69.5	68.1	70.8

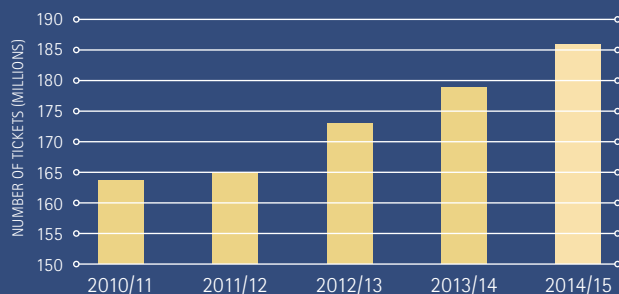
¹ Note 4 of the Financial Statements on page 49 shows the distribution information in more detail.

² Group distributions reflect the distributions of the NZRB Group. The NZRB Group includes the RIU results and therefore the distributions to the RIU are eliminated (excluded) from the Group distributions. The total distributions to RIU in 2014/15 were \$5.8 million (2013/14: \$5.7 million).

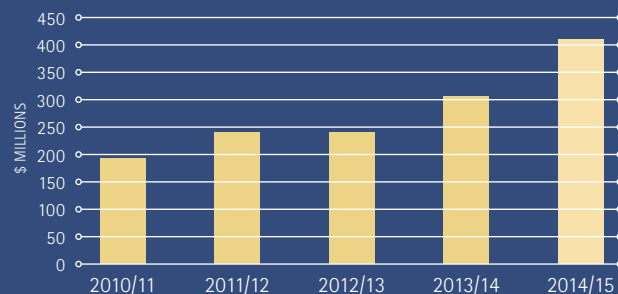
FIVE YEAR RACE SUMMARY

	2010/11	2011/12	2012/13	2013/14	2014/15
Greyhound	4,879	5,024	5,288	5,381	5,353
Harness	2,715	2,675	2,745	2,795	2,654
Thoroughbred	3,052	3,061	3,007	2,875	2,848
TOTAL	10,646	10,760	11,040	11,051	10,855
Imported	42,280	48,405	58,141	58,388	65,612
Exported	10,509	10,561	10,467	10,206	10,133

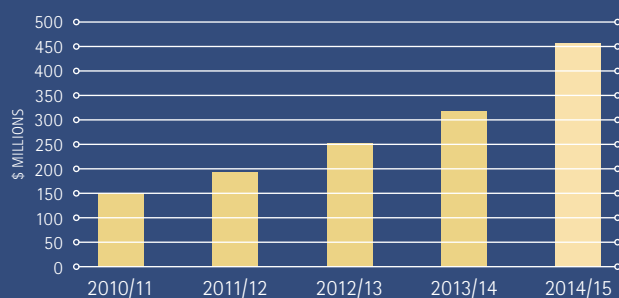
Tickets Issued



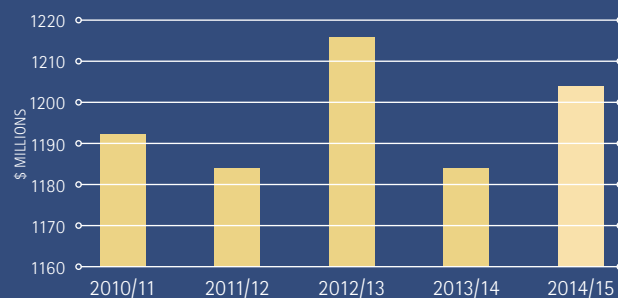
Sports Fixed Odds Betting



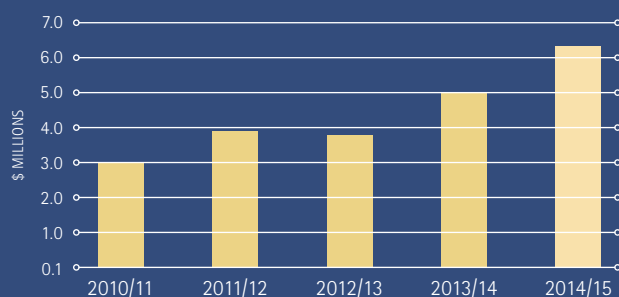
Racing Fixed Odds Betting



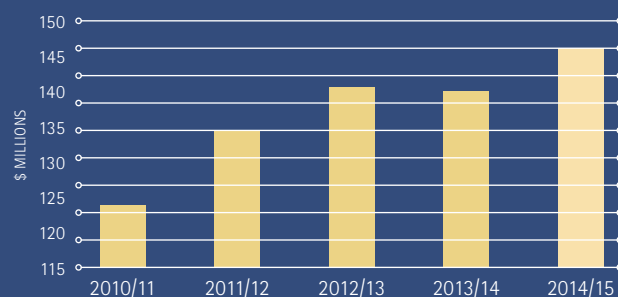
Racing Tote



National Sporting Organisation Grants



Distributions To The Racing Industry (Including RIU)



NZRB FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 JULY 2015

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FINANCIAL COMMENTARY

FOR THE YEAR ENDED 31 JULY 2015

The New Zealand Racing Board (NZRB) achieved a net profit of \$144.0 million for the 2015 year which was \$7.0 million or 5.1% above the 2014 equivalent. The 2015 net profit includes the gain on sale of the Petone Head Office building of \$4.9 million. After excluding this gain on sale, 2015 net profit was \$139.1 million or \$2.0 million above the prior year and \$0.2 million above budget. The following commentary is based on the results of the NZRB Group.

CURRENT YEAR FINANCIAL PERFORMANCE AGAINST PRIOR YEAR

Betting and gaming turnover

Betting turnover was \$240.1 million or 13.1% higher than for the same period last year. This was a result of increases in turnover within both NZ and Overseas fixed odds betting, together with Overseas tote, which more than offset a decline in domestic tote betting turnover. The increase in racing turnover was largely due to an increased offering of televised races to customers as a result of the broadcasting channel changes to TAB Trackside 1 and 2. The increase in sports fixed odds betting turnover was positively impacted by the 2015 Cricket World Cup, as well as a general increase in sports options offered, the introduction of the mobile app and continuing sales initiatives.

Gaming turnover increased by \$61.1 million or 23.9%. This increase was in part driven by the reopening of the Courtenay Place branch, that had been closed for 12 months following the 2013 Seddon earthquakes, together with additional investment in gaming machines and new sites.

Income

Net betting revenue was \$11.6 million or 4.5% higher than for the 2014 year as a result of the increased turnover offset in part by a decline in net betting margin (12.9% compared to 13.9% in 2014). The decrease in margin is mainly the result of a higher proportion of total net betting revenue coming from lower margin fixed odds betting products, in particular within sports fixed odds betting where betting on in-play options has increased, together with a decline in racing tote margin.

Net gaming revenue was \$3.4 million or 22.7% above the 2014 year as a result of the increase in turnover.

Other income was \$8.5 million (20.3%) higher than the 2014 year. After excluding the impact of the gain on sale of the Petone building, the main drivers of this increase was an increase in NZ racing shown overseas income driven by a favourable NZD to AUD exchange rate and additional races being taken by overseas betting agencies and additional revenue received from the changes made to the Trackside channels.

Expenses

Turnover related expenses were \$6.0 million or 12.7% higher than the 2014 year, driven by increased national sporting organisation commissions and overseas racing rights on both sports betting and overseas racing betting.

Operating expenses increased \$10.6 million or 8.2% on the prior year. This was mainly due to higher depreciation expense arising from the increased capital spending in the prior year (\$2.8 million), increased broadcasting expenses due to the new broadcasting solution implemented (\$2.7 million) and higher occupancy expenses from rent paid following the sale and leaseback of the Petone building (\$0.5 million). In addition, advertising costs increased by \$0.6 million which was in line with budget.

	GROUP		
	2015 NZ\$000	2014 NZ\$000	% Change
Betting and gaming turnover	2,389,743	2,088,545	14.4%
Total income	336,089	312,527	7.5%
Net profit before distributions	144,033	137,040	5.1%
Net profit excluding gain on sale of Petone building	139,087	137,040	1.5%
Total distributions	140,648	137,397	2.4%

FINANCIAL COMMENTARY (CONT)

Salaries and wages (including contractors) increased by \$3.9 million. This was mainly driven by the planned salary increment, increased headcount across the organisation, the impact of higher costs arising from agency conversions to branches in respect of retail outlets and increased project activity, particularly the TAB Mobile App, the Enterprise Service Bus and the Optimus programme.

Net profit

After excluding the sale of the Petone building, net profit was \$2.0 million or 1.5% above the prior year.

Total distributions to both the racing industry and sporting community organisations increased by \$3.3 million or 2.4% with racing industry distributions increasing by \$2.4 million or 1.8% on the prior year.

Financial position

Cash and cash equivalents have decreased by \$1.0 million or 4.7% since July 2014 and includes the proceeds from the sale of the Petone building (\$10.5 million). The majority of this movement relates to continued investment in projects and capital expenditure, offset in part by an increase in cash held in the Betting Accounts and Betting Vouchers Trust to cover the balances of the customer betting account deposits and vouchers. Total cash and term deposit balances, after excluding those relating to Betting Accounts and Vouchers Trust, are \$28.7 million.

Total liabilities have increased by \$4.1 million since July 2014, largely driven from the recognition of a finance lease for broadcasting equipment which at balance date was \$3.6 million. This relates to the lease of broadcasting equipment arising out of the 10 year service contract with NZ Live to provide broadcasting services to NZRB. Customer Betting Account Deposits and Vouchers balance also increased by \$1.9 million, reflecting the increased betting activity during the first six months of the 2015 year.

Total equity is \$70.8 million as at 31 July 2015, increasing by \$2.7 million or 4.0%.

CURRENT YEAR FINANCIAL PERFORMANCE AGAINST BUDGET**Betting and gaming turnover**

Total betting turnover was \$87.2 million or 4.4% higher than budget with all product types above budget except domestic tote betting.

Within fixed odds betting turnover, which was \$134.1 million or 18.3% higher than budget, domestic fixed odds racing was \$84.1 million higher than budget and overseas fixed odds racing was \$9.8 million higher than budget.

Total tote betting turnover was \$46.8 million or 3.7% below budget with a below budget performance by domestic tote racing (\$70.7 million) being partially offset by a higher than budget performance by overseas tote racing (\$24.0 million).

Sports betting turnover was \$40.1 million or 11.0% higher than budget with more sports events and betting options being offered.

Gaming turnover was \$25.2 million or 8.6% higher than budget. This was driven by increased investment in improved gaming machines and new sites.

Income

Net betting revenue was \$4.6 million or 1.7% lower than budget for the 2015 year. This was primarily driven by a shift in sports fixed odds betting turnover towards lower margin in-play betting options.

Net gaming revenue was \$1.2 million or 7.2% higher than budget as a result of the increase in turnover referred to above.

Other income was \$9.7 million higher than budget, largely due to the gain on sale of the Petone building of \$4.9 million which was not included in budget. Excluding the impact of this gain on sale, other income was \$4.7 million or 11.5% higher than budget. This was as a result of higher income from NZ racing shown overseas, denominated mainly in Australian Dollars, which was positively impacted by a more favourable exchange rate together with additional races being taken by overseas betting agencies than was budgeted.

FINANCIAL COMMENTARY (CONT)

Expenses

Turnover related expenses were \$1.9 million or 3.8% higher than budget. These expenses increased as a result of higher overseas racing rights due to the increased overseas racing turnover and national sporting organisation commissions resulting from increased sports betting.

Operating expenses were below budget by \$0.8 million (0.6%), driven by an unfavourable variance in staff expenses which was offset by favourable variances in premises and equipment expenses and other expenses.

Staff expenses were above budget by \$1.6 million (2.7%). This was a result of increased new project activity, particularly the TAB Mobile App, the Enterprise Service Bus and the

Optimus programme as well as the impact of the NZRB leadership roles which were disestablished as at 31 July 2015 (\$0.9 million).

Premises and equipment expenses were below budget by \$2.2 million (5.9%). Rent expense was \$0.8 million (9.8%) below budget and depreciation was below budget, by \$1.4 million (8.1%) due to the timing impact of last year's capital expenditure, combined with a lower capital spend than budgeted across the previous two years.

Net profit

After excluding the sale of the Petone building, net profit was \$0.2 million or 0.2% above budget.

31 JULY 2015	GROUP		
	Actual NZ\$000	Unaudited Budget NZ\$000	Variance NZ\$000
TURNOVER	2,389,743	2,276,286	113,457
INCOME			
Net betting revenue	267,147	271,750	(4,603)
Net gaming revenue	18,429	17,188	1,241
Other income	50,513	40,863	9,650
TOTAL INCOME	336,089	329,801	6,288
TURNOVER RELATED EXPENSES	53,005	51,057	(1,948)
OPERATING EXPENSES			
Premises and equipment expenses	34,622	36,794	2,172
Staff expenses	62,452	60,827	(1,625)
Other expenses	41,977	42,268	291
TOTAL OPERATING EXPENSES	139,051	139,889	838
TOTAL EXPENSES	192,056	190,946	(1,110)
NET PROFIT BEFORE DISTRIBUTIONS	144,033	138,855	5,178
Gain on sale of Petone head office building	4,946	-	(4,946)
NORMALISED NET PROFIT BEFORE DISTRIBUTIONS	139,087	138,855	232

FINANCIAL COMMENTARY (CONT)

31 JULY 2015	GROUP		
	Actual NZ\$000	Unaudited Budget NZ\$000	Variance NZ\$000
Current assets	64,674	57,925	6,749
Non-current assets	67,228	64,696	2,532
TOTAL ASSETS	131,902	122,621	9,281
Current liabilities	56,657	53,242	(3,415)
Non-current liabilities	4,410	1,291	(3,119)
TOTAL LIABILITIES	61,067	54,533	(6,534)
TOTAL EQUITY	70,835	68,088	2,747
TOTAL LIABILITIES AND EQUITY	131,902	122,621	9,281

Assets

Current assets are above budget, driven from an increase in cash and cash equivalents and term deposit balances which were higher than expected. This was a result of increased cash held in the Betting Accounts and Betting Vouchers' Trust to cover the balances of the customer betting account deposits and vouchers, combined with the impact of the proceeds received from the sale of the Petone building sale.

Non-current assets are ahead of budget by \$2.5 million. This largely reflects savings in depreciation and amortisation (\$1.4 million) due to the timing of capital spend, together with lower capital expenditure incurred against budget. These savings were offset by the recognition of the broadcasting finance lease asset.

Further to these movements, there was also a re-classification of certain computer software and hardware assets (\$1.3 million) to assets held for sale, which are to be sold as part of an outsourcing solution agreement signed on 7 July 2015.

Liabilities

The increase in current liabilities (\$3.4 million above budget) has largely been driven from an increase in customer betting account deposits and vouchers (\$2.0 million) and additional provisions recognised which were not included in budget (redundancy provision for the disestablishment of leadership positions and undistributed gaming net profit).

Total non-current liabilities is significantly above budget due to the recognition of the NZ Live finance lease which was not included in budget. This transaction has a nil impact on the NZRB financial position, with the capitalisation of the equipment assets in property, plant and equipment.

STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2015

	NOTE	GROUP		PARENT	
		2015 \$000	2014 \$000	2015 \$000	2014 \$000
BETTING AND GAMING TURNOVER	5a	2,389,743	2,088,545	2,389,743	2,088,545
INCOME					
Net betting revenue	5b	267,147	255,526	267,147	255,526
Net gaming revenue	5c	18,429	15,015	18,429	15,015
Other income	6	50,513	41,986	50,470	41,956
TOTAL INCOME		336,089	312,527	336,046	312,497
TURNOVER RELATED EXPENSES	7	53,005	47,032	53,005	47,032
OPERATING EXPENSES					
Premises and equipment expenses	8a	34,622	28,997	34,215	28,540
Staff expenses	8b	62,452	59,660	59,348	56,462
Other expenses	8c	41,977	39,798	39,793	37,686
TOTAL OPERATING EXPENSES		139,051	128,455	133,356	122,688
TOTAL EXPENSES		192,056	175,487	186,361	169,720
NET PROFIT BEFORE DISTRIBUTIONS		144,033	137,040	149,685	142,777
Distributions from Betting	4	134,245	134,502	134,245	134,502
Distributions from Gaming	4	6,403	2,895	12,247	8,607
Provision for undistributed Gaming net profit	19	302	1,072	302	1,072
NET PROFIT / (LOSS) AFTER DISTRIBUTIONS		3,083	(1,429)	2,891	(1,404)
OTHER COMPREHENSIVE INCOME					
Movement in fair value of cash flow hedges *		(336)	-	(336)	-
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		2,747	(1,429)	2,555	(1,404)
Total other comprehensive income / (loss) attributable to:					
Non-controlling interests in Racing Integrity Unit Limited		143	(19)	-	-
NZRB reserves		2,604	(1,410)	2,555	(1,404)
		2,747	(1,429)	2,555	(1,404)

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

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2015

	ATTRIBUTABLE TO NZRB			GROUP	
	General reserve \$000	Hedging reserve \$000	TOTAL \$000	Non-controlling interest \$000	TOTAL GROUP EQUITY \$000
BALANCE AS AT 1 AUGUST 2013	69,475	-	69,475	42	69,517
Net loss after distributions	(1,410)	-	(1,410)	(19)	(1,429)
BALANCE AS AT 31 JULY 2014	68,065	-	68,065	23	68,088
Net profit after distributions	2,940	-	2,940	143	3,083
Other comprehensive loss	-	(336)	(336)	-	(336)
BALANCE AS AT 31 JULY 2015	71,005	(336)	70,669	166	70,835

	PARENT		
	General reserve \$000	Hedging reserve \$000	TOTAL PARENT EQUITY \$000
BALANCE AS AT 1 AUGUST 2013	69,475	-	69,475
Net loss after distributions	(1,404)	-	(1,404)
BALANCE AS AT 31 JULY 2014	68,071	-	68,071
Net profit after distributions	2,891	-	2,891
Other comprehensive loss	-	(336)	(336)
BALANCE AS AT 31 JULY 2015	70,962	(336)	70,626

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2015

		GROUP		PARENT					
	NOTE	2015 \$000	2014 \$000	2015 \$000	2014 \$000				
CURRENT ASSETS									
Cash and cash equivalents	10	20,717	21,732	16,868	19,437				
Trade and other receivables	11	9,301	8,163	9,536	8,380				
Non-current assets held for sale	17	1,314	5,063	1,314	5,063				
Other financial assets	12	31,088	27,500	34,006	29,511				
Other current assets		2,254	1,779	2,242	1,764				
TOTAL CURRENT ASSETS		64,674	64,237	63,966	64,155				
NON-CURRENT ASSETS									
Property, plant and equipment	15	47,930	41,787	47,712	41,496				
Intangible assets (including software assets)	16	16,612	15,843	16,612	15,843				
Other financial assets	12	2,686	3,143	2,625	3,006				
TOTAL NON-CURRENT ASSETS		67,228	60,773	66,949	60,345				
TOTAL ASSETS		131,902	125,010	130,915	124,500				
CURRENT LIABILITIES									
Trade and other payables	13	23,277	24,339	22,780	24,077				
Customer betting account deposits and vouchers	14	21,451	19,525	21,451	19,525				
Other financial liabilities	18	6,303	5,900	6,303	5,900				
Derivative liabilities		346	-	346	-				
Taxation payable		3,329	2,782	3,245	2,746				
Provisions	19	1,951	3,205	1,754	3,010				
TOTAL CURRENT LIABILITIES		56,657	55,751	55,879	55,258				
NON-CURRENT LIABILITIES									
Other financial liabilities	18	3,315	32	3,315	32				
Provisions	19	1,095	1,139	1,095	1,139				
TOTAL NON-CURRENT LIABILITIES		4,410	1,171	4,410	1,171				
TOTAL LIABILITIES						61,067	56,922	60,289	56,429
TOTAL EQUITY						70,835	68,088	70,626	68,071
TOTAL LIABILITIES AND EQUITY						131,902	125,010	130,915	124,500

The Board members of the New Zealand Racing Board authorised these financial statements for issue on 12 October 2015.



Glenda Hughes
Chair of the New Zealand Racing Board



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

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2015

	GROUP		PARENT	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
INFLOWS				
Betting and gaming turnover	2,390,112	2,088,506	2,390,112	2,088,506
International racing fees and other income	31,016	26,701	31,002	26,732
Racing services income	14,091	14,457	14,091	14,457
Jackpot retentions and account deposits (net)	1,787	3,013	1,787	3,013
	2,437,006	2,132,677	2,436,992	2,132,708
OUTFLOWS				
Betting and gaming dividends paid	(2,036,785)	(1,755,546)	(2,036,785)	(1,755,546)
Goods and services tax (net)	(46,683)	(43,715)	(46,729)	(43,793)
Betting and gaming duty paid	(20,895)	(17,907)	(20,895)	(17,907)
National sporting organisations grants	(6,017)	(4,659)	(6,017)	(4,659)
Payments to suppliers	(113,086)	(96,616)	(110,386)	(93,967)
Payments for employee benefits including termination payments and contractors	(63,054)	(59,497)	(60,495)	(56,463)
Distributions to the racing Codes	(135,053)	(136,953)	(135,053)	(136,953)
Payments for racing industry costs	(2,557)	(2,288)	(8,402)	(8,001)
Gaming distribution to external bodies	(1,835)	(1,302)	(1,835)	(1,302)
	(2,425,965)	(2,118,483)	(2,426,597)	(2,118,591)
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,041	14,194	10,395	14,117
CASH FLOWS FROM INVESTING ACTIVITIES				
INFLOWS				
Repayment of short-term deposits	-	4,500	-	4,500
Interest and interest distributions received	2,533	1,798	2,502	1,777
Proceeds from sale of property, plant and equipment	10,450	3,161	10,450	3,161
Repayments of industry loans	507	186	507	186
	13,490	9,645	13,459	9,624
OUTFLOWS				
Investment of short-term deposits	(3,500)	-	(4,495)	(2,011)
Purchases of property, plant and equipment	(17,452)	(17,469)	(17,334)	(17,295)
Purchases of intangible assets	(3,810)	(9,551)	(3,810)	(9,551)
Industry loans advanced	-	(165)	-	(165)
	(24,762)	(27,185)	(25,639)	(29,022)
NET CASH USED IN INVESTING ACTIVITIES	(11,272)	(17,540)	(12,180)	(19,398)
CASH FLOWS FROM FINANCING ACTIVITIES				
OUTFLOWS				
Interest paid	(350)	(167)	(350)	(167)
Repayment of finance lease	(214)	-	(214)	-
Repayment of secured loan	-	(1,500)	-	(1,500)
NET CASH USED IN FINANCING ACTIVITIES	(564)	(1,667)	(564)	(1,667)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(795)	(5,013)	(2,349)	(6,948)
Cash and cash equivalents as at the beginning of the year	21,732	26,622	19,437	26,262
Foreign exchange (loss) / gain on cash and cash equivalents	(220)	123	(220)	123
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	20,717	21,732	16,868	19,437

The movements in Jackpot retentions and in GST have been shown on a net basis in the Statements of Cash Flows as the transactions are settled within a short period of time.

The movements in account betting deposits have been shown on a net basis in the Statements of Cash Flows as these movements represent customer account balances rather than transactions of the NZRB.

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

STATEMENTS OF CASH FLOWS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

RECONCILIATION OF NET PROFIT / (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP		PARENT	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
NET PROFIT / (LOSS) AFTER DISTRIBUTIONS	3,083	(1,429)	2,891	(1,404)
NON-CASH ITEMS				
Depreciation and amortisation expense	15,868	13,100	15,682	12,901
Increase in provision for doubtful debts	57	39	57	39
Impairment	221	203	204	203
Other non-cash items	(72)	(261)	(25)	(263)
TOTAL NON-CASH ITEMS	16,074	13,081	15,918	12,880
ITEMS CLASSIFIED AS INVESTING/FINANCING ACTIVITIES				
Net gain on sale of property, plant and equipment	(4,989)	(149)	(4,977)	(139)
Net finance income	(2,026)	(2,153)	(1,995)	(2,133)
TOTAL ITEMS CLASSIFIED AS INVESTING/FINANCING ACTIVITIES	(7,015)	(2,302)	(6,972)	(2,272)
MOVEMENT IN CURRENT ASSETS				
(Increase) / decrease in trade and other receivables	(1,420)	1,306	(1,437)	1,334
Increase in other assets	(486)	(981)	(524)	(1,082)
TOTAL MOVEMENT IN CURRENT ASSETS	(1,906)	325	(1,961)	252
MOVEMENT IN LIABILITIES				
(Decrease) / increase in trade and other payables	(728)	1,119	(964)	1,235
Increase in customer betting account deposits	1,926	2,876	1,926	2,876
Increase in other financial liabilities	358	532	358	532
Increase / (decrease) in taxes payable	547	(68)	499	(147)
(Decrease) / increase in provisions	(1,298)	60	(1,300)	165
TOTAL MOVEMENT IN LIABILITIES	805	4,519	519	4,661
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,041	14,194	10,395	14,117

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

NOTES TO THE FINANCIAL STATEMENTS INDEX

ABOUT

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

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 the 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 2016. As a result, it is still required to comply with the Financial Reporting Act 1993 and include Parent accounts in these financial statements. The 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 profit-oriented 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 2015. 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 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

BASIS OF PREPARATION (CONT)

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 1 August 2014.

At the date of authorisation, the following new standards, amendments or interpretations to 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 the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. 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. NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. This standard is effective for reporting periods beginning on or after 1 January 2018. NZRB has yet to assess NZ IFRS 9's full impact.
- 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 2018.

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. 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.

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 0.6 cents in the dollar on Gross Betting Revenue and 1.31 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

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 2015 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.

2a. INTEREST IN SUBSIDIARIES

The Group includes the following subsidiary and controlled entity:

	PRINCIPAL PLACE OF BUSINESS	REPORTING DATE	INTEREST 2015 (%)	INTEREST 2014 (%)
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 financial statements of the Group are the same as those of the Parent as all assets and liabilities of the Trust are held by NZRB as Trustee. The carrying amounts of the assets and liabilities in the consolidated financial statements reflect the restrictions that apply.

Consolidation of Racing Integrity Unit Limited

NZRB has consolidated 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

GROUP ENTITIES (CONT)

2b. UNCONSOLIDATED STRUCTURED ENTITIES

In October 2013 NZRB entered into a 10-year service contract with NZ Live Limited (NZ Live) for NZ Live to provide broadcasting services to NZRB from 1 September 2014. Integral to this contract is the ongoing upgrade from current standard definition broadcast vision (SD) to high definition (HD).

As part of the agreement with NZ Live, NZRB entered into two guarantee arrangements, as follows:

- A guarantee to Westpac over the NZ Live unsecured loan facility of \$8.9 million.
- A guarantee to Windsor Park Leasing Limited over the payments of the NZ Live leased premises with a nominal value at 31 July 2015 of \$3.7 million.

NZRB has no ownership or future ownership rights of NZ Live. However, NZRB does have potential exposure to losses through the bank and lease guarantees noted above. Additionally, NZRB is the most significant customer. Other than in the event of default by NZ Live on the bank or lease payments, NZRB does not have the power to control the operations of NZ Live.

NZ Live provides key broadcasting services required by NZRB and accordingly NZRB has provided the financial guarantee in order to lower the cost to NZRB of the services provided by NZ Live.

NZRB has not recorded any interest in NZ Live in the financial statements as at 31 July 2015 in the form of income or assets. NZRB's maximum exposure to loss is the total value of the guarantees noted above. As at 31 July 2015, it was not probable that NZRB will be required to make a payment under the guarantee and as such no liability has been recorded in the Group's financial statements.

How were 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. The Betting operations include 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 Accounts and Betting Vouchers Trust operations, including the impact of consolidation adjustments are presented separately in 'Other'.

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 operations.

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.

The following is an analysis of the Group's profit and assets by reportable segments.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

OPERATING SEGMENTS (CONT)

31 JULY 2015	GROUP			
	Betting \$000	Gaming \$000	Other \$000	Total \$000
NET PROFIT BEFORE DISTRIBUTIONS	137,136	12,549	(5,652)	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	2,891	-	192	3,083

KEY SEGMENT INFORMATION

Total turnover	2,072,663	317,080	-	2,389,743
Depreciation & amortisation	(14,375)	(1,307)	(186)	(15,868)
Additions to non-current assets	23,059	1,238	130	24,427
Total assets	128,410	8,109	(4,617)	131,902
Total liabilities	57,796	8,109	(4,838)	61,067

31 JULY 2014	GROUP			
	Betting \$000	Gaming \$000	Other \$000	Total \$000
NET PROFIT BEFORE DISTRIBUTIONS	133,098	9,679	(5,737)	137,040
Less distributions	(134,502)	(8,607)	5,712	(137,397)
Less provision for undistributed Gaming net profit	-	(1,072)	-	(1,072)
NET PROFIT AFTER DISTRIBUTIONS	(1,404)	-	(25)	(1,429)

KEY SEGMENT INFORMATION

Total turnover	1,832,553	255,992	-	2,088,545
Depreciation & amortisation	(11,915)	(986)	(199)	(13,100)
Additions to non-current assets	25,425	2,474	192	28,091
Total assets	121,368	5,640	(1,998)	125,010
Total liabilities	53,303	5,640	(2,021)	56,922

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

OPERATING SEGMENTS (CONT)

GROSS MARGIN ANALYSIS AND GEOGRAPHICAL REVENUE INFORMATION:

All Gaming turnover is generated in New Zealand and geographical information for sports betting turnover is impracticable to collate. The following is a Betting and Gaming gross margin analysis of turnover by product and geographical region, where applicable.

Definitions

- Gross Betting Revenue (GBR) is Turnover less Dividends
- Gross Betting Margin (GBM) is Gross Betting Revenue divided by Turnover
- Gross Gaming Revenue (GGR) is Turnover less Dividends
- Gross Gaming Margin (GGM) is Gross Gaming Revenue divided by Turnover

	GROUP					
	2015			2014		
	Turnover \$000	GBR \$000	GBM %	Turnover \$000	GBR \$000	GBM %
RACING TOTALISATOR						
NZ	542,640	111,499	20.5%	588,485	122,502	20.8%
Overseas	662,191	115,393	17.4%	594,438	108,281	18.2%
TOTAL RACING TOTALISATOR BETTING	1,204,831	226,892	18.8%	1,182,923	230,783	19.5%

RACING FIXED ODDS BETTING						
NZ	264,702	24,927	9.4%	215,186	22,087	10.3%
Overseas	198,025	33,046	16.7%	118,582	20,365	17.2%
TOTAL RACING FIXED ODDS BETTING	462,727	57,973	12.5%	333,768	42,452	12.7%
TOTAL RACING	1,667,558	284,865	17.1%	1,516,691	273,235	18.0%

SPORTS						
Fixed Odds and Totaliser Betting	405,105	40,186	9.9%	315,862	36,936	11.7%
TOTAL SPORTS	405,105	40,186	9.9%	315,862	36,936	11.7%
TOTAL BETTING	2,072,663	325,051	15.7%	1,832,553	310,171	16.9%

	GROUP					
	2015			2014		
	Turnover \$000	GGR \$000	GGM %	Turnover \$000	GGR \$000	GGM %
GAMING	317,080	28,072	8.9%	255,992	22,872	8.9%

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

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 Betting operations is distributed to the racing industry in accordance with the Racing Act 2003.

Distributions are recognised in profit or loss, after net profit. Betting operations are defined in note 3, Operating Segments, as operations relating to providing totalisator and fixed odds betting for racing and sports. Betting operations include broadcasting and racing services provided to the racing Codes.

Distribution payments include a base funding component which is made directly to the racing Codes. These base funding distributions are based on funding agreements.

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 years' 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

OPERATING SEGMENTS (CONT)

31 JULY 2015	GROUP			
	BETTING \$000	GAMING \$000	UNDISTRIBUTED GAMING NET PROFIT FROM PRIOR YEAR \$000	TOTAL \$000
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 THE 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

* 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 note 8c.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

DISTRIBUTIONS (CONT)

31 JULY 2014	GROUP			
	BETTING \$000	GAMING \$000	UNDISTRIBUTED GAMING NET PROFIT FROM PRIOR YEAR \$000	TOTAL \$000
DISTRIBUTIONS TO THE RACING INDUSTRY				
Code funding	134,082	-	-	134,082
RIU	313	4,693	706	5,712
Racing Laboratory Services	107	891	195	1,193
JCA	-	967	325	1,292
TOTAL DISTRIBUTIONS TO THE RACING INDUSTRY	134,502	6,551	1,226	142,279
DISTRIBUTIONS TO SPORTING COMMUNITY ORGANISATIONS				
Sports Authorised Purposes (paid and payable)	-	2,056	288	2,344
TOTAL DISTRIBUTIONS TO SPORTING COMMUNITY ORGANISATIONS	-	2,056	288	2,344
Reversal of prior year provision for undistributed net profit	-	-	(1,514)	(1,514)
TOTAL DISTRIBUTIONS FROM NZRB PARENT	134,502	8,607	-	143,109
Distributions to RIU - eliminated on consolidation	-	(5,712)	-	(5,712)
TOTAL DISTRIBUTIONS FROM GROUP	134,502	2,895	-	137,397

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

REVENUE (CONT)

	GROUP AND PARENT	
	2015 \$000	2014 \$000
5a. TURNOVER (INCLUDING GST)		
Betting turnover – racing totalisator	1,204,831	1,182,923
Betting turnover – racing fixed odds	462,727	333,768
TOTAL BETTING TURNOVER – RACING	1,667,558	1,516,691
Betting turnover – sports totalisator	1,140	1,519
Betting turnover – sports fixed odds	403,965	314,343
TOTAL BETTING TURNOVER – SPORTS	405,105	315,862
TOTAL BETTING TURNOVER	2,072,663	1,832,553
Gaming turnover	317,080	255,992
TOTAL BETTING AND GAMING TURNOVER	2,389,743	2,088,545
5b. NET BETTING REVENUE		
Total betting turnover	2,072,663	1,832,553
Less: dividends payable	(1,747,612)	(1,522,382)
GROSS BETTING REVENUE	325,051	310,171
Betting duty	(12,532)	(12,104)
GST	(43,461)	(40,697)
Problem gambling levy	(1,911)	(1,844)
NET BETTING REVENUE	267,147	255,526
5c. NET GAMING REVENUE		
Gaming turnover	317,080	255,992
Less: dividends paid	(289,008)	(233,120)
GROSS GAMING REVENUE	28,072	22,872
Gaming machine duty	(5,614)	(4,574)
GST	(3,661)	(2,983)
Problem gambling levy	(368)	(300)
NET GAMING REVENUE	18,429	15,015

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

6. OTHER INCOME

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. The gain is recognised at the date 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, short-term deposits, corporate bonds and industry loans. Interest income is recognised using the effective interest method when it is earned.

Interest distributions received is income distributed from the Betting Accounts and Betting Vouchers Trust to NZRB.

Merchant fee revenue is income derived from credit card transaction fees charged to customers (partial recovery of Merchant Fees which are charged to NZRB).

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.

Racing services income represents income earned by NZRB from providing on-course race day 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 income is measured at the fair value of the consideration given and is recognised when risks and rewards transfer from NZRB.

	GROUP		PARENT	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Gain on disposal of property, plant and equipment and intangibles	4,989	149	4,977	139
Interest	2,376	2,320	1,270	1,407
Interest distributions received	-	-	1,075	892
Insurance recovery	796	103	773	103
Merchant fee	2,000	1,610	2,000	1,610
NZ racing shown overseas	20,012	18,597	20,012	18,597
Racing services	14,091	14,457	14,091	14,457
Revenue from broadcasting within New Zealand	843	863	843	863
Other income	5,406	3,887	5,429	3,888
TOTAL OTHER INCOME	50,513	41,986	50,470	41,956

The gain on disposal of property, plant and equipment in the current period includes the sale of the Petone building of \$4.9 million. Refer to note 17 for further information on this transaction.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

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 fees 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	
	2015 \$000	2014 \$000
Commingling	2,866	2,497
National sporting organisations	6,075	5,038
Outlet and agency	15,697	15,584
Overseas racing rights	26,743	21,925
Thermal paper & betting slips	828	1,019
Other turnover related expenses	796	969
TOTAL TURNOVER RELATED EXPENSES	53,005	47,032

8. OPERATING EXPENSES

8a. PREMISES AND EQUIPMENT EXPENSES

	GROUP		PARENT	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Depreciation and amortisation (notes 15 and 16)	15,868	13,100	15,682	12,901
Rent	7,405	6,899	7,373	6,867
Repairs and maintenance	6,779	4,696	6,777	4,693
Other premises and equipment expenses	4,570	4,302	4,383	4,079
TOTAL PREMISES AND EQUIPMENT EXPENSES	34,622	28,997	34,215	28,540

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

OPERATING EXPENSES (CONT)

8b. STAFF EXPENSES

	GROUP		PARENT	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Salaries and wages (including contractors)	57,886	54,033	55,033	51,078
Termination expenses	1,010	1,536	1,010	1,536
Other staff expenses	3,556	4,091	3,305	3,848
TOTAL STAFF EXPENSES	62,452	59,660	59,348	56,462

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 8c.

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

	GROUP AND PARENT	
	2015 \$000	2014 \$000
CHIEF EXECUTIVE AND LEADERSHIP TEAM REMUNERATION		
Salaries and other short-term employee benefits	2,360	3,116
Termination expenses	866	-
TOTAL CHIEF EXECUTIVE AND LEADERSHIP TEAM REMUNERATION	3,226	3,116
BOARD MEMBERS' FEES	389	386
TOTAL KEY MANAGEMENT PERSONNEL	3,615	3,502

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

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

OPERATING EXPENSES (CONT)

8c. OTHER EXPENSES

	GROUP		PARENT	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Advertising	7,711	7,068	7,711	7,068
Auditors remuneration				
Audit and review services ¹	159	143	151	135
Treasury and taxation advisory services ²	34	29	34	29
Other services ³	6	6	6	6
Board members ⁴	389	386	326	322
Broadcasting	9,693	7,039	9,693	7,039
Consultancy	2,013	2,470	1,990	2,464
Data and telecommunications	4,060	4,738	4,004	4,685
Impairment	221	203	204	203
Insurance	1,391	1,412	1,362	1,391
Interest	350	167	350	167
Legal	573	735	459	572
Merchant	3,373	2,548	3,373	2,548
Printing and stationery	849	1,124	834	1,110
Publications	3,584	3,636	3,584	3,636
Less race form and racing calendar publications recovered from Gaming ⁵	(2,036)	-	(2,036)	-
Swabbing	1,282	1,177	-	-
Travel and accommodation	3,039	2,842	2,699	2,512
Venue	919	1,006	919	1,006
Other operating expenses	4,367	3,069	4,130	2,793
TOTAL OTHER EXPENSES	41,977	39,798	39,793	37,686

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

2. Treasury and taxation advisory services relates to on-going tax and treasury advice.

3. Other services relates to the review of the Gaming financial statements and forecast information for Class 4 relicensing purposes and general training courses attended by various staff.

4. Board fees for the Group include fees paid to the Board members of the RIU of \$63,000 (2014: \$64,000).

5. Race form and racing calendar publications recovered from Gaming relates to the application of funds from Gaming 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 note 4.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

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.

ENTITY	TRANSACTION	TRANSACTION VALUE		BALANCE OUTSTANDING		RELATIONSHIP WITH KEY MANAGEMENT PERSONNEL
		2015 \$000	2014 \$000	2015 \$000	2014 \$000	
New Zealand Greyhound Racing Association Incorporated	Distributions paid and payable	(21,236)	(21,313)	(1,473)	(789)	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	2,845	2,929	-	-	
	Other services provided by NZRB	782	770	54	75	
Harness Racing New Zealand Incorporated	Distributions paid and payable	(39,898)	(40,151)	(2,076)	(2,683)	-
	On-course venue services, trackside operations and radio services	4,417	4,417	-	-	
	Other services provided by NZRB	605	665	33	35	
New Zealand Thoroughbred Racing Incorporated	Distributions paid and payable	(73,111)	(72,618)	(503)	(333)	Greg McCarthy, a Board member of NZRB, is also a Board member of the New Zealand Thoroughbred Racing Incorporated.
	On-course venue services, trackside operations and radio services	6,830	7,128	250	-	
	Other services provided by NZRB	209	286	9	133	
Racing Integrity Unit Limited	Funding	(5,844)	(5,712)	304	(476)	Glenda Hughes, Chair of NZRB, is also Chair of the Racing Integrity Unit Limited.
	Other services provided by NZRB	49	53	284	271	
New Zealand Rugby Union Incorporated	National sports organisations grants	(1,067)	(964)	(91)	(58)	Graham Cooney, a Board member of NZRB, is also a Board member of the New Zealand Rugby Union Incorporated.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

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 less than three months. There are no cash or call deposit balances held by NZRB that are not available for use, except for Betting Accounts and Vouchers Trust call deposits (refer to note 12). 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	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Cash and cash equivalents – NZ currency	17,117	19,231	16,274	18,947
Cash and cash equivalents – Betting Accounts and Vouchers Trust	3,006	2,011	-	-
Cash and cash equivalents – foreign currencies	594	490	594	490
TOTAL CASH AND CASH EQUIVALENTS	20,717	21,732	16,868	19,437

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.

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	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Trade and other receivables	9,490	8,295	9,725	8,512
Provision for doubtful debts	(189)	(132)	(189)	(132)
TOTAL TRADE AND OTHER RECEIVABLES	9,301	8,163	9,536	8,380

As at 31 July 2015, \$0.3 million of the total trade and other receivables were past due but not impaired (2014: \$0.2 million).

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

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 short-term deposit and cash balance of \$23.0 million at 31 July 2015 (2014: \$22.0 million) is held to cover the total owed to customers of betting account deposits and vouchers liability of \$21.5 million (2014: \$19.5 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	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Inter-company loan to Betting Accounts and Vouchers Trust	-	-	23,006	22,011
Industry loans	2,609	2,991	2,609	2,991
Short-term deposits – Betting Accounts and Vouchers Trust	20,000	20,000	-	-
Short-term deposits	11,000	7,500	11,000	7,500
Other	165	152	16	15
TOTAL OTHER FINANCIAL ASSETS	33,774	30,643	36,631	32,517

DISCLOSED AS:

Current	31,088	27,500	34,006	29,511
Non-current	2,686	3,143	2,625	3,006
TOTAL OTHER FINANCIAL ASSETS	33,774	30,643	36,631	32,517

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 subsidiary 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 (2014: \$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.

		INTEREST RATE		
		2015	2014	RATE TYPE
RACE Inc	February 2019, or earlier if called by NZRB	4.00%	4.50%	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.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

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	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Accruals	6,477	6,442	6,137	6,194
Amounts payable to Board members	20	64	20	62
Employee entitlements	4,154	3,852	3,686	3,373
Racing Code distributions payable	4,053	3,805	4,053	3,805
Trade payables	8,573	10,176	8,884	10,643
TOTAL TRADE AND OTHER PAYABLES	23,277	24,339	22,780	24,077

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

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 2015 was \$21.5 million (2014: \$19.5 million).

Short-term deposits and cash totalling \$23.0 million (2014: \$22.0 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 'Premises and Equipment Expenses' in the profit or loss.

Land is not depreciated.

DEPRECIATION RATES	
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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

PROPERTY, PLANT AND EQUIPMENT (CONT)

	GROUP								
	Land and buildings \$000	Leasehold improvements \$000	Computer hardware \$000	Motor vehicle \$000s	Operations and trackside equipment \$000	Gaming machines \$000	Other \$000	Work in progress \$000	Total property, plant and equipment \$000
AS AT 1 AUGUST 2013									
At cost	13,047	26,046	42,344	4,572	37,152	3,876	4,666	4,906	136,609
Accumulated depreciation	(5,263)	(17,029)	(35,739)	(2,675)	(30,245)	(1,596)	(3,344)	-	(95,891)
CARRYING AMOUNT	7,784	9,017	6,605	1,897	6,907	2,280	1,322	4,906	40,718
Additions	254	1,538	3,928	1,366	245	1,643	972	7,648	17,594
Disposals	(11)	(18)	(30)	(8)	(26)	(189)	-	-	(282)
Net transfers between asset classes	-	(2,375)	903	351	1,345	(195)	(37)	-	(8)
Transferred from work in progress	868	447	1,378	777	1,080	284	458	(5,690)	(398)
Transferred to assets held for sale	(5,063)	-	-	-	-	-	-	-	(5,063)
Depreciation for the year	(459)	(2,358)	(2,749)	(642)	(3,386)	(637)	(476)	-	(10,707)
Impairment losses	(22)	(13)	(16)	-	-	(13)	(3)	-	(67)
CARRYING AMOUNT AT 31 JULY 2014	3,351	6,238	10,019	3,741	6,165	3,173	2,236	6,864	41,787
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

At 31 July 2015 the contractual commitment for acquisition of property, plant and equipment for the Group was \$0.8 million (2014: \$1.9 million).

At 31 July 2015, the total balance of property, plant and equipment for the Parent was \$47.7 million (2014: \$41.5 million).

The NZ Live finance lease of \$3.6 million as at 31 July (2014: nil) is included in Operations and Trackside Equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

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. No borrowing costs are capitalised.

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

AMORTISATION RATES	
Software	3-7 years
Broadcasting licences	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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

INTANGIBLE ASSETS (CONT)

	GROUP AND PARENT				
	Software \$000	Broadcasting licences \$000	Other intangible assets \$000	Work in progress \$000	Total intangible assets \$000
AS AT 1 AUGUST 2013					
At cost	48,448	3,441	4,844	855	57,588
Accumulated amortisation	(43,650)	(1,625)	(4,844)	-	(50,119)
CARRYING AMOUNT	4,798	1,816	-	855	7,469
Additions	2,109	-	283	8,105	10,497
Net transfers between asset classes	8	-	-	-	8
Transferred from work in progress	873	-	334	(809)	398
Amortisation for the year	(2,151)	(130)	(112)	-	(2,393)
Impairment losses	(6)	(4)	-	(126)	(136)
CARRYING AMOUNT AT 31 JULY 2014	5,631	1,682	505	8,025	15,843
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

At 31 July 2015, work in progress relates mainly to internally generated software (2014: software).

At 31 July 2015 the contractual commitment for acquisition of software and other intangibles was nil (2014: 0.1 million).

NOTES TO THE FINANCIAL STATEMENTS (CONT) FOR THE YEAR ENDED 31 JULY 2015

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 2015, the non-current assets classified as held for sale of \$1.3 million are computer hardware and software assets to be sold as a part of an outsourcing solution agreement signed on 7 July 2015, at which point the assets were classified as held for sale under NZ IFRS 5. The assets include computer hardware assets and computer software assets, previously classified as property, plant and equipment and intangibles. All assets were included within the Betting segment. On 1 August 2015, title of these assets was transferred for an amount equal to the carrying amount. Consequently, there was no gain or loss on sale of this transaction.

The non-current assets that were classified as held for sale as at 31 July 2014 of \$5.1 million were assets relating to NZRB Petone building that were marketed for sale in March 2014. On 7 August 2014, NZRB sold the property under a sale and leaseback arrangement. At this date, settlement, title transfer and the subsequent gain on sale of \$4.9 million were recognised. This gain on sale was reflected in other income in the current year and was recognised net of transaction costs (refer to note 6).

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.

Unpaid dividends represent the liability to winning customers on betting activities that have yet to be claimed. Unpaid 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 unpaid dividends that are less than six months old. Unpaid 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 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 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

OTHER FINANCIAL LIABILITIES (CONT)

	GROUP AND PARENT	
	2015 \$000	2014 \$000
Jackpot retentions	1,369	1,534
Finance lease	3,574	-
Unpaid dividends	2,877	3,016
Unresulted turnover	1,766	1,318
Other	32	64
TOTAL OTHER FINANCIAL LIABILITIES	9,618	5,932
DISCLOSED AS:		
Current	6,303	5,900
Non-current	3,315	32
TOTAL OTHER FINANCIAL LIABILITIES	9,618	5,932

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 2015, the carrying amount is \$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.

	GROUP AND PARENT	
	2015 \$000	2014 \$000
FUTURE MINIMUM LEASE PAYMENTS REPAYABLE AS FOLLOWS:		
Within one year	491	-
Later than one year but no later than five years	2,066	-
Later than five years	2,258	-
	4,815	-
Less future finance costs	(1,241)	-
PRESENT VALUE OF LEASE PAYMENTS	3,574	-
PRESENT VALUE OF LEASE PAYMENTS REPAYABLE AS FOLLOWS:		
Within one year	259	-
Later than one year but no later than five years	1,341	-
Later than five years	1,974	-
PRESENT VALUE OF LEASE PAYMENTS	3,574	-

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

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.

	GROUP					
	Make good \$000	Employee benefit \$000	Redundancy \$000	Undistributed Gaming net profit \$000	Onerous contracts \$000	Total provisions \$000
BALANCE AT 31 JULY 2014	1,032	799	1,098	1,072	343	4,344
Additional provisions	292	13	1,166	302	502	2,275
Provisions released	(128)	-	(91)	-	(332)	(551)
Amounts used	(34)	(61)	(1,505)	(1,072)	(350)	(3,022)
BALANCE AT 31 JULY 2015	1,162	751	668	302	163	3,046

	GROUP		PARENT	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
DISCLOSED AS:				
Current	1,951	3,205	1,754	3,010
Non-current	1,095	1,139	1,095	1,139
TOTAL PROVISIONS	3,046	4,344	2,849	4,149

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 2016
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 2016
Onerous Contracts	Commitments under one existing rental contract that no longer provides economic benefits to NZRB.	Commitments expire in 2016

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

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 and loans and receivables. 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 all of its financial liabilities as other financial liabilities.

NZRB classifies its financial liabilities under 'financial liability measured at amortised cost' category with the exception of derivative liabilities which is categorised as 'financial liability through profit or loss'.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

CATEGORIES OF FINANCIAL INSTRUMENTS (CONT)

	GROUP							
	2015				2014			
	Held-to-maturity \$000	Loans and receivables \$000	Other financial liabilities \$000	Total \$000	Held-to-maturity \$000	Loans and receivables \$000	Other financial liabilities \$000	Total \$000
ASSETS								
Cash and cash equivalents	-	20,717	-	20,717	-	21,732	-	21,732
Trade and other receivables	-	9,301	-	9,301	-	8,163	-	8,163
Other financial assets	31,000	2,774	-	33,774	27,500	3,143	-	30,643
TOTAL FINANCIAL ASSETS	31,000	32,792	-	63,792	27,500	33,038	-	60,538
Total non-financial assets				68,110				64,472
TOTAL ASSETS				131,902				125,010
LIABILITIES								
Trade and other payables	-	-	23,277	23,277	-	-	24,339	24,339
Customer betting deposits and vouchers	-	-	21,451	21,451	-	-	19,525	19,525
Unpaid dividends and unresulted turnover	-	-	4,643	4,643	-	-	4,334	4,334
Finance lease	-	-	3,574	3,574	-	-	-	-
Derivative liabilities	-	-	346	346	-	-	-	-
Other financial liabilities	-	-	1,401	1,401	-	-	1,598	1,598
TOTAL FINANCIAL LIABILITIES	-	-	54,692	54,692	-	-	49,796	49,796
Total non-financial liabilities				6,375				7,126
TOTAL LIABILITIES				61,067				56,922

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

CATEGORIES OF FINANCIAL INSTRUMENTS (CONT)

	PARENT							
	2015				2014			
	Held-to-maturity \$000	Loans and receivables \$000	Other financial liabilities \$000	Total \$000	Held-to-maturity \$000	Loans and receivables \$000	Other financial liabilities \$000	Total \$000
ASSETS								
Cash and cash equivalents	-	16,868	-	16,868	-	19,437	-	19,437
Trade and other receivables	-	9,536	-	9,536	-	8,380	-	8,380
Other financial assets	34,006	2,625	-	36,631	29,511	3,006	-	32,517
TOTAL FINANCIAL ASSETS	34,006	29,029	-	63,035	29,511	30,823	-	60,334
Total non-financial assets				67,880				64,166
TOTAL ASSETS				130,915				124,500
LIABILITIES								
Trade and other payables	-	-	22,780	22,780	-	-	24,077	24,077
Customer betting deposits and vouchers	-	-	21,451	21,451	-	-	19,525	19,525
Unpaid dividends and unresulted turnover	-	-	4,643	4,643	-	-	4,334	4,334
Finance lease	-	-	3,574	3,574	-	-	-	-
Derivative liabilities	-	-	346	346	-	-	-	-
Other financial liabilities	-	-	1,401	1,401	-	-	1,598	1,598
TOTAL FINANCIAL LIABILITIES	-	-	54,195	54,195	-	-	49,534	49,534
Total non-financial liabilities				6,094				6,895
TOTAL LIABILITIES				60,289				56,429

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

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.

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 financial risks through its use of financial instruments:

RISK	EXPOSURE ARISING FROM	MONITORING	MANAGEMENT
1. Liquidity risk	<ul style="list-style-type: none"> Liabilities and financial guarantees 	<ul style="list-style-type: none"> Cash flow forecasting 	<ul style="list-style-type: none"> Maintaining adequate cash reserves of liquid short-term deposits.
2. Credit risk	<ul style="list-style-type: none"> Cash and cash equivalents Trade and other receivables Industry loans and financial guarantees Derivative contracts 	<ul style="list-style-type: none"> Credit ratings of banks 	<ul style="list-style-type: none"> 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. Foreign exchange rate risk	<ul style="list-style-type: none"> Foreign currency denominated transactions Foreign currency denominated monetary held assets and liabilities 	<ul style="list-style-type: none"> Forecasting of foreign currency transactions 	<ul style="list-style-type: none"> Use of foreign exchange hedges
4. Interest rate risk	<ul style="list-style-type: none"> Cash and cash equivalents Short-term deposits and industry loans 	<ul style="list-style-type: none"> Sensitivity analysis 	<ul style="list-style-type: none"> Ongoing review by management

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

RISK MANAGEMENT (CONT)

1. 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.

The liquidity risk of the Parent is materially consistent with that of the Group.

FINANCIAL LIABILITIES	GROUP						Total contractual cash flows \$'000
	Carrying amount \$'000	On demand \$'000	Less than 3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	+ 5 years \$'000	
2015							
Trade and other payables	23,277	-	23,277	-	-	-	23,277
Customer betting deposits and vouchers	21,451	21,451	-	-	-	-	21,451
Unpaid 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
FINANCIAL GUARANTEES (MAXIMUM AMOUNT PAYABLE)							
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 2015, it is not expected that the financial guarantees will be called.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

RISK MANAGEMENT (CONT)

FINANCIAL LIABILITIES	GROUP						Total contractual cash flows \$000
	Carrying amount \$000	On demand \$000	Less than 3 months \$000	3 months to 1 year \$000	1-5 years \$000	+ 5 years \$000	
2014							
Trade and other payables	24,339	-	24,339	-	-	-	24,339
Customer betting deposits and vouchers	19,525	19,525	-	-	-	-	19,525
Unpaid dividends and resulted turnover	4,334	3,016	1,318	-	-	-	4,334
Other financial liabilities	1,598	-	1,598	-	-	-	1,598
TOTAL NOTIONAL CASH OUTFLOWS FOR RECOGNISED FINANCIAL LIABILITIES	49,796	22,541	27,255	-	-	-	49,796
FINANCIAL GUARANTEES (MAXIMUM AMOUNT PAYABLE)							
Industry loan guarantees	-	5,286	-	-	-	-	5,286
Other third party guarantees (note 23)	-	12,974	-	-	-	-	12,974
TOTAL NOTIONAL CASH OUTFLOWS	49,796	40,801	27,255	-	-	-	68,056

2. 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.

	GROUP	
	2015	2014
TOTAL FINANCIAL ASSETS (refer to note 20)	63,792	60,538
UNRECOGNISED CREDIT EXPOSURES:		
Industry loan guarantees	5,286	5,286
Other third party guarantees	17,794	12,974
UNRECOGNISED CREDIT EXPOSURES	23,080	18,260
TOTAL CREDIT EXPOSURES	86,872	78,798

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

RISK MANAGEMENT (CONT)

Concentrations of credit risk

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

	GROUP			
	2015 %	2015 \$000	2014 %	2014 \$000
TRADE AND OTHER RECEIVABLES (Industry & geographical concentrations)				
Australian betting agencies	24.9%	2,316	21.9%	1,784
New Zealand retail TAB outlets	27.8%	2,583	19.7%	1,607
Bank and other banking institutions	11.8%	1,095	14.4%	1,177
Other New Zealand trade and other receivables	35.5%	3,307	44.0%	3,595
TOTAL TRADE AND OTHER RECEIVABLES	100.0%	9,301	100.0%	8,163

NZRB has a concentration of credit risk with its liquid investments, 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. 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 no material exposure to foreign currency.

4. 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 above.

As at 31 July 2015, 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 million (2014: \$0.3 million) higher/lower as a result of higher/lower net interest receipts. There would also be a corresponding increase/decrease in equity.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

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 the 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 2015, \$7.4 million was recognised as an expense within premises and equipment expenses in the profit or loss in respect of operating leases (2014: \$6.8 million).

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

	GROUP		PARENT	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Within one year	7,049	5,742	7,018	5,712
Later than one year but no later than five years	16,999	12,218	16,996	12,184
Later than five years	7,047	4,740	7,047	4,740
TOTAL OPERATING LEASE COMMITMENTS	31,095	22,700	31,061	22,636

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	
	2015 \$000	2014 \$000
Within one year	20,319	19,507
Later than one year but no later than five years	34,207	36,160
Later than five years	30,381	35,029
TOTAL OTHER NON-CANCELLABLE OPERATING COMMITMENTS	84,907	90,696

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 31 JULY 2015

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 2 years interest and the costs of collection (2014: \$5.3 million plus up to 2 years interest and the costs of collection). New Zealand Thoroughbred Racing Incorporated has 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. In addition, 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 2015, the amount payable under this guarantee had reduced to \$3.7 million. Refer to note 2.

During the year, 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 2015, the total amount payable under these agreements was \$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. SUBSEQUENT EVENTS

There were no subsequent events.



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 37 to 76, which comprise the statements of financial position as at 31 July 2015, the statements of profit or loss and 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 2015 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 present fairly 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.

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Independent Auditors' Report

New Zealand Racing Board

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

Opinion

In our opinion, the financial statements on pages 37 to 76:

- (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 2015, 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 2015:

- (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 Distribution or Use

This report is made solely to the Board Members, as a body, in accordance with the Racing Act 2003. 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.

A stylized, handwritten-style signature of 'PricewaterhouseCoopers' in black ink.

Chartered Accountants
12 October 2015

Wellington

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