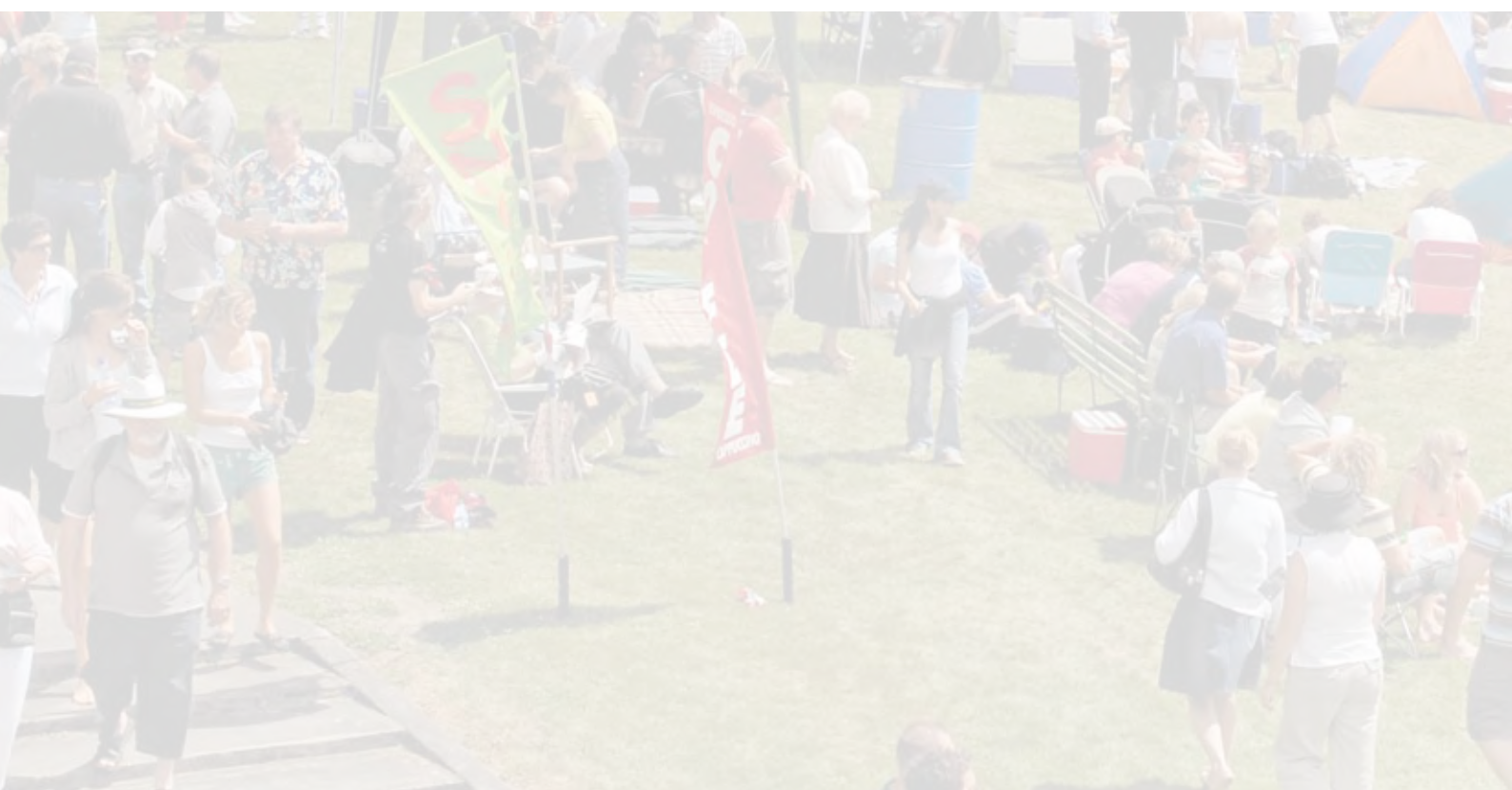
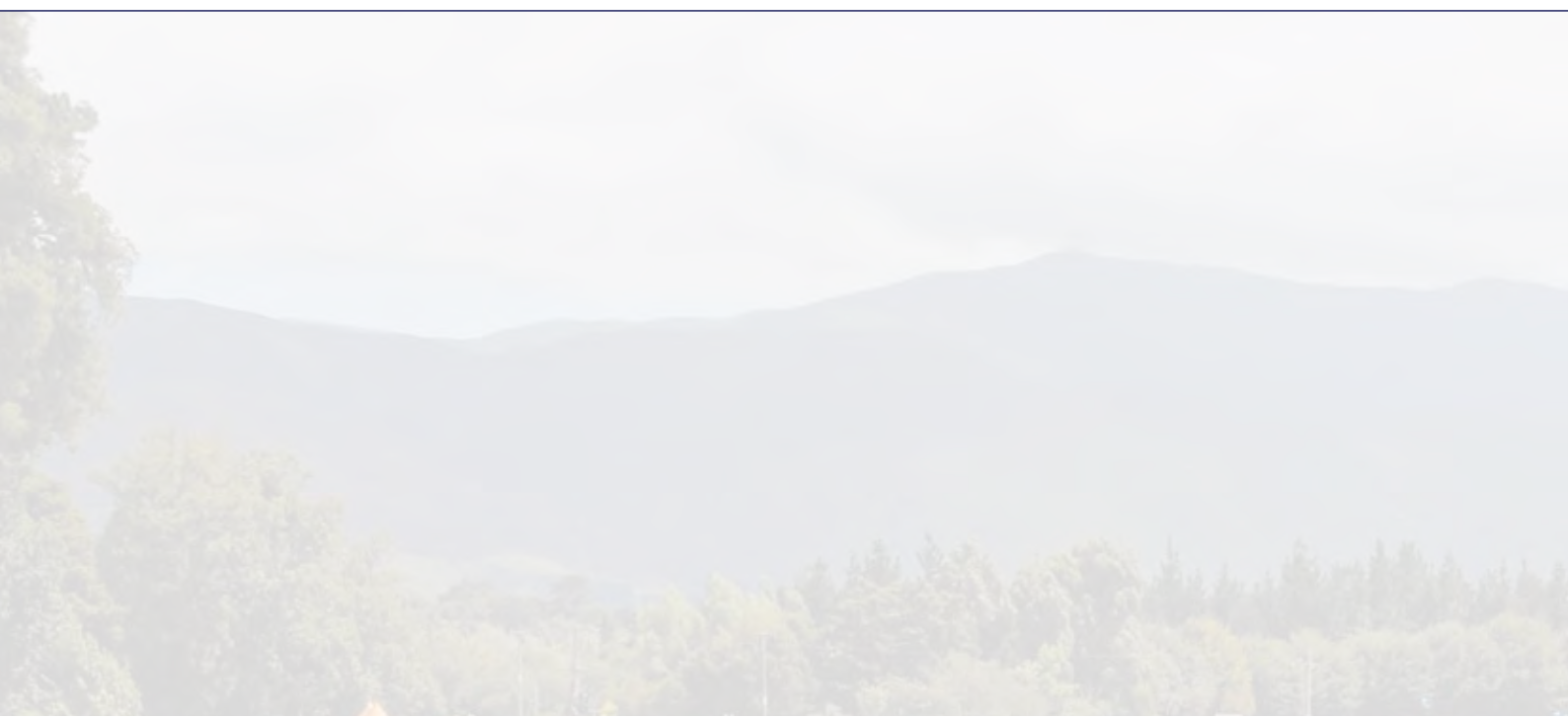


Annual Report 2009





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We clearly have further change ahead as the industry lifts its game to match new and fast-developing market conditions. This change will require the New Zealand Racing Board to be able to react quickly to market conditions and demands, be totally professional and lead the industry to greater success and prosperity.

GET MORE INFORMATION ONLINE

We put all our reports, as well as more detailed information, online. To find out more about the New Zealand Racing Board, the TAB or Trackside Television, visit:

www.nzracingboard.co.nz
www.tab.co.nz
www.trackside.co.nz
www.theraces.co.nz

CONTACT US

If there is more we can do to help you, or if you would like to know more about anything in this report, please email: webmaster@nzracingboard.co.nz.

Financial Highlights



	2003 \$m	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m	2009 \$m
Betting turnover	1,129	1,232	1,272	1,364	1,436	1,527	1,513
Net dividends	911	994	1,025	1,106	1,166	1,255	1,244
Surplus available for distribution	1	68	64	64	118	127	115
Total funding to industry	0	61	65	66	112	127	137

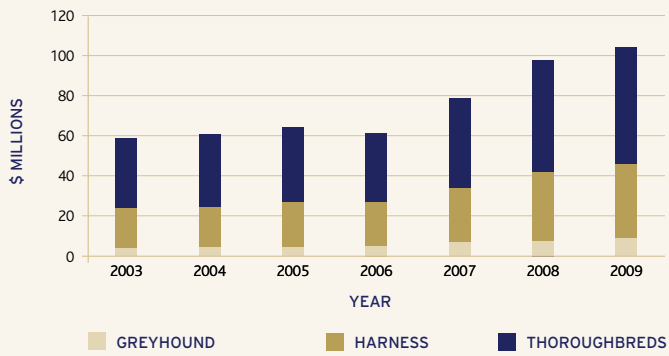
RACES PER YEAR

Greyhound	2,906	3,022	3,194	3,288	3,621	3,954	4,091
Harness	2,333	2,332	2,299	2,409	2,485	2,739	2,822
Thoroughbreds	2,810	2,791	2,807	2,855	2,863	2,974	3,088
TOTAL	8,049	8,145	8,300	8,552	8,969	9,667	10,001
Imported	9,078	12,774	14,402	15,613	15,811	20,881	25,564
Exported	519	843	1,133	1,180	1,186	4,480	4,807

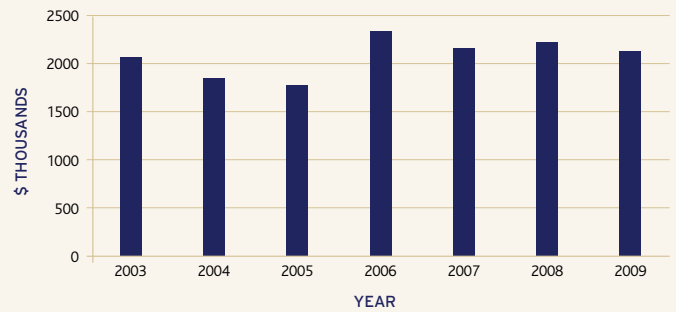
NET STAKES PAID

	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Greyhound	4,000	4,200	4,400	4,938	6,694	7,481	8,761
Harness	20,000	20,100	22,400	22,234	27,170	34,460	37,261
Thoroughbreds	35,100	36,500	37,500	34,237	45,021	56,240	58,410
TOTAL	59,100	60,800	64,300	61,409	78,885	98,181	104,432

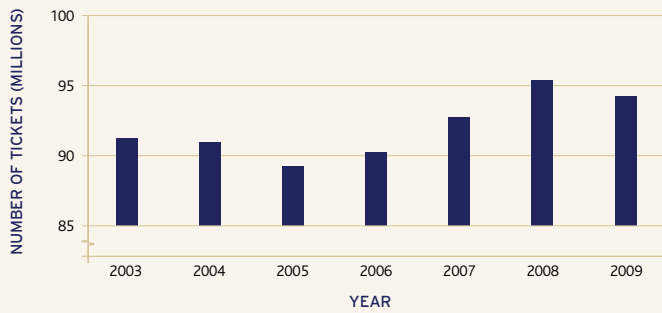
NET STAKES PAID



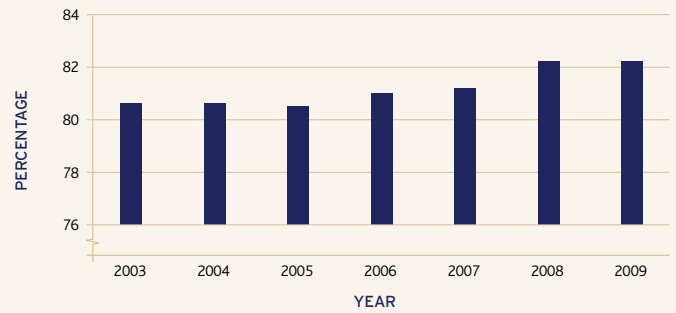
SPORTS LEVIES



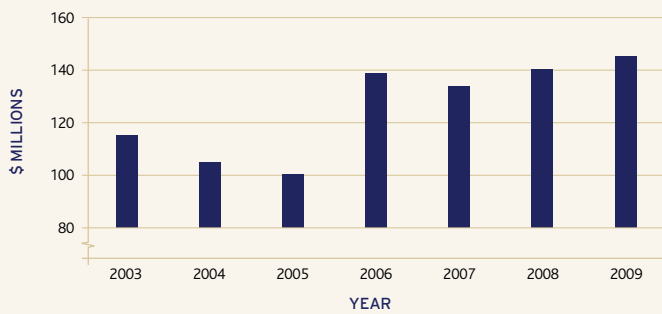
TICKETS ISSUED



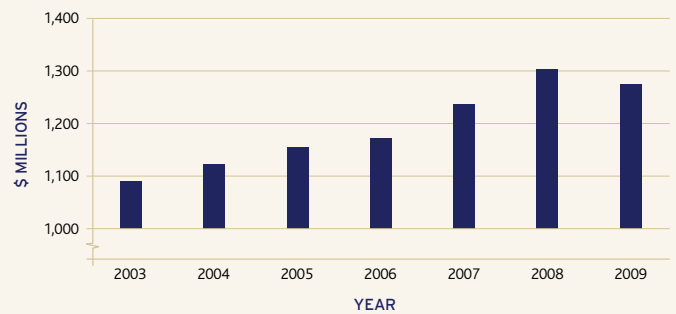
DIVIDEND PAY-OUT RATIO



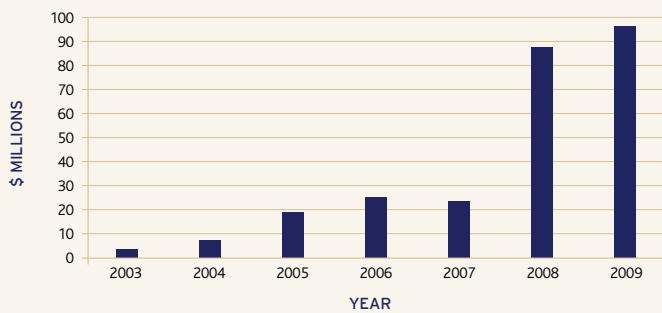
SPORTS FIXED ODDS BETTING



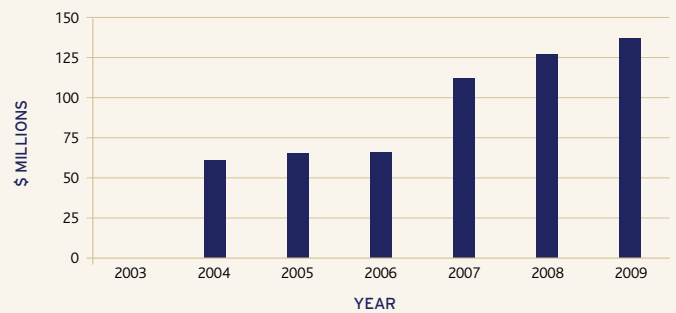
RACING TOTE



RACING FIXED ODDS BETTING



INDUSTRY FUNDING



About Us

The New Zealand Racing Board was established in 2003 as the organisation to administer all racing and sports wagering in New Zealand. Bet on the gallops, trots or greyhounds, take a punt on the All Blacks or the US baseball, or go to a race day, and through the New Zealand Racing Board, part of your betting dollar is contributing towards New Zealand racing or sport.



We are a big business in the racing, entertainment and sporting fields, with over 100,000 TAB account holders and a nationwide presence across 660 retail outlets as well as telephone, touch tone and interactive SKY digital betting services and New Zealand's only global internet betting service www.tab.co.nz.

Our operations are diverse and reflect the complexity and magnitude of our organisation and its reliance on technology and performance. Operationally, we support in excess of 10,000 domestic races and more than 25,500 imported races each year. The vast majority of our personnel run the many facets of the TAB – scheduling daily racing for customers in New Zealand and Australia, selling bets through our retail network or via telephone or the internet, and broadcasting racing and industry news on our own national TV channels Trackside and TAB TV and radio station Radio Trackside.

Over the past five years, we have turned our business around to deliver increased funding to the harness, thoroughbred and greyhound racing codes, while at the same time making substantial investment in infrastructure and industry initiatives that will strengthen our vibrant local racing communities and provide future income-generating opportunities for the New Zealand racing industry.

We are extremely proud of our achievements and can look forward to a great era for New Zealand racing.

Vision and Values

Our vision and values underpin the way we operate our business, and every individual within our business has a responsibility to apply each value in good measure to optimise our success.



Our Vision

To lead New Zealand racing to deliver greater success and excitement.

Our Values

INNOVATION – look for new ways to advance, seek creative solutions, create opportunities and become more receptive to change.

VALUING PEOPLE – recognise, retain, nurture and develop individuals in the organisation, work to individuals' strengths and serve as you wish to be served.

DYNAMISM – focus on change and move forward, think big, start small and scale fast.

TEAMWORK – combine our experience and skills by working together effectively and leverage these principal resources with effective communication.

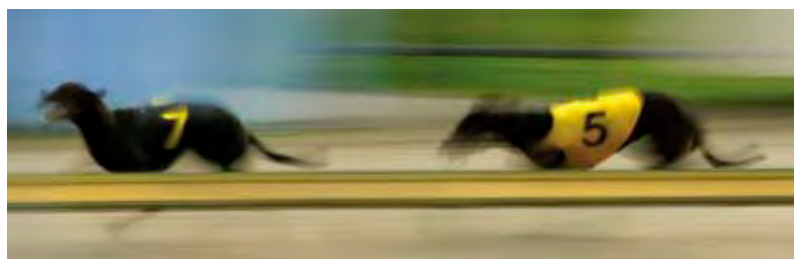
PASSION – have strong beliefs in the industry, be considerate and enthusiastic about your contribution and have fun in the workplace.

INTEGRITY – have transparency of purpose, fulfil our social responsibilities and do the right thing all the time.

Chairman's Report



Michael Stiassny
Chairman



The 2008/09 year provided a tough challenge for the racing industry.

Across the world, global economies were in decline, touching most businesses and people. New Zealand also felt the impact. Over the report period, New Zealand experienced its sharpest economic contraction since the early 1990s. GDP contracted by 2% during the 2008/09 season, consumer confidence fell into negative territory and real household consumption fell almost 1%.

The racing and sports wagering industry was not left unscathed.

Total betting turnover for the year, at \$1.5 billion, was \$14.3 million less than the previous year's figure. This is the first drop in total betting turnover since the Board was formed in 2003. Sports betting proved a highlight, however, finishing more than \$4.0 million ahead of budget.

Despite the reduction in turnover, our investment in industry and on-course projects increased to \$3.7 million, and our total funding to the industry was \$141.0 million, up 7.4% on 2007/08.

Given the overall state of the global market and the impact on employment and peoples' disposable incomes, the New Zealand Racing Board's financial performance over 2008/09 was a reflection of careful management, innovative marketing of products and hard work by all staff.

The numbers of greyhound, harness and thoroughbred races in 2008/09 were all up on the previous year, helping to buoy our financial outcomes; the numbers of imported and exported races were also up as we expanded our international programme.

An important trend for the future of the industry was the fact that total stakes paid out were up from \$98.0 million in 2007/08 to \$104.0 million in 2008/09. The amount in both years was helped by the \$3.0 million special government stakes subsidy. This three-year \$9.0 million commitment concludes in the 2010/11 season. The industry needs realistic stakes if it is going to attract new entrants and high calibre participants both from within New Zealand and off-shore. We certainly appreciate this government support and its clear recognition of the importance the racing industry plays in the overall economy of New Zealand.

It is also important to note that on-going government support is also provided through the Safety Development Fund. Around \$1.0 million is made available through the Department of Internal Affairs each year to fund projects that enhance the safety of the public, staff, racing participants and racing animals. Over the last financial year, \$1.2 million (2007/08: \$0.8 million) was made available for 57 projects ranging from fire safety systems to horse containment fencing and safety running rails.

A major issue that has attracted government interest is the move towards the formation of a single racing industry. In July 2008, the New Zealand Racing Board commissioned Boardworks International to undertake a review of our governance structure. A review is required every five years under Section 13 of the Racing Act 2003. This 'performance and efficiency' audit was released in October 2008 and set the stage for subsequent developments.

New Zealand Thoroughbred Racing commissioned a similar review of the effectiveness of its own governance structure. This report was published in April 2009 with a key recommendation that New Zealand Thoroughbred Racing establish a taskforce to examine and recommend possible integration of industry governance. The New Zealand Racing Board has been directly involved in this project and supports the concept of a 'One Industry body' for the future.

Indeed, our industry faces a wide range of challenges.

The economic downturn has affected not just wagering turnovers. Racing clubs have endured significant reductions in sponsorship and hospitality revenues. Another funding source for racing clubs is the support provided by gaming trusts. The provision of these grants recognises the contribution that racing clubs make to the livelihoods of participants and to the prosperity of local communities, with over 40,000 people employed in the industry across the country. Recently, a number of such gaming trusts have been required to reincorporate as not-for-profit companies. While this takes place, for legal reasons, these trusts are unable to approve grant applications, which has placed additional financial pressure on racing.

In the face of such funding constraints and for our industry to flourish, it is incumbent upon all levels of racing administration to ensure

that cost structures are sustainable and returns to participants are maximised.

Wagering leakage off-shore continued to be a substantial issue for both our industry and, indirectly, government. In 2008, the Board commissioned a survey to determine New Zealanders' use of overseas gambling sites. It found that approximately \$2 billion is gambled off-shore by New Zealanders, which means around 20% of total wagering expenditure by New Zealanders is carried out each year with unlicensed off-shore entities via the internet. These entities pay no New Zealand tax or duties and, unlike the New Zealand Racing Board, do not pay levies to New Zealand sports bodies for the right to wager on these sports, nor do they contribute to harm minimisation activity, as the New Zealand Racing Board does.

With the exception of the fees from Australian TABs for wagering on New Zealand races, the racing industry receives no financial return from this activity. The net result of this is that our industry – racing codes and sports bodies – misses out on any financial gains, estimated at up to \$30.0 million a year, and the New Zealand Government misses out on gambling duty and GST, estimated at up to \$7.5 million a year.

The principal reason for this sizeable leakage is that off-shore operators are able to offer a wider range of wagering options beyond those permitted to be offered by the New Zealand Racing Board under New Zealand law. These off-shore options include entertainment wagering, such as *Dancing with the Stars* and *American Idol*, wagering on political elections and gambling on poker and skill games. It is clear there is a ready market in New Zealand for this type of wagering entertainment, one that is being exploited by international operators.

The off-shore operators can offer lower margins than the New Zealand Racing Board because they are not required to help fund racing and sports infrastructure in New Zealand nor pay New Zealand taxes. They also do not make any contribution towards harm minimisation, and they are not obliged to monitor New Zealand customers for problem gambling activities. Off-shore operators are aggressively targeting New Zealand as a new growth area, offering free bets and bonuses for new customers who sign up. Customers are also able to get credit with these bookmakers, something the New Zealand Racing Board is prohibited by law from offering.

We are also mindful that significant changes are taking place in Australia in the wagering area. The recent Federal Government Productivity Commission Draft Report recommended a national wagering taxation policy be developed, but the report is open for public submissions, and final recommendations will not be available until the middle of 2010. Though there is no clear indication of what the future level of taxation will be, it is expected that any change will involve further reductions. This will place added pressure on our operations.

A further reduction of the taxation rates in Victoria and South Australia in 2012 is also expected. The changes could result in increased wagering leakage off-shore due to bookmakers taking advantage of tax concessions to offer better wagering odds. We are closely monitoring developments there.

The New Zealand Racing Board has not stood idle. In December 2008, the Board launched two new products – First4 and Quaddie. These are the first new totalisator products launched since Pick6 was introduced in 1989/90 and the Trifecta in 1983/84. The introduction

The 2008/09 year provided a tough challenge for the racing industry.

of TAB TV will provide an important base for expanded coverage and more wagering options in the new financial year.

Over the review period, we faced additional animal health challenges. We spent a great deal of money on precautions against the spread of Equine Influenza following an outbreak in Australia in August 2007. Fortunately, there was no outbreak in New Zealand, but the precautions taken to stop the spread of the disease here were costly. An outbreak of Strangles in Hawke's Bay, however, was a timely reminder that we cannot afford to relax our guard when it comes to animal health and welfare.

There were a number of key personnel changes at both senior management level and Board membership over 2008/09.

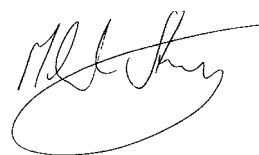
In May we welcomed Andrew Brown as our new Chief Executive Officer. Andrew's background includes the past five years as Chief Operating Officer of Racecourse Media Group in the United Kingdom, before which he worked for British broadcaster ITV and as a solicitor and management consultant.

Other changes at senior management level included the appointment of Dave Rodden as General Manager, Sales and Distribution, and more recently, Martin Saunders as General Manager, Wagering. Both have extensive international experience that will help steer the New Zealand Racing Board's development over the next decade of change.

I would like to thank outgoing Chief Executive Officer Graeme Hansen on behalf of the Board for all his hard work and loyalty over the five years to 2008/2009. They have been years of challenge and reward.

I would like to welcome Simon Moutter to the Board and at the same time thank outgoing Board member Julie Crengle for all her efforts over her seven years on the Board and its predecessor body. Julie helped the Board navigate a significant period of change in the industry.

We clearly have further change ahead as the industry lifts its game to match new and fast-developing market conditions. This change will require the New Zealand Racing Board to be able to react quickly to market conditions and demands, be totally professional and lead the industry to greater success and prosperity.



Michael Stiassny
Chairman

Governance

This Governance Statement sets out the authority, responsibilities, membership and operation of the New Zealand Racing Board.

Board Structure and Composition

The management of the business and affairs of the New Zealand Racing Board 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, consisting of:

- an independent Chairperson;
- three members appointed on the nomination of each racing code – one by each of New Zealand Thoroughbred Racing Inc, Harness Racing New Zealand Inc and the New Zealand Greyhound Racing Association (Inc); and
- three persons recommended by a nomination advisory panel consisting of the Minister, the Board Chairperson and the Chairpersons of the three racing codes.

Board Members are appointed for terms not exceeding three years.

Board Responsibilities

The Board is responsible for the overall direction and control of the New Zealand Racing Board's activities, and its key responsibilities are:

- establishing goals and strategies with associated business plans;
- monitoring performance against budget and other performance indicators;
- ensuring integrity and transparency in reporting;
- communicating with the racing codes on a regular basis through CRIG (Combined Racing Industry Group) meetings, annual Statements of Intent, Annual Reports and other relevant reporting;
- implementing policies to enhance the New Zealand Racing Board's performance;
- identifying and managing business risks, including statutory compliance;
- ensuring appropriate internal controls and the quality and independence of the external audit function;
- monitoring management and its performance, including Chief Executive appointment, review, development, succession planning and delegations; and
- fostering an organisational culture that requires Board members, management and every staff member to adhere to high standards of ethics and corporate behaviour.

The Board delegates certain responsibilities to the Chief Executive and to committees of the Board.

In accordance with section 19 of the Racing Act 2003, the Board submits a Statement of Intent for the coming financial year, setting out the New Zealand Racing Board's overall objectives, intentions and financial and performance targets. After due consultation with recognised industry organisations, the finalised Statement of Intent is presented to the House of Representatives.

Board Processes

The Board met 11 times during the year to 31 July 2009. Policies are in place to ensure meetings are subject to formal agendas and reporting procedures. Meeting agendas are prepared by the Chief Executive in conjunction with the Chairperson, with papers circulated in advance of the meetings.

The New Zealand Racing Board maintains an Interests Register in which the interests of its members are recorded. Members are expected to manage any conflicts of interest responsibly and to act ethically and in a manner consistent with the values of the New Zealand Racing Board and its objectives. These objectives, as set out in section 8 of the Racing Act 2003, are:

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

Board Committees

The Board has formally constituted three Board committees – the Dates Committee, the Audit and Finance Committee and the Compensation and Development Committee. These committees support the Board by considering relevant issues at a suitably detailed level and reporting back to the Board.

All committees have written charters setting out their roles and responsibilities, membership, functions, reporting procedures and the manner in which they are to operate. Matters considered by the committees are reported back to the Board as recommendations, except where specific decision-making authority has been delegated by the Board. The structure and membership of each committee is reviewed annually.

Dates Committee

The Dates Committee is established in accordance with section 42 of the Racing Act 2003, which requires the committee to determine, following consultation with each of the recognised industry organisations:

- all of the dates in the subsequent racing year on which domestic betting races will occur;
- the allocation of those dates among racing clubs; and
- any conditions of allocation.

The committee consists of Julie Crengle (Chairperson), Thayne Green, Ray O'Connor, Michael Stiassny and Alistair Sutherland.

Board Members and Remuneration Year ended 31 July 2009

	Member's remuneration	Board meetings	Audit and Finance Committee	Dates Committee	Compensation and Development Committee
Michael Stiassny	\$79,500	11*	2	3	3
Warren Bell	\$41,500	11	4*	-	-
Julie Crengle	\$46,500	10	4	4*	-
Alistair Sutherland	\$43,500	11	-	4	3
Ray O'Connor	\$43,500	11	4	4	-
Thayne Green	\$46,500	11	-	4	3*
Liz Dawson	\$38,500	10	-	-	3
	\$339,500				
NUMBER OF MEETINGS		11	4	4	3

* Chairperson of the committee.

Audit and Finance Committee

The Audit and Finance Committee assists the Board in discharging its responsibilities with respect to financial reporting and the risk management practices of the New Zealand Racing Board, the work and performance of the internal audit function and the New Zealand Racing Board's external auditors, PricewaterhouseCoopers.

The committee meets at least four times a year and consists of Warren Bell (Chairperson), Julie Crengle, Ray O'Connor and Michael Stiassny.

The New Zealand Racing Board manages risk through regular reviews of its policies, systems and practices, and focuses on ensuring the required culture and practices are in place across the business. The Board of the New Zealand Racing Board has the ultimate responsibility for reviewing all aspects of financial and operational risk management.

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes or systems or from external events. Examples include failure to comply with policy and legislation, human error, natural disasters, fraud and other malicious acts. Where appropriate, risks are mitigated by insurance.

The New Zealand Racing Board's internal audit function conducts independent reviews that assist the Board and management to meet their statutory and other obligations. The internal audit function is part of the Risk, Legal and Audit area, which has reporting lines to both management (the Chief Financial Officer and the Chief Executive) and to the Chair of the Audit and Finance Committee.

The Internal Audit function conducts or oversees independent appraisals of:

- the continued operation and effectiveness of the internal controls in place to safeguard and monitor all material risks to the New Zealand Racing Board;
- the completeness and accuracy of the financial and other records of the New Zealand Racing Board;
- compliance with Board policies and management directives;
- the economic and efficient management of resources; and
- the effectiveness of operations undertaken by the New Zealand Racing Board.

In performing this role, the internal audit function adopts a risk-based approach, and a Strategic Audit Plan is prepared annually covering each business area of the New Zealand Racing Board, with greater emphasis placed on those areas where the highest risk exists. The Plan is approved by the Audit and Finance Committee.

Compensation and Development Committee

The Compensation and Development Committee's purpose is to monitor issues and determine policies and practices related to the remuneration and review of the Chief Executive and the Senior Executive Committee, as well as overseeing management development and succession planning processes. The committee consists of Thayne Green (Chairperson), Liz Dawson, Michael Stiassny and Alistair Sutherland.

Board Members

The Board members of the New Zealand Racing Board (from left)

Warren Bell, Ray O'Connor, Liz Dawson, Michael Stiassny (Chairman), Julie Crengle, Thayne Green and Alistair Sutherland



MICHAEL STIASSNY (Independent Chair), BCom, LLB, CA, is the senior partner of KordaMentha in Auckland. He is a chartered accountant and lawyer with more than 25 years' experience in insolvency, investigative accounting work, company restructuring, due diligence and the provision of strategic financial and management consulting advice. He is a director of a number of public and private companies and Chair of Vector Ltd. He is also a Fellow of the Institute of Directors (FinSTD) and Auckland Branch Committee Member for the Institute of Directors. Michael was appointed as New Zealand Racing Board Chairman in January 2007.

WARREN BELL (Independent Member), MCom, CA, is a former senior partner in chartered accountancy firm Deloitte, with considerable experience in corporate mergers and acquisitions, auditing and company valuations. He was appointed to the Board on 14 March 2006. Warren has considerable directorship experience, including Chair of Hallenstein Glassons Holdings Ltd and the Alto-Vertex group of companies. Warren was Chair of PDL Holdings Ltd and is a director of a number of private companies and district council businesses.

JULIE CRENGLE (Independent Member), BCA, LLB (Hons), is a barrister and solicitor with trans-Tasman experience. She was appointed to the Board on 1 August 2003. Julie is a partner of Wellington-based law firm Crengle, Shreves and Ratner, which specialises in corporate, commercial and securities law. She has previously acted on the formation of the NRL and on the privatisation and flotation of, and launch of pay racing television by, TAB Ltd (NSW).

LIZ DAWSON (Independent Member), BCom, has more than 15 years' experience in professional sports administration and marketing with the New Zealand Rugby Union, the Warriors, the Hurricanes and the successful Rugby World Cup 2011 bid. She was appointed to the Board on 1 August 2007. She also has a significant level of retail marketing and corporate management experience.

THAYNE GREEN (Greyhound Code Nominee) has widespread racing administration experience and ownership in all three racing codes. He was appointed to the Board on 1 August 2003. Thayne has represented the greyhound code on the Racing Industry Board, the Racing Authority and the TAB and is a former President of the Auckland Greyhound Racing Club. He is now retired but previously held positions in the hospitality, motor and transport industries.

RAY O'CONNOR (Harness Code Nominee) is a senior partner in the Te Awamutu accounting practice of Kelly and Bryant. He was appointed to the Board on 1 December 2006. Ray is a chartered accountant and also holds a Certificate of Public Practice. Ray has more than 30 years' involvement in racing and is a member and former President of the Cambridge-Te Awamutu Harness Club. He is Chair of Cambridge Raceway. Ray was elected to the Harness Racing New Zealand Board in 1999 and is currently the Treasurer.

ALISTAIR SUTHERLAND (Thoroughbred Code Nominee), BA, LLB, is a former chair and managing director of Philips NZ Ltd and has held senior international roles with TMP Worldwide/Morgan & Banks and Magnum Corporation. He was appointed to the Board on 14 March 2006. Alistair is an experienced company director, having held directorships of various private and public companies. He has significant experience in racing administration, including previous service on the Racing Industry Board and the TAB. Alistair currently serves on the Board of Auckland Racing Club.



Board Members' Interests Register

Michael Stiassny (Chairman)	KordaMentha, Partner Vector Ltd, Chairman Gadol Corporation Ltd, Director
Warren Bell	No applicable interests to declare
Julie Crengle	Crengle, Shreves and Ratner (law firm), Partner
Liz Dawson	Hurricanes Ltd, Director Wellington Regional Trust Stadium, Trustee Liz Dawson & Associates Ltd, Director
Thayne Green	No applicable interests to declare
Ray O'Connor	Harness Racing New Zealand, Treasurer Cambridge Raceway Ltd, Chairman Cambridge-Te Awamutu Harness Racing Club, Executive Director Waipa Workingmen's Club (holder of a TAB licence), Secretary
Alistair Sutherland	Auckland Racing Club, Director Bond St Investments No2 Ltd, Director Sutherland Trustees Ltd, Sole Director

Responsible Gambling

The New Zealand Racing Board has a statutory requirement under the Racing and Gambling Acts to take proactive measures to minimise the harm of problem gambling and is required to report on programmes relating to problem gambling, to provide information and advice on problem gambling and to provide problem gambling training.

The New Zealand Racing Board has developed both proactive and reactive approaches to the identification and investigation of potential problem gambling situations.

Focus on Harm Prevention

We have taken measures during the year to ensure compliance with the regulations and ensure that TAB stores are up to the required standards of our policies with respect to providing training and following appropriate compliance procedures.

During the 2008/09 year, the investment in responsible gambling measures by the New Zealand Racing Board was \$1.57 million (2007/08: \$1.63 million). Of this, approximately \$1.47 million (2007/08: \$1.50 million) was paid to the Crown to recover the costs of the Ministry of Health's problem gambling management services.

The New Zealand Racing Board is committed to the Ministry of Health's strategies and programmes in this area and this is illustrated by our representation and participation in the Expert Advisory Group established jointly by the Department of Internal Affairs and Ministry of Health. This is an important opportunity to contribute along with other industry providers and parties to the discussion on key issues within our sector from a harm prevention and minimisation perspective. The New Zealand Racing Board also maintains strong relationships with

government officials as well as working alongside problem gambling support agencies to better understand customers' needs.

Approximately \$102,000 (2007/08: \$160,000) was predominantly invested in the provision of training on harm minimisation and prevention to staff in customer roles within the New Zealand Racing Board and the wider racing industry, to ensure a leadership position is taken with this key responsibility.

It is a requirement in our retail agency contracts that all TAB store management staff and those who may be in a sole operator position undertake appropriate problem gambling training to help achieve our responsibilities around harm minimisation.

The current approach is that this training is conducted via classroom-based face-to-face training and is undertaken at regional centres by appropriate external facilitators on a regular basis. During the full 2008/09 year, over 770 TAB operators have participated in and passed problem gambling training.

The New Zealand Racing Board has developed both proactive and



reactive approaches to the identification and investigation of potential problem gambling situations.

In addition to situations where customers directly contact us and request that they be excluded from holding a TAB account or placing a bet at a TAB store, we also rely on the training of our TAB operators to identify and report to us for further investigation any incidents of potential problem gambling behaviours. Further, we run a number of exception reports aimed at identifying significant changes in account customers' betting behaviour.

In the 2008/09 year, we investigated approximately 190 potential problem gambling incidents, which resulted in 67 customer exclusion notices being issued and a further 13 account customers placed on the 'Set Your Limits' betting restriction programme. These numbers represent an extremely small percentage of our customer base.

Since the introduction of the Racing Act 2003, we have acted on 154 customer requests for self-exclusion plus we have excluded a further 18 customers that we determined to be at risk.

Set Your Limits Programme

The 'Set Your Limits' programme is available to TAB account holders who can choose to request the New Zealand Racing Board to place a weekly limit on their betting activity through their account. The limitations on betting activity can be either a request to place a limit on the amount of money spent through the account each week or a request to place a limit on the level of loss through the account. Once the agreed limit has been reached, no further bets will be accepted on the nominated account for that week.

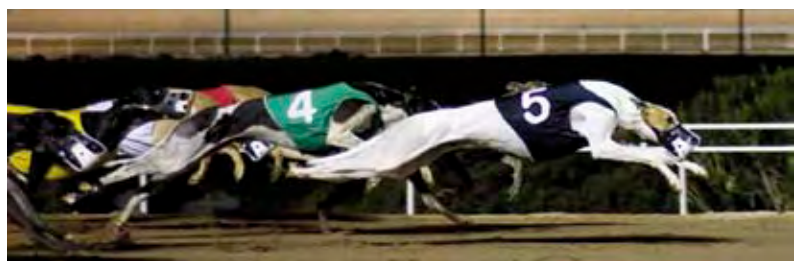
The programme assists customers who wish to control their gambling by setting either (or both) a maximum amount of money lost or spent on a per-week basis. Changes to the limits, as initially agreed, can only be made after consultation with the New Zealand Racing Board.

To date, we have 13 customers who have availed themselves of this programme, and their feedback has been very positive in that it provides them with a practical option that enables them to put in place an over-riding control on their wagering spending.

Chief Executive's Report



Andrew Brown
Chief Executive



Introduction

It gives me great pleasure to comment on the results for the year ended 31 July 2009 and discuss the initiatives being undertaken to continue the record of achievement of the New Zealand Racing Board.

The year ended 31 July 2009 was a demanding period for organisations worldwide, and the New Zealand Racing Board was affected by the global financial crisis and its effects on the New Zealand economy. We experienced tough economic conditions, rapidly growing competition from overseas-based wagering organisations, major changes in senior personnel and the need to reduce costs by \$10 million as part of the Board's drive to increase funding to the industry.

To perform so well in this environment is a credit to everyone at the New Zealand Racing Board.

Turnover

Betting turnover at \$1,513.5 million was down \$14.3 million (1%) on 2007/08. This was mainly due to a reduction in totalisator betting of \$27.9 million (2%), partially off-set by an increase of \$13.6 million (6%) in fixed odds betting. Fixed odds betting on racing continued its strong growth, with an increase of \$9.0 million (10%) on the previous year.

Overall, betting on racing was down by \$18.7 million (1%) on 2007/08 at \$1,371.1 million, but betting on sports increased by \$4.4 million (3%) to \$142.4 million.

Totalisator turnover on New Zealand racing at \$810.7 million, was down \$42.3 million (5%) on last year, with thoroughbred, harness and greyhound racing all down, albeit by different amounts. This was despite increases in the number of races, stakes and field sizes and reflected the difficult financial climate.

Betting on overseas races did, however, increase by \$14.5 million (3%) reflecting access to new markets such as Singapore, Hong Kong and Europe. Singapore alone accounted for some 40% of this increase.

Interest income was well down on 2007/08, reflecting lower interest rates and, to a lesser degree, lower amounts on deposit as we reduced our cash reserves to increase industry funding.

Margins

Gross margin percentages were in line with the 2007/08 year but slightly down on budget. This was a positive result given that the lower-margin fixed odds turnover was significantly higher than last year. Growth in lower-margin channels, such as the internet, also put pressure on margins.

Operating Expenses

Expenses at \$144.7 million were in line with budget but \$4.2 million (3%) above those for 2007/08, reflecting continuing inflation despite the recession. The largest factors influencing the increase on 2007/08 were depreciation (\$2.5 million), overseas racing fees (\$0.8 million) and employee expenses (\$2.0 million). Of this increase, there was a one-off restructuring cost of \$1.0 million in the year (2007/08: \$0.2 million) to provide for the cost of terminating employment contracts. Employee expenses reflected a change in the skill mix of employees as the infrastructure changes mentioned below required investment in people with specific technical skills. The total number of employees reduced by 74 in the 2008/09 year.

Payments to sporting bodies for the rights to conduct wagering on their sport were \$2.3 million in the year, in line with 2007/08 and slightly up on budget. The payments to sports bodies are based partly on turnover on that sport and partly on the betting profit on that sport, so the static result arose from an increase in turnover from sports wagering but a decrease in the profit on sports betting compared with 2007/08.

Industry Expenditure

Industry and on-course expenditure increased by \$0.5 million to \$3.7 million in the year. The increase is greater on a like-for-like basis, because the 2007/08 amount included \$1.0 million of equine influenza projects. This included continued support designed to improve the on-course experience via the provision of big screens and specialty events like 'Christmas at the Races'.



Operating Surplus

The operating surplus generated was \$115.4 million, down \$11.3 million (9%) on 2007/08 and down \$22.1 million (16%) on budget. As mentioned above, this is largely due to the decrease in betting turnover (\$139.5 million below budget) and the reduction in other income of \$2.0 million.

Funding of Codes

Despite the reduction in the operating surplus, actual funding to the racing industry increased by \$10.0 million on 2007/08 to \$137.5 million. The shortfall between the surplus in the year and the actual funding was met out of reserves built up in previous years.

Summary

Overall, the result should be looked at in the context that 2007/08 was a record year for the New Zealand Racing Board and that 2008/09 was heavily impacted by the state of the New Zealand economy. It was also a period of intensive planning for the major initiatives referred to below that, together with a drive to reduce operating expenses by \$10.0 million, will be pivotal in increasing the returns to the racing industry in the coming years.

Initiatives Since Balance Date

Strategic plan

In August 2009, the New Zealand Racing Board commenced a review of its strategic direction. This review set out to identify what direction the New Zealand Racing Board should take over the next five years, including what the organisation should look like and what its behaviours and values should be to achieve its goals.

The process to develop the plan has involved staff from many different parts of the New Zealand Racing Board and, as a result, has taken a considerable amount of time to develop and document. Much thought and effort was spent to ensure that the goals set were achievable, rather than just aspirations.

We look forward to communicating the plan to interested parties in the near future.

TAB TV

TAB TV was launched on 16 December 2009.

TAB TV allows the New Zealand Racing Board to provide better coverage of racing, with Trackside providing a broader range of information and entertainment for the racing public, whilst TAB TV provides more races for wagering customers.

Expansion of betting content from overseas allows the TAB to provide a far wider range of betting opportunities, day and night, and we are already seeing increases in turnover directly attributable to TAB TV.

The second channel provides the flexibility to focus Trackside on promoting all aspects of the racing industry, not just wagering. As we have seen at the recent sales at Karaka, this encourages greater participation in the industry through more news and information on such areas as horse ownership, industry developments of general interest and more detailed reviews and previews of racing.

TAB.co.nz

As part of our drive to ensure that the wagering public receives the best possible wagering service, the redevelopment of our internet-based wagering platform is crucial.

We are currently in beta test mode for a relaunch of our website, expected in March 2010.

This redesign incorporates feedback from users on how to improve the existing site and uses information gathered from around the world in terms of functional design and performance to ensure that users of the website have an enjoyable experience, thereby reducing barriers to placing a wager.

Internet wagering is our fastest-growing channel, recording 40% growth in turnover in the 12 months to January 2010.

Wagering platform

Like most major wagering enterprises worldwide, the New Zealand Racing Board's business is based upon very large and complicated computer systems. These systems handle everything from race form production through to the calculation of totalisator odds and, of course, acceptance of bets and payment of dividends.

To perform so well in this environment is a credit to everyone at the New Zealand Racing Board.

The New Zealand Racing Board system currently in place dates back to 1982, uses old technology, is expensive to maintain and run and is not easily adapted to the demands of modern day racing and wagering. It needs to be replaced.

A project was instigated in 2007/08 to find a replacement system and to look at modernising the system infrastructure, starting with the central wagering platform and extending to all aspects of our wagering technology.

After an exhaustive international tender process, the New Zealand Racing Board identified a new software platform – the Typhoon system, provided by Australian company Media & Gaming Limited – as the best system available. Typhoon is a new generation of wagering system, built using 21st century technology, which expands exponentially the range of wagering options we will be able to offer to our customers. This will allow the New Zealand Racing Board to provide a superior wagering service and grow the business in many areas previously constrained by limitations of the existing systems, as well as improving reliability and reducing costs.

Self-service terminals

We are also developing new self-service terminals that will provide the base for the eventual replacement of all of our wagering terminals. The current terminals also suffer from their outdated technology, dating back to the early 1990s.

Upgrading our terminals is a major project, but it will have positive effects throughout the TAB, allowing, for example, lower costs in pubs and clubs, greater flexibility in handling high volumes on- and off-course, easier operator training and faster turnaround times when placing a bet.

New products

To compete with international operators' product offering to New Zealand wagerers and to capitalise on our commingling agreement with TABCorp, we introduced First4 and Quaddie in 2008/09, and in 2009/10, we will add the ability to place trifecta bets into Australian pools, which will generate larger dividends. In the fixed odds area, the number of options offered on sports will be increased, reflecting domestic and international demand, and we are also looking to expand our fixed odds offering on New Zealand racing, including all three codes. This will lead to significant revenue growth in the near term.

One Industry

The Chairman has dealt with this topic in more detail. I would just observe that the trend worldwide, most recently seen in Queensland, is to have one racing body providing governance, integrity services, planning and co-ordination and funding for racing.

We already work very closely with the racing codes to develop mutually beneficial initiatives, such as the internationalisation programme that has led to the development of the exporting of

New Zealand racing content to a number of major markets. This involved all codes changing the dates and times of their race meetings to fit in with the broadcast schedule that best suited the local market and targeted overseas markets. This has provided major funding gains to the codes over the last three years, and we propose to build on these gains.

We hope that all three codes will embrace the one industry body concept, which will enhance the ability of racing administrators to deliver a world-class racing industry.

Current Year Performance

Revenue

Revenue for the five months to 31 December 2009 was \$678.9 million, up 3.2% on last year (\$657.4 million) and ahead of budget. Totalisator betting was down on the same period in 2008/09 by \$0.9 million, but sports betting was up \$4.7 million on budget and \$12.9 million on last year, reflecting the increased interest in this form of wagering.

Margins

Average net betting margin percentages were down slightly on budget (11.7% compared with 11.9%) but held constant at 2008/09 levels. Given the increased volume of what is traditionally lower-margin fixed odds wagering, this is a good result.

Operating expenses

Expenses were contained at budget level, which included the \$10.0 million annual savings referred to above, and they were lower than the same period in 2009 by \$2.4 million. Depreciation was lower than budget by \$0.8 million but the same as 2008/09.

Surplus available for distribution

The result is that the New Zealand Racing Board has made a solid start to the season, with a surplus of \$58.2 million compared with \$54.6 million in the budget and \$53.2 million last year. This result is very encouraging.

The favourable performance for the first five months and the level of cash reserves to hand has allowed the Board to announce an additional distribution to the racing codes of \$6 million. This announcement has been welcomed by the codes and will help alleviate the funding pressures created by the economic recession.

Summary

I would like to thank all employees for their hard work and dedication to the New Zealand Racing Board in the period. It is never easy to go through a period of restructuring, but there was no choice other than to address the New Zealand Racing Board's cost structure to align it better with the lower turnover and margins the industry faced.

I would also like to record my appreciation of the guidance provided by the members of the Board of the New Zealand Racing Board. It is clear that the racing industry has many challenges ahead of it in the near future, and good governance and leadership is vital to meeting these challenges.

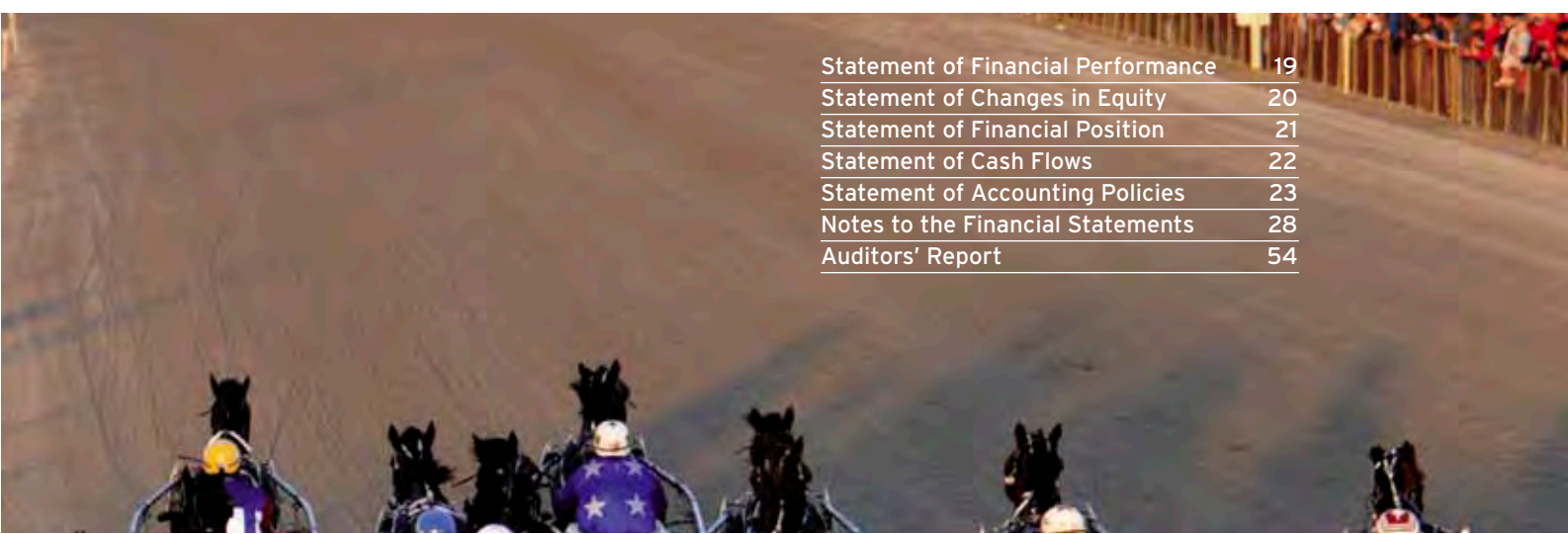


Andrew Brown
Chief Executive



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Statement of Financial Performance

FOR THE YEAR ENDED 31 JULY 2009

	Notes	Actual 2009 NZ\$000	Budget 2009 NZ\$000	Actual 2008 NZ\$000
REVENUE AND OTHER INCOME				
Betting turnover (including GST)	1a	1,513,459	1,652,964	1,527,712
Net dividends (including GST)		(1,244,209)	(1,356,347)	(1,255,286)
Betting deductions (including GST)	1b	(39,888)	(45,075)	(40,307)
Net betting revenue (excluding GST)	17	229,362	251,542	232,119
Interest income	1c, 18	4,749	5,200	7,670
Other income	1d	29,712	28,000	31,709
Other revenues		34,461	33,200	39,379
Total revenue and other income		263,823	284,742	271,498
EXPENSES				
Operating expenses	2	144,731	144,737	140,572
Net return before industry expenditure and distributions		119,092	140,005	130,926
INDUSTRY AND ON-COURSE PROJECTS				
On-course projects and other expenditure funded	20b	3,737	2,540	3,242
Industry projects funded	20c	-	-	978
Total industry and on-course projects		3,737	2,540	4,220
Surplus available for distribution		115,355	137,465	126,706
FUNDING TO THE RACING INDUSTRY				
Fixed code funding	20d	84,261	84,261	84,261
Domestic market share code funding	20d	25,430	23,832	14,320
Variable code funding	20d	25,733	23,217	26,842
Research and integrity funding	20d	2,086	2,200	2,087
Total funding	16, 20d	137,510	133,510	127,510
Undistributed earnings transferred to/(from) general reserves		(22,155)	3,955	(804)

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

Statement of Changes in Equity

FOR THE YEAR ENDED 31 JULY 2009

	Notes	General reserve NZ\$000	Industry revitalisation reserve NZ\$000	Total NZ\$000	Budget NZ\$000
Balance as at 1 August 2007		100,454	4,031	104,485	107,414
Adjust budget for actual carried forward					(2,929)
Undistributed earnings for the year		(804)	-	(804)	3,772
TOTAL RECOGNISED INCOME AND EXPENSE		(804)	-	(804)	843
Transfer to general reserves on dissolution of industry revitalisation reserve	19	3,053	(3,053)	-	-
Transfers to/(from) general reserves	20c	978	(978)	-	-
Balance as at 31 July 2008		103,681	-	103,681	108,257
Adjust budget for actual carried forward		-	-	-	(4,575)
Undistributed earnings for the year		(22,155)	-	(22,155)	3,955
TOTAL RECOGNISED INCOME AND EXPENSE		(22,155)	-	(22,155)	(620)
Balance as at 31 July 2009	19	81,526	-	81,526	107,637

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

Statement of Financial Position

AS AT 31 JULY 2009

	Notes	Actual 2009 NZ\$000	Budget 2009 NZ\$000	Actual 2008 NZ\$000
CURRENT ASSETS				
Cash and cash equivalents	3	13,412	40,906	23,465
Trade and other receivables	4	4,911	3,301	4,600
Financial assets	5	39,130	34,874	55,959
Other assets	6	1,282	1,050	1,179
Total current assets		58,735	80,131	85,203
NON-CURRENT ASSETS				
Property, plant and equipment	11	49,983	59,028	51,788
Intangible assets	12	9,891	9,321	10,038
Financial assets	5	10,012	5,094	5,073
Total non-current assets		69,886	73,443	66,899
TOTAL ASSETS		128,621	153,574	152,102
CURRENT LIABILITIES				
Trade and other payables	7	17,937	17,868	19,889
Account betting deposits and vouchers		13,262	13,107	12,888
Financial liabilities	8	14,301	14,197	14,395
Provisions	9	894	94	94
Total current liabilities		46,394	45,266	47,266
NON-CURRENT LIABILITIES				
Financial liabilities	8	38	68	547
Provisions	9	663	603	608
Total non-current liabilities		701	671	1,155
TOTAL LIABILITIES		47,095	45,937	48,421
Net assets		81,526	107,637	103,681
EQUITY				
General reserves	19	81,526	107,637	103,681

The members of the New Zealand Racing Board authorise these financial statements for issue on 22 September 2009.



Michael Stiassny
Chairman of the New Zealand Racing Board



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

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

Statement of Cash Flows

FOR THE YEAR ENDED 31 JULY 2009

	Notes	Actual 2009 NZ\$000	Budget 2009 NZ\$000	Actual 2008 NZ\$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows				
Betting turnover		1,513,825	1,652,906	1,527,640
Racing services income		14,374	14,774	14,336
Jackpot retentions and account deposits (net)		236	234	198
Interest received		4,749	5,200	6,685
International racing fees and other income		14,669	12,873	15,341
		1,547,853	1,685,987	1,564,200
Outflows				
Dividends paid		1,244,643	1,356,994	1,255,738
Fixed and domestic market share funding		105,433	108,093	103,535
On-course and industry projects		2,720	2,540	4,220
Variable code, research and integrity funding		32,050	25,417	28,930
Payments to suppliers		90,785	91,902	89,053
Payment to employees		37,208	34,386	33,345
Goods and services tax		28,669	32,201	29,098
Betting duty paid		11,401	13,030	9,609
Sporting bodies' levies		2,128	2,080	2,224
		1,555,037	1,666,643	1,555,752
Net cash provided by/(used in) operating activities	15	(7,184)	19,344	8,448
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows				
Repayments of short-term deposits on maturity		16,902	22,084	-
Disposals of property, plant and equipment and intangibles		9	-	26
Repayments of club loans		58	27	1,609
		16,969	22,111	1,635
Outflows				
Purchase of property, plant and equipment and intangibles		14,114	22,820	24,540
Investment in short-term deposits		1,024	-	2,454
Drawdowns of club loans		4,700	1,194	4,487
		19,838	24,014	31,481
Net cash provided by/(used in) investing activities		(2,869)	(1,903)	(29,846)
Net increase/(decrease) in cash and cash equivalents		(10,053)	17,441	(21,398)
Cash and cash equivalents at the start of the year		23,465	23,465	44,863
Cash and cash equivalents at the end of the period	3	13,412	40,906	23,465

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

Statement of Accounting Policies

REPORTING ENTITY

The New Zealand Racing Board is a statutory body established pursuant to the Racing Act 2003. The New Zealand Racing Board is domiciled in New Zealand, with its head office located at 106–110 Jackson Street, Petone, Wellington.

The principal objectives of the New Zealand Racing Board are:

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

The financial statements are prepared in accordance with the Racing Act 2003. The Racing Act 2003 requires disclosure of budgeted amounts approved by the Board.

STATEMENT OF COMPLIANCE

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

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

BASIS OF PREPARATION

These financial statements have been prepared on the basis of historical cost except where modified by the revaluation of certain non-current assets and financial instruments outlined below. Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 July 2009 and the comparative information presented in these financial statements for the year ended 31 July 2008.

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the balance date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the New Zealand Racing Board and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Net betting revenue

Net betting revenue consists of resulted turnover less dividends paid and payable to customers and duty and GST payable to the Inland Revenue Department. Except where otherwise noted, net betting revenue is recognised at the time the betting event takes place.

Totalisator revenue

Totalisator revenue is recognised at the time the betting event takes place.

Statement of Accounting Policies

Fixed odds betting revenue

Revenue is recognised as the net win or loss on an event. The amounts bet on an event are recognised as a liability until the outcome of the event is determined, at which time the revenue is brought to account. Open betting positions are carried at fair market value, and gains and losses arising on these positions are recognised in revenue.

International racing fees

International racing fees are income earned by the New Zealand Racing Board through the export of New Zealand racing events to international betting agencies. This revenue is recognised at the time that the racing event takes place.

Interest income

Interest income is recognised using the effective interest rate method.

Racing services income

Racing services income refers to income the New Zealand Racing Board derives from providing on-course race day services to racing clubs, recovered as part of the funding arrangements from the code bodies. This revenue is recognised at the time that the racing event takes place.

Contributions towards assets

Contributions towards assets received from the racing code bodies in respect of laboratory equipment purchased by the New Zealand Racing Board are recognised as deferred income over the life of the laboratory assets.

(b) Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in the Statement of Financial Performance in the period in which they arise.

The functional and presentation currency is the New Zealand dollar.

(c) Goods and services tax (GST)

The Statement of Financial Performance and Statement of Cash Flows are prepared on a GST-exclusive basis except for betting turnover and dividends paid to customers. The GST component in betting turnover represents the GST payable on betting deductions and net betting revenue as outlined in the Racing Act 2003. All items in the Statement of Financial Position and Statement of Changes in Equity are stated net of GST, with the exception of trade receivables and payables, which are recognised inclusive of GST.

(d) Income tax

The New Zealand Racing Board is exempt from income tax pursuant to section CW47 of the Income Tax Act 2007.

(e) Inventories

Inventories, including betting slips and merchandise held for resale, are valued at the lower of cost and net realisable value, as determined on a weighted average basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(f) Financial assets

Cash and cash equivalents comprise cash on hand, cash at bank and investments with an initial term of less than three months.

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at fair value, net of transaction costs.

Financial assets are classified into the following specified categories: 'held-to-maturity' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except where maturing greater than 12 months after the balance date. These are classified as non-current assets. They are recorded at amortised cost less impairment.

Statement of Accounting Policies

Held-to-maturity investments

Corporate bonds and certain short-term deposits are classified as held-to-maturity and are stated at amortised cost using the effective interest rate method less impairment, with revenue recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows over the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount of the financial asset.

(g) Financial liabilities

Trade and other accounts payable

Trade and other accounts payable are recognised when the New Zealand Racing Board becomes obliged to make future payments resulting from the purchase of goods and services.

Unpaid dividends

Unpaid dividends represent the liability due to winning customers not yet claimed. Unpaid dividends are recognised at the time the betting event takes place.

Jackpot retentions

Jackpot retentions are established in accordance with the Racing Rules pursuant to section 52 of the Racing Act 2003. Jackpot retentions comprise amounts set aside from the dividend pools of Pick6, Six Pack, First4, Quaddies, pools betting and some trifectas. Funds accumulated are used exclusively for the purpose of supplementing the dividend pool on some occasions when the same form of betting is offered subsequently.

Other financial liabilities

Other financial liabilities are measured initially at fair value and subsequently at amortised cost.

Recognition and measurement

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

(h) Derivative financial instruments

The New Zealand Racing Board may, from time to time, enter into derivative financial instruments to manage its exposure to foreign currency risk, including forward exchange contracts.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently revalued to their fair value at each reporting date. The resulting gain or loss is recognised in the Statement of Financial Performance immediately within other income. The New Zealand Racing Board has not designated any derivatives as hedges.

Fixed odds betting revenue

Fixed odds betting positions are considered derivative financial instruments for the purposes of financial reporting. Refer to the revenue recognition policy for fixed odds betting revenue in (a) above.

(i) Property, plant and equipment

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

The deemed cost for land and buildings is the valuation on the inception of the New Zealand Racing Board in 2003.

Depreciation is calculated on a straight-line basis so as to allocate the cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The current annual depreciation rates are as follows:

Buildings and fit-out (at deemed cost)	2.5–10.0%	Leasehold improvements	14.3–20.0%
Computer hardware	14.3–33.3%	Motor vehicles	14.3–33.3%
Furniture, office equipment and plant	10.0–20.0%	Operations and trackside equipment	20.0%

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

Statement of Accounting Policies

(j) Leased assets

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction in the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income unless they are directly attributable to qualifying assets, in which case, they are capitalised.

Assets under finance leases are depreciated on a straight-line basis over the estimated useful life of the asset or the lease term, whichever is shorter.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(k) Intangible assets

Broadcasting licences and software are finite-life intangible assets recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

The current annual amortisation rates are as follows:

Broadcasting licences	5.0–38.5%
Other broadcasting intangibles	16.7%
Software	14.3–33.3%

(l) Impairment of assets

At each reporting date, the New Zealand Racing Board reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the New Zealand Racing Board estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Financial Performance immediately, unless the relevant asset is carried at fair value, in which case, the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the Statement of Financial Performance immediately, unless the relevant asset is carried at fair value, in which case, the reversal of the impairment loss is treated as a revaluation increase.

Statement of Accounting Policies

(m) Provisions

Provisions are recognised when the New Zealand Racing Board has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(n) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits that are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the New Zealand Racing Board in respect of services provided by employees up to reporting date.

(o) Netting

The movements in jackpot retentions and account deposits have been presented net in the Statement of Cash Flows as transactions are settled over a short period of time.

(p) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the New Zealand Racing Board as at 31 July 2009 and the results of the operations of such entities for the year then ended. The New Zealand Racing Board and such entities are together referred to as the New Zealand Racing Board in these financial statements.

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

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

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

(q) Funding

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

(r) New standards and interpretations not yet adopted

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

- NZ IAS 1 (Amendment) *Presentation of Financial Statements* is applicable to annual reporting periods beginning on or after 1 January 2009. The New Zealand Racing Board has not adopted this standard early and plans to adopt the standard for the annual reporting period beginning 1 August 2009. It requires the presentation of a Statement of Comprehensive Income but will not affect any of the amounts recognised in the financial statements.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

1. REVENUE

	Notes	Actual 2009 NZ\$000	Budget 2009 NZ\$000	Actual 2008 NZ\$000
REVENUE FROM CONTINUING OPERATIONS:				
(a) Betting turnover (including GST)				
Off-course racing – totalisator		1,193,929	1,324,000	1,221,979
Off-course racing – fixed odds		96,145	105,000	87,105
On-course racing		81,008	86,000	80,682
TOTAL RACING TURNOVER		1,371,082	1,515,000	1,389,766
Sports – totalisator		2,069	2,000	2,236
Sports – fixed odds		140,308	135,964	135,710
TOTAL SPORTS TURNOVER		142,377	137,964	137,946
TOTAL BETTING TURNOVER	17	1,513,459	1,652,964	1,527,712
(b) Betting deductions (including GST)				
Betting duty		10,560	11,932	10,669
Goods and services tax		29,328	33,143	29,638
TOTAL BETTING DEDUCTIONS	17	39,888	45,075	40,307
(c) Interest income				
Cash and cash equivalents		1,139	5,200	2,692
Short-term deposits		3,122	-	4,608
Corporate bonds		99	-	328
Loans and advances to clubs and codes		389	-	42
TOTAL INTEREST INCOME	18a	4,749	5,200	7,670
(d) Other income				
Racing services income		14,374	14,774	14,336
International racing fees		10,391	7,478	12,620
Other		4,947	5,748	4,753
TOTAL OTHER INCOME		29,712	28,000	31,709

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

2. OPERATING EXPENSES

	Actual 2009 NZ\$000	Budget 2009 NZ\$000	Actual 2008 NZ\$000
(a) Operating expenses include the following items:			
Amortisation expense	4,083	4,441	5,515
Auditors' remuneration			
- Auditing services	77	100	108
- Other assurance services	-	15	25
Bad debts written off	49	-	2
Board members' remuneration and expenses	354	300	280
Broadcasting expenses	7,395	6,872	6,817
Communications expenses	7,613	7,162	7,219
Depreciation expense	11,688	11,803	9,179
Employee expenses	37,929	37,140	35,901
Finance costs	30	24	24
Form guide production and marketing expenses	5,628	7,337	7,665
Insurance	1,062	1,156	1,029
Net movement in allowance for doubtful debts	(57)	-	44
Overseas racing rights	16,533	16,892	15,688
Problem gambling levy and expenses	1,570	1,693	1,631
Property and equipment leases	4,750	4,480	4,328
Restructuring costs	1,017	-	276
Retail and internet fees	26,369	28,003	27,743
Sporting bodies' levies	2,261	2,146	2,281
Other expenses	16,203	15,088	14,787
(b) Surplus has been arrived at after (crediting)/charging the following gains and losses:			
(Gain)/loss on disposal of property, plant and equipment	179	-	1
Net foreign exchange (gains)/losses	(2)	85	29
TOTAL OPERATING EXPENSES	144,731	144,737	140,572

3. CASH AND CASH EQUIVALENTS

	Actual 2009 NZ\$000	Budget 2009 NZ\$000	Actual 2008 NZ\$000
Foreign currency bank accounts	255	922	84
Foreign currency betting accounts	482	292	292
NZ dollar bank accounts and call deposits	12,675	39,692	23,089
TOTAL CASH AND CASH EQUIVALENTS	13,412	40,906	23,465

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

4. TRADE AND OTHER RECEIVABLES

	Actual 2009 NZ\$000	Budget 2009 NZ\$000	Actual 2008 NZ\$000
Trade and sundry receivables	4,917	3,301	4,663
Allowance for doubtful debts	(6)	-	(63)
TOTAL TRADE AND OTHER RECEIVABLES	4,911	3,301	4,600

Settlement receivables

The New Zealand Racing Board's retail outlets are required to settle on a weekly basis.

The New Zealand Racing Board's practice is to require either bank guarantees or cash bonds from retail outlets of a value generally greater than a week's settlement.

Trade receivables

The average credit period on sales of goods and services is 46 days (2008: 46 days). No interest is charged on trade receivables past due date. The Board has provided for certain receivables over 90 days where debt collection agencies have been instructed to collect the debt.

Included in the New Zealand Racing Board's trade receivable balance are debtors with a carrying amount of \$51,178 that are past due at 31 July 2009 (2008: \$517,082) for which the Board has not provided or impaired. The Board has not provided for or impaired these debts as it does not believe there has been a significant change in credit quality, and the Board considers these amounts still recoverable. The New Zealand Racing Board does not hold any collateral over these balances, of which the average age is 54 days (2008: 67 days) at reporting date. An analysis of the ageing of debtors past due but not provided is outlined below:

	Actual 2009 NZ\$000	Actual 2008 NZ\$000
30 days	43	427
60 days	8	3
90+ days	-	87
TOTAL	51	517

Movement in the allowance for doubtful debts:

	Note	Actual 2009 NZ\$000	Actual 2008 NZ\$000
Balance at the beginning of the year		63	19
Amounts written off during the year	2a	(49)	(2)
Amounts recovered during the year		(14)	(57)
Increase/(decrease) in allowance recognised in Statement of Financial Performance		6	103
BALANCE AT THE END OF THE YEAR		6	63
GROSS VALUE OF IMPAIRED ASSETS		6	63

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

The creation and release of the allowance for doubtful debts has been recorded in operating expenses in the Statement of Financial Performance. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash. The maximum exposure to credit risk is the carrying value of the amounts recorded above.

In determining the recoverability of a trade receivable, the Board considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Board believes that there is no further credit provision required in excess of the allowance for doubtful debts. Within the allowance for doubtful debts, there are no companies that have been placed in liquidation and, as such, no further impairment is required.

5. FINANCIAL ASSETS

	Note	Actual 2009 NZ\$000	Budget 2009 NZ\$000	Actual 2008 NZ\$000
CLASSIFIED AS HELD-TO-MATURITY				
Short-term deposits		39,000	32,795	51,887
Corporate bonds		2,020	2,020	5,011
CLASSIFIED AS LOANS AND RECEIVABLES AT AMORTISED COST				
Advances to clubs	10	8,122	5,153	4,134
TOTAL FINANCIAL ASSETS		49,142	39,968	61,032
Disclosed as:				
Current		39,130	34,874	55,959
Non-current		10,012	5,094	5,073
TOTAL FINANCIAL ASSETS		49,142	39,968	61,032

\$14.0 million is held in trust to cover the amounts owing to customers for account deposits and unrepresented betting vouchers (2008: \$16.0 million). The balance of these items as at 31 July 2009 was \$13.3 million (2008: \$12.9 million).

6. OTHER ASSETS

	Actual 2009 NZ\$000	Budget 2009 NZ\$000	Actual 2008 NZ\$000
Pre-payments	1,007	747	876
Inventory	275	303	303
TOTAL OTHER ASSETS	1,282	1,050	1,179

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

7. TRADE AND OTHER PAYABLES

	Actual 2009 NZ\$000	Budget 2009 NZ\$000	Actual 2008 NZ\$000
Employee entitlements	3,263	4,244	3,924
Amounts payable to Board members	48	35	35
Trade payables and accruals	10,548	9,938	11,537
Taxes payable	2,697	2,662	3,346
Deferred revenue (pre-sales)	1,155	731	789
Contributions to assets by racing codes	226	258	258
TOTAL TRADE AND OTHER PAYABLES	17,937	17,868	19,889

No interest is incurred on the trade payables unless the amounts payable fall overdue, at the discretion of the vendor. The New Zealand Racing Board has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

8. FINANCIAL LIABILITIES

	Note	Actual 2009 NZ\$000	Budget 2009 NZ\$000	Actual 2008 NZ\$000
Canwest radio liability		492	530	1,156
Code liability		8,184	7,926	7,926
Unpaid dividends		3,518	3,442	3,427
Jackpot retentions		2,054	2,284	2,284
Finance leases	13c	91	83	149
TOTAL FINANCIAL LIABILITIES		14,339	14,265	14,942

Disclosed as:

Current	14,301	14,197	14,395
Non-current	38	68	547
TOTAL FINANCIAL LIABILITIES	14,339	14,265	14,942

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

9. PROVISIONS

	Make good NZ\$000	Long service leave NZ\$000	Sick leave NZ\$000	Restructuring NZ\$000	Total provisions NZ\$000
Balance as at 1 August 2007	217	339	111	-	667
Additional provisions	223	18	37	-	278
Provisions released	-	(30)	-	-	(30)
Amounts used	(132)	(27)	(54)	-	(213)
Balance as at 31 July 2008	308	300	94	-	702
Additional provisions	177	56	114	800	1,147
Provisions released	-	(18)	-	-	(18)
Amounts used	(124)	(36)	(114)	-	(274)
Balance as at 31 July 2009	361	302	94	800	1,557

	Actual 2009 NZ\$000	Budget 2009 NZ\$000	Actual 2008 NZ\$000
Disclosed as:			
Current	894	94	94
Non-current	663	603	608
TOTAL PROVISIONS	1,557	697	702

(a) Provision for make good costs

A provision has been established for future anticipated costs associated with restoring leased premises to their original condition at the end of the lease term. This provision is based on the New Zealand Racing Board's previous experience and the percentage of lease term expired.

(b) Provision for long service leave

The New Zealand Racing Board has a group of legacy employment contracts containing long service leave entitlements. A provision has been established to recognise the estimated amounts probable to vest to employees in the future.

(c) Provision for sick leave

A provision has been established for accumulating sick leave to the extent that it is probable that employees will take more days than their annual entitlement in any year.

(d) Provision for restructuring

The restructuring provision arises from the disestablishment of a number of specific positions within the New Zealand Racing Board.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

10. LOANS AND ADVANCES TO CLUBS AND CODES

	Note	Actual 2009 NZ\$000	Budget 2009 NZ\$000	Actual 2008 NZ\$000
New Zealand Greyhound Racing Association		554	660	660
New Zealand Metropolitan Trotting Club (Inc)		5,169	4,386	3,344
RACE Inc		2,250	-	-
Wanganui Greyhound Racing Club		99	107	130
Whangarei Racing Club Inc		50	-	-
LOANS TO CLUBS AND CODES	5	8,122	5,153	4,134
Disclosed as:				
Current		130	59	58
Non-current		7,992	5,094	4,076
LOANS TO CLUBS AND CODES		8,122	5,153	4,134

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

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

	Interest rate		Rate type
	2009	2008	
New Zealand Greyhound Racing Association	5.00%	Nil	Fixed
New Zealand Metropolitan Trotting Club (Inc)	3.25%	7.19%	Variable
RACE Inc	3.50%	N/A	Variable
Wanganui Greyhound Racing Club	4.00%	4.00%	Fixed
Whangarei Racing Club Inc	3.25%	N/A	Variable

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

10. LOANS AND ADVANCES TO CLUBS AND CODES CONTINUED

The following loans were approved by the New Zealand Racing Board during the reporting period:

	Date approved	Approved amount NZ\$000	Amount drawn at 31 July 2009 NZ\$000
New Zealand Greyhound Racing Association	02 May 08	\$660	\$660
RACE Inc	05 February 09	\$3,000	\$2,710
Whangarei Racing Club Inc	24 December 08	\$300	\$53

As at 31 July 2008, the terms of the loan to the New Zealand Greyhound Racing Association had not yet been finalised by the Board and, as such, no fair value adjustment was recognised. The fair value adjustment has been recognised in the financial year ended 31 July 2009.

On 17 February 2009, the New Zealand Racing Board agreed to capitalise the interest on the loan to the New Zealand Metropolitan Trotting Club for a period of two years.

On 5 February 2009, a working capital facility agreement was established between the New Zealand Racing Board and Racing at Awapuni, Otaki and Trentham Combined Enterprise Incorporated (RACE Inc).

The New Zealand Racing Board is satisfied as to the ultimate collectability of these loans.

Collateral

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

The New Zealand Metropolitan Trotting Club loan is secured by a General Security Agreement and mortgage over all the assets of New Zealand Metropolitan Trotting Club (Inc) and Addington Raceway Ltd. The total value of these assets per the Annual Report of the New Zealand Metropolitan Trotting Club (Inc) for the year ended 31 July 2008 was \$47.5 million (31 July 2007: \$36.8 million).

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

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

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

Notes to the Financial Statements

11. PROPERTY, PLANT AND EQUIPMENT

	Land NZ\$000	Buildings NZ\$000	Computer hardware NZ\$000	Office equipment NZ\$000
COST OR DEEMED COST				
Balance at 1 August 2007	2,590	12,935	40,306	2,476
Additions	-	399	2,705	799
Disposals	-	(416)	(1,609)	-
Net additions to work in progress	-	-	-	-
Balance at 31 July 2008	2,590	12,918	41,402	3,275
Balance at 1 August 2008	2,590	12,918	41,402	3,275
Additions	-	786	2,851	527
Disposals	-	(23)	(2,821)	(70)
Net change to work in progress	-	-	-	-
Balance at 31 July 2009	2,590	13,681	41,432	3,732
DEPRECIATION AND IMPAIRMENT LOSSES				
Balance at 1 August 2007	-	(3,426)	(28,806)	(1,377)
Depreciation for the year	-	(492)	(4,256)	(499)
Impairment loss	-	-	-	-
Disposals	-	90	1,459	-
Balance at 31 July 2008	-	(3,828)	(31,603)	(1,876)
Balance at 1 August 2008	-	(3,828)	(31,603)	(1,876)
Depreciation for the year	-	(508)	(4,467)	(439)
Impairment loss	-	-	-	-
Disposals	-	18	2,812	64
Balance at 31 July 2009	-	(4,318)	(33,258)	(2,251)
NET BOOK VALUE				
Balance at 1 August 2007	2,590	9,509	11,500	1,099
Balance at 31 July 2008	2,590	9,090	9,799	1,399
Balance at 31 July 2009	2,590	9,363	8,174	1,481

Leased office equipment

The Board leases photocopying equipment under a finance lease arrangement. At 31 July 2009, the net book value of leased office equipment was \$69,069 (2008: \$103,686).

FOR THE YEAR ENDED 31 JULY 2009

Leasehold improvements NZ\$000	Motor vehicles NZ\$000	Operations and trackside equipment NZ\$000	Total property, plant and equipment NZ\$000	Work in progress NZ\$000	Total NZ\$000
13,331	3,646	15,002	90,286	5,450	95,736
1,493	2,296	13,495	21,187	-	21,187
(5)	(161)	(28)	(2,219)	-	(2,219)
-	-	-	-	1,984	1,984
14,819	5,781	28,469	109,254	7,434	116,688
14,819	5,781	28,469	109,254	7,434	116,688
5,251	1,174	4,729	15,318	-	15,318
(312)	(545)	(518)	(4,289)	-	(4,289)
-	-	-	-	(5,291)	(5,291)
19,758	6,410	32,680	120,283	2,143	122,426
(9,111)	(2,900)	(11,805)	(57,425)	-	(57,425)
(1,185)	(647)	(2,100)	(9,179)	-	(9,179)
-	-	-	-	-	-
4	151	-	1,704	-	1,704
(10,292)	(3,396)	(13,905)	(64,900)	-	(64,900)
(10,292)	(3,396)	(13,905)	(64,900)	-	(64,900)
(1,528)	(829)	(3,917)	(11,688)	-	(11,688)
-	-	-	-	-	-
221	544	486	4,145	-	4,145
(11,599)	(3,681)	(17,336)	(72,443)	-	(72,443)
4,220	746	3,197	32,861	5,450	38,311
4,527	2,385	14,564	44,354	7,434	51,788
8,159	2,729	15,344	47,840	2,143	49,983

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

12. INTANGIBLE ASSETS

	Software NZ\$000	Licences NZ\$000	Other broadcasting intangibles NZ\$000	Total intangibles NZ\$000
COST OR DEEMED COST				
Balance at 1 August 2007	37,881	4,100	4,550	46,531
Additions	2,304	14	-	2,318
Disposals	(17)	(77)	-	(94)
Balance at 31 July 2008	40,168	4,037	4,550	48,755
Balance at 1 August 2008	40,168	4,037	4,550	48,755
Additions	3,742	300	-	4,042
Disposals	(1,592)	-	-	(1,592)
Transfers from property, plant and equipment	-	-	-	-
Balance at 31 July 2009	42,318	4,337	4,550	51,205
AMORTISATION AND IMPAIRMENT LOSSES				
Balance at 1 August 2007	(28,636)	(2,810)	(1,769)	(33,215)
Amortisation for the year	(4,462)	(295)	(758)	(5,515)
Impairment loss	-	-	-	-
Disposals	4	9	-	13
Balance at 31 July 2008	(33,094)	(3,096)	(2,527)	(38,717)
Balance at 1 August 2008	(33,094)	(3,096)	(2,527)	(38,717)
Amortisation for the year	(2,927)	(398)	(758)	(4,083)
Impairment loss	-	-	-	-
Disposals	1,486	-	-	1,486
Balance at 31 July 2009	(34,535)	(3,494)	(3,285)	(41,314)
NET BOOK VALUE				
Balance at 1 August 2007	9,245	1,290	2,781	13,316
Balance at 31 July 2008	7,074	941	2,023	10,038
Balance at 31 July 2009	7,783	843	1,265	9,891

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

13. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Actual 2009 NZ\$000	Actual 2008 NZ\$000
Property, plant and equipment – payable:		
Within one year	1,445	3,758
Later than one year but no later than five years	1,350	1,350
TOTAL CAPITAL COMMITMENTS	2,795	5,108

In July 2008, the Board accepted the Ministry of Economic Development's offer to secure 20-year incumbency rights on AM and FM radio licences, at a cost of \$1.4 million, payable in 2011.

(b) Operating lease commitments

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

	Actual 2009 NZ\$000	Actual 2008 NZ\$000
Within one year	5,086	4,309
Later than one year but no later than five years	9,188	7,386
Later than five years	881	983
TOTAL OPERATING LEASE COMMITMENTS	15,155	12,678

The New Zealand Racing Board leases various buildings under operating leases. The leases have varying terms and renewal rights. On renewal, the terms of the leases are to be negotiated.

Two of the leased properties have been sublet by the New Zealand Racing Board. The lease and sublease expire in 2010 and 2014. Sublease payments of \$81,697 are expected to be received during the financial year.

Four of the leased properties have outstanding rent reviews. These are expected to be settled within the next financial year.

For the year ended 31 July 2009, \$4.8 million was recognised as an expense in the Statement of Financial Performance in respect of operating leases (2008: \$4.3 million).

(c) Finance lease commitments

The New Zealand Racing Board has the following commitments under finance leases:

	Actual 2009 NZ\$000	Actual 2008 NZ\$000
Within one year	53	60
Later than one year but no later than five years	38	89
Later than five years	-	-
TOTAL FINANCE LEASE COMMITMENTS	91	149

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

14. FINANCIAL INSTRUMENTS

(a) Capital risk management

The Board manages its capital to ensure it is able to continue as a going concern whilst maximising the return to the industry stakeholders through optimisation of equity levels.

The capital structure of the Board consists of cash and cash equivalents and other financial assets, as outlined in notes 3 and 5 respectively, as well as equity in the form of retained earnings. The Board reviews the capital structure on an annual basis as part of the annual budget cycle. As a part of this review, the Board considers the distribution or retention of capital balances.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in the Statement of Accounting Policies included in these financial statements.

(c) Categories of financial instruments

	Actual 2009			
	Held-to-maturity NZ\$000	Loans and receivables NZ\$000	Financial liabilities at amortised cost NZ\$000	Total NZ\$000
ASSETS				
Cash and cash equivalents	-	13,412	-	13,412
Trade and other receivables	-	4,911	-	4,911
Other financial assets	41,020	8,122	-	49,142
Total financial assets	41,020	26,445	-	67,465
Total non-financial assets				61,156
TOTAL ASSETS				128,621
LIABILITIES				
Trade and other payables	-	-	17,937	17,937
Other financial liabilities	-	-	14,339	14,339
Account betting deposits and vouchers	-	-	13,262	13,262
Total financial liabilities	-	-	45,538	45,538
Total non-financial liabilities				1,557
TOTAL LIABILITIES				47,095

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

14. FINANCIAL INSTRUMENTS CONTINUED

	Actual 2008			
	Held-to-maturity NZ\$000	Loans and receivables NZ\$000	Financial liabilities at amortised cost NZ\$000	Total NZ\$000
ASSETS				
Cash and cash equivalents	-	23,465	-	23,465
Trade and other receivables	-	4,600	-	4,600
Other financial assets	56,898	4,134	-	61,032
Total financial assets	56,898	32,199	-	89,097
Total non-financial assets				63,005
TOTAL ASSETS				152,102
LIABILITIES				
Trade and other payables	-	-	19,889	19,889
Other financial liabilities	-	-	14,942	14,942
Account betting deposits and vouchers	-	-	12,888	12,888
Total financial liabilities	-	-	47,719	47,719
Total non-financial liabilities				702
TOTAL LIABILITIES				48,421

(d) Financial risk management

The Corporate Treasury function co-ordinates all foreign exchange transactions and investment activity as well as monitoring and managing all financial risks relating to the operation of the Board. These risks include credit risk, liquidity risk, interest rate risk and foreign exchange rate risk.

The use of financial instruments is governed by the Treasury policy approved by the Board of the New Zealand Racing Board. The policy provides written principles on foreign exchange risk, interest rate risk, credit risk and the use of financial derivatives and non-derivative financial instruments. The policy also outlines the principles for liquidity risk management.

Compliance with the Treasury policy and exposure limits therein is reviewed by the internal audit function of the New Zealand Racing Board on an annual basis. The New Zealand Racing Board does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

A Treasury report is presented to the Board on a monthly basis outlining the exposure limits and compliance with the Treasury policy.

The New Zealand Racing Board uses recognised bookmaking tools and strategies to appropriately manage 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. From time to time, independent experts are engaged to review the performance of the fixed odds betting operation and refine strategies.

Notes to the Financial Statements

14. FINANCIAL INSTRUMENTS CONTINUED

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board. The Board manages liquidity risk by maintaining adequate cash reserves to satisfy anticipated capital expenditure and distribution requirements.

The following tables outline the Board's remaining contractual maturity for its non-derivative financial liabilities. These tables have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Board can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents possible future cash flows attributable to the instrument included in the maturity analysis that are not included in the carrying amount of the financial liability on the balance sheet.

	Weighted average effective interest rate	Less than 1 month NZ\$000
FINANCIAL LIABILITIES		
2009		
Trade and other payables	0.00%	17,937
Account betting deposits and vouchers	0.00%	13,262
Canwest radio liability – non-interest bearing	0.00%	58
Other non-interest bearing	0.00%	5,572
Finance lease liability	8.25%	7
Variable interest rate instruments	2.50%	8,184
		45,020
2008		
Trade and other payables	0.00%	19,889
Account betting deposits and vouchers	0.00%	12,888
Canwest radio liability – non-interest bearing	0.00%	58
Other non-interest bearing	0.00%	5,711
Finance lease liability	8.25%	7
Variable interest rate instruments	8.25%	7,926
		46,479

FOR THE YEAR ENDED 31 JULY 2009

1–3 months NZ\$000	3 months to 1 year NZ\$000	1–5 years NZ\$000	5+ years NZ\$000	Adjustment NZ\$000	Total NZ\$000
-	-	-	-	-	17,937
-	-	-	-	-	13,262
117	317	-	-	-	492
-	-	-	-	-	5,572
13	60	68	-	(57)	91
-	-	-	-	-	8,184
130	377	68	-	(57)	45,538
-	-	-	-	-	19,889
-	-	-	-	-	12,888
117	525	493	-	(37)	1,156
-	-	-	-	-	5,711
13	60	145	-	(76)	149
-	-	-	-	-	7,926
130	585	638	-	(113)	47,719

Notes to the Financial Statements

14. FINANCIAL INSTRUMENTS CONTINUED

(e) Liquidity risk management (continued)

The following table details the Board's expected maturity for its non-derivative financial assets. This table has been prepared based on the undiscounted contractual maturities of financial assets including interest that will be earned on those assets except where the Board anticipates that the cash flow will occur in a different period. The adjustment column represents expected future cash flows attributable to the instrument included in the maturity analysis that are not included in the carrying amount of the financial asset on the balance sheet.

FINANCIAL ASSETS	Weighted average effective interest rate	Less than 1 month NZ\$000
2009		
Cash and investments		
Non-interest bearing	0.00%	574
Variable interest rate instruments	2.63%	12,839
Fixed rate instruments	4.92%	-
		13,413
Other financial assets		
Trade and other receivables	0.00%	4,911
Loans and advances to clubs		
Variable interest rate instruments	3.33%	-
Fixed rate instruments	4.87%	-
		-
		18,324
2008		
Cash and investments		
Non-interest bearing	0.00%	392
Variable interest rate instruments	8.04%	23,073
Fixed rate instruments	8.69%	19,997
		43,462
Other financial assets		
Trade and other receivables	0.00%	4,600
Loans and advances to clubs		
Non-interest bearing	0.00%	-
Variable interest rate instruments	7.19%	44
Fixed rate instruments	4.00%	-
		44
		48,106

FOR THE YEAR ENDED 31 JULY 2009

1–3 months NZ\$000	3 months to 1 year NZ\$000	1–5 years NZ\$000	5+ years NZ\$000	Adjustment NZ\$000	Total NZ\$000
-	-	-	-	-	574
18	55	2,314	-	(369)	14,857
16,088	24,331	-	-	(1,418)	39,001
16,106	24,386	2,314	-	(1,787)	54,432
-	-	-	-	-	4,911
-	-	10,603	-	(3,132)	7,471
99	39	433	380	(300)	651
99	39	11,036	380	(3,432)	8,122
16,205	24,425	13,350	380	(5,219)	67,465
-	-	-	-	-	392
2,066	140	-	-	(186)	25,093
33	37,087	1,128	-	(3,367)	54,878
2,099	37,227	1,128	-	(3,553)	80,363
-	-	-	-	-	4,600
-	660	-	-	-	660
46	198	4,623	-	(1,567)	3,344
-	43	110	-	(23)	130
46	901	4,733	-	(1,590)	4,134
2,145	38,128	5,861	-	(5,143)	89,097

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

14. FINANCIAL INSTRUMENTS CONTINUED

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the New Zealand Racing Board. The New Zealand Racing Board incurs credit risk from transactions with trade receivables and financial institutions in the ordinary course of business. There is no significant concentration of credit risk.

The New Zealand Racing Board has some concentration of credit risk with New Zealand banking institutions. To minimise this risk, the New Zealand Racing Board's policy is to hold investments with financial institutions with an adequate Standard and Poor's rating and set counterparty limits to ensure investments are spread across several institutions.

Trade and sundry receivables do not have a concentration of credit risk, due to the number and spread of customers in relationship to the size of the business. There is no significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of allowances for any losses, represents the New Zealand Racing Board's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2009 NZ\$000	2008 NZ\$000
OTHER CREDIT EXPOSURES		
Letters of Credit	1,580	1,536

(g) Foreign currency exchange rate risk

The New Zealand Racing Board undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the New Zealand Racing Board's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Assets		Liabilities	
	2009 NZ\$000	2008 NZ\$000	2009 NZ\$000	2008 NZ\$000
Australian dollars	1,434	342	2,359	2,083
Pounds sterling	29	6	-	8
US dollars	53	29	43	-
	1,516	377	2,402	2,091

Foreign currency sensitivity

The New Zealand Racing Board is mainly exposed to Australian dollar (AUD) exchange rate fluctuations.

The New Zealand Racing Board assesses its sensitivity to a 10% change in the New Zealand dollar against the Australian dollar. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis of the New Zealand Racing Board's exposure to foreign currency risk at the reporting date has been determined by applying the sensitivity to the open foreign currency positions at reporting date.

Based on this assessment, the calculated sensitivity to a 10% change in the New Zealand dollar against the Australian dollar at the balance date was a \$103,000 increase or decrease in net return before industry expenditure and distribution and a corresponding adjustment to equity.

The Board's sensitivity to fluctuations in the Australian dollar is reduced as income due from Australia for New Zealand racing product off-sets amounts payable to Australia for Australian racing product.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

14. FINANCIAL INSTRUMENTS CONTINUED

Forward foreign exchange contracts

The New Zealand Racing Board's Treasury policy allows management to enter into forward foreign exchange contracts to cover foreign currency payments where the New Zealand dollar equivalent exposure is greater than NZ\$50,000.

The notional value of forward foreign exchange contracts outstanding at 31 July 2009 was \$692,380 (2008: Nil).

The fair value adjustment at reporting date was \$1,528 (2008: Nil).

(h) Interest rate risk

The New Zealand Racing Board has exposure to interest rate risk through its club loans, cash and short-term deposits held.

The New Zealand Racing Board's exposure to financial assets and financial liabilities is detailed in the liquidity risk management section of this note.

The New Zealand Racing Board has no interest rate swap contracts at 31 July 2009 (2008: Nil). The New Zealand Racing Board assesses its sensitivity to a 3% decrease in the New Zealand Official Cash Rate. 3% is the sensitivity rate used to report risk internally to key management and the Board.

Throughout the season, if the Official Cash Rate had been 3% higher or lower, the Board's net return before industry expenditure and distributions would increase or decrease by \$1.9 million with a corresponding adjustment to equity. This would be mainly attributable to increased or decreased returns on the Board's variable rate investments.

(i) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.
- The fair value of open fixed odds single betting positions are calculated by applying the expected probability of each outcome to the potential gross dividend payable on any particular outcome.

Except as detailed in the following table, the Board considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

	2009		2008	
	Carrying amount NZ\$000	Fair value NZ\$000	Carrying amount NZ\$000	Fair value NZ\$000
FINANCIAL ASSETS				
Held-to-maturity investments	41,020	41,688	56,898	58,221
TRADE AND OTHER PAYABLES				
Deferred revenue (pre-sales)	(1,155)	(972)	(789)	(724)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

15. RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Actual 2009 NZ\$000	Budget 2009 NZ\$000	Actual 2008 NZ\$000
Undistributed earnings transferred to/(from) general reserves	(22,155)	3,955	(804)
NON-CASH ITEMS			
Depreciation expense	11,688	11,803	9,179
Amortisation expense	4,083	4,441	5,515
Net finance costs	30	24	24
Foreign exchange (gain)/loss	(2)	85	29
Doubtful debts written off/(recovered)	(7)	-	44
Net (gain)/loss on sale of property, plant and equipment	179	-	1
Fair value (gain)/loss on financial liabilities	785	-	(65)
Other non-cash items	(45)	95	64
	16,711	16,448	14,791
MOVEMENT IN ASSETS			
(Increase)/decrease in trade and other receivables	(311)	1,298	(1,720)
(Increase)/decrease in inventories	28	-	(47)
(Increase)/decrease in other assets	(132)	129	(320)
	(415)	1,427	(2,087)
MOVEMENT IN LIABILITIES			
Increase/(decrease) in trade payables and accruals	(1,006)	(1,600)	(908)
Increase/(decrease) in unpaid dividends	92	15	470
Increase/(decrease) in account betting deposits and vouchers	373	219	305
Increase/(decrease) in jackpot retentions	(230)	-	(576)
Increase/(decrease) in employee entitlements	(661)	320	1,081
Increase/(decrease) in taxes payable	(649)	(684)	1,539
Increase/(decrease) in code liability	258	-	(4,953)
Increase/(decrease) in deferred revenue	366	(58)	(72)
Increase/(decrease) in other liabilities	132	(698)	(338)
	(1,325)	(2,486)	(3,452)
Net cash provided by/(used in) operating activities	(7,184)	19,344	8,448

16. RELATED PARTIES

Funding transactions with racing codes

In the 2008–09 season, the New Zealand Racing Board agreed to bulk fund the racing codes to a maximum value of \$133.5 million. This funding includes a variable component between codes based on export commissions, fixed odds and on-course turnover and current season market share. The majority of the funding (\$84.3 million) is fixed based on code market share for the previous two seasons. Further detail on funding is outlined in note 20.

In addition to this, a final distribution of \$4.0 million was made to the racing codes for the 2008/09 season.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

16. RELATED PARTIES CONTINUED

ENTITY	Funding		Code liability	
	2009 NZ\$000	2008 NZ\$000	2009 NZ\$000	2008 NZ\$000
New Zealand Greyhound Racing Association	17,009	16,022	2,225	2,129
Harness Racing New Zealand	42,462	39,532	2,735	2,264
New Zealand Thoroughbred Racing	75,953	69,869	3,224	3,533
Other funding	2,086	2,087	-	-
	137,510	127,510	8,184	7,926

Other transactions with racing codes and racing clubs

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

ENTITY	TRANSACTION	Transaction value		Balance outstanding	
		2009 NZ\$000	2008 NZ\$000	2009 NZ\$000	2008 NZ\$000
New Zealand Greyhound Racing Association	On-course venue services, trackside operations and radio recoveries	2,748	2,876	-	-
	Loan for the construction of an artificial racing surface at Manawatu Greyhound Racing Club	-	660	687	660
Harness Racing New Zealand	On-course venue services, trackside operations and radio recoveries	4,682	4,584	-	-
New Zealand Thoroughbred Racing	On-course venue services, trackside operations and radio recoveries	6,874	6,816	-	-
New Zealand Metropolitan Racing Club (Inc)	Loan for construction of stables at Addington Raceway	1,838	3,862	5,811	3,827
RACE Inc	Working capital facility	2,710	-	2,744	-
Whangarei Racing Club Incorporated	Loan for racetrack development at Ruakaka Racecourse	53	-	54	-

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

Compensation of key personnel

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

	2009 NZ\$000	2008 NZ\$000
Salaries and other short-term benefits	2,836	2,347

The New Zealand Racing Board considers key management personnel as the Board members, the Chief Executive, the Chief Operating Officer and the General Managers.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

16. RELATED PARTIES CONTINUED

Employees and remuneration for the year ended 31 July 2009

	As at 31/7/2009	As at 31/7/2008
The New Zealand Racing Board employed the following staff:		
Salaried full-time employees	315	310
Phonebet operators (rostered shift work)	225	279
Hourly rate staff – part-time	149	157
– casual	42	59
	731	805

A number of individuals employed by the New Zealand Racing Board received over \$100,000 in total remuneration including 'at risk' components, as explained below. For the full year ended 31 July 2009, the salary bands and number of employees within each band were as follows:

Total remuneration (\$000)	No. of employees as at 31/7/2009	No. of employees as at 31/7/2008
100–110	12	7
110–120	15	4
120–130	5	5
130–140	7	6
140–150	2	2
150–160	4	4
160–170	1	2
170–180	2	-
180–190	1	1
190–200	2	-
200–210	2	2
210–220	-	-
220–230	-	1
230–240	-	-
240–250	-	1
270–280	-	-
280–290	1	1
300–310	1	-
360–370	-	1
460–470	1	-
501–550	1	1
	57	38

The remuneration of some employees includes an 'at risk' component, the payment of which is dependent upon the attainment of specific performance targets. The Compensation and Development Committee of the Board oversees (1) the level of remuneration, including any 'at risk' component, for senior management, (2) the annual establishment of performance targets and measures related to the 'at risk' component of senior management remuneration, (3) annual assessments of senior management performance against targets and measures and (4) recommendations to the full Board on the amounts of 'at risk' and components payable (if any) to individual senior managers. Total remuneration may include payments made to employees on termination of their employment as determined by the employee's contract of employment. The payment may be made up of salary, any outstanding 'at risk' component, holiday pay and long service leave due to that employee. Such payments, although made after 31 July, are included in the total remuneration figures above. Readers should note that a number of staff in these bands were employed part way through the financial year. Therefore, future reporting will have changes in banding as full year remuneration is recognised.

Transactions with entities in which key personnel have an interest

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

16. RELATED PARTIES CONTINUED

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

Entity	Transaction	Transaction value		Balance outstanding		Relationship
		2009 NZ\$000	2008 NZ\$000	2009 NZ\$000	2008 NZ\$000	
Korda Mentha Limited	Consultancy services	-	16	-	-	Michael Stiassny, Chairman of the New Zealand Racing Board, is a partner in Korda Mentha.
Gadol Corporation Ltd	Rental and associated payments for a property lease for a TAB outlet	142	2	-	-	Michael Stiassny, Chairman of the New Zealand Racing Board, is a director and shareholder of Gadol Corporation Ltd.
NZ Equine Industry Training Organisation Incorporated	Funding	90	90	85	-	Graeme Hansen and Bill Colgan, in their capacity as executives of the New Zealand Racing Board, were on the Board of the NZ Equine Industry Training Organisation.
	Accountancy services	(10)	(10)	(10)	(10)	The New Zealand Racing Board provides accountancy and human resources services to the NZ Equine Training Organisation.
Massey University Partnership for Excellence	Funding	269	282	-	-	Graeme Hansen and Bill Colgan, in their capacity as executives of the New Zealand Racing Board, were trustees on the Equine Trust, which administers the Partnership for Excellence.

17. BUDGET COMPARATIVE INFORMATION

Betting turnover, net dividends and betting deductions were lower than budgeted due to budgeted growth initiatives not being able to be achieved in the current economic climate. To smooth the impact on the racing codes, the New Zealand Racing Board has maintained distributions at the forecast level for the season.

18. ACTUAL COMPARATIVE INFORMATION

(a) Interest income

Interest income has decreased by \$2.9 million over the comparable period in the prior season due to lower cash balances and a decrease in the New Zealand Official Cash Rate.

(b) Form guide production and marketing expenses

Form guide production and marketing expenditure has decreased by \$2.0 million over the comparable period in the prior season as a result of cost-saving initiatives implemented in the current economic climate.

19. NATURE OF RESERVES

Industry revitalisation reserve

The industry revitalisation reserve was established from general reserves at a value of \$10.0 million during 2005. The purpose of this reserve was to help drive change and improvement across the racing industry. As at 31 July 2008, the industry revitalisation reserve was discontinued, and the remaining unused balance of \$3.1 million was transferred to general reserves. From 1 August 2008, industry projects have been funded from the net return generated by the New Zealand Racing Board.

General reserves

The general reserve accommodates appropriations for general purposes rather than for a specific item of future loss or expense.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

20. FUNDING TO THE RACING INDUSTRY

	Actual 2009 NZ\$000	Budget 2009 NZ\$000	Actual 2008 NZ\$000
(a) Funding generated by the New Zealand Racing Board			
Betting turnover (including GST)	1,513,459	1,652,964	1,527,712
Dividends and betting deductions (including GST)	(1,284,097)	(1,401,422)	(1,295,593)
Interest and other income (excluding GST)	34,461	33,200	39,379
Operating and selling expenses (excluding GST)	(144,731)	(144,737)	(140,572)
NET RETURN BEFORE INDUSTRY EXPENDITURE AND DISTRIBUTIONS (EXCLUDING GST)	119,092	140,005	130,926
(b) On-course projects and other expenditure funded by the New Zealand Racing Board from net return			
ON-COURSE PROJECTS			
Customer research studies	207	167	137
Destination Summer Holiday Racing	497	410	413
On-course big screens	942	857	711
Christmas at the Races*	352	300	-
Other on-course projects	274	806	235
OTHER EXPENDITURE			
Club loan fair value adjustments	785	-	477
Equine influenza	164	-	1,004
Industry careers development	67	-	193
Supply chain wastage	26	-	72
Synthetic track development	402	-	-
Track feasibility studies	21	-	-
TOTAL ON-COURSE PROJECTS AND OTHER EXPENDITURE FUNDED	3,737	2,540	3,242
(c) Funding applied by the New Zealand Racing Board from reserves			
INDUSTRY PROJECTS FUNDED BY THE NEW ZEALAND RACING BOARD			
Christmas at the Races*	-	-	298
Greyhound semen bank	-	-	48
Harness racing travel subsidies	-	-	409
Other industry projects	-	-	223
TOTAL INDUSTRY PROJECTS FUNDED	-	-	978
TOTAL INDUSTRY AND ON-COURSE PROJECTS	3,737	2,540	4,220

* From 1 August 2008, the highlighted project was funded through the New Zealand Racing Board's net return before industry expenditure and distributions rather than through reserves.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

20. FUNDING TO THE RACING INDUSTRY CONTINUED

	Actual 2009 NZ\$000	Budget 2009 NZ\$000	Actual 2008 NZ\$000
(d) Funding applied by the New Zealand Racing Board from surplus available for distribution			
DISTRIBUTIONS TO THE RACING INDUSTRY			
Fixed code funding	84,261	84,261	84,261
Domestic market share code funding – interim	21,430	23,832	10,320
Domestic market share code funding – final	4,000	-	4,000
TOTAL CODE DISTRIBUTIONS	109,691	108,093	98,581
VARIABLE CODE FUNDING			
Export commissions paid	9,732	6,202	10,153
Fixed odds betting product payment	3,476	3,255	3,190
Industry interest paid on code liability balances	284	-	590
On-course commission payments	12,241	13,760	12,909
TOTAL VARIABLE CODE FUNDING	25,733	23,217	26,842
RESEARCH AND INTEGRITY FUNDING			
JCA review project	-	-	62
Racing laboratory services	901	1,070	871
Racing services rebates	58	58	58
Research, training and education	392	404	404
Other industry expenses	735	668	692
TOTAL RESEARCH AND INTEGRITY FUNDING	2,086	2,200	2,087
TOTAL FUNDING	137,510	133,510	127,510
TOTAL FUNDING APPLIED FROM NET RETURN AND RESERVES	141,247	136,050	131,730

21. GUARANTEES

On 5 February 2009, the New Zealand Racing Board provided a guarantee to the Bank of New Zealand in relation to racing at Awapuni, Otaki and Trentham Combined Enterprises Incorporated (RACE Inc) to a value of \$8.8 million. New Zealand Thoroughbred Racing Incorporated have provided a back-to-back guarantee to the New Zealand Racing Board covering the amounts guaranteed to the Bank of New Zealand.

22. SUBSEQUENT EVENTS

In September 2009, the New Zealand Racing Board entered into agreements for the supply of a replacement totalisator and customer account management system. The total value of the project is anticipated to be approximately \$8.0 million over the next two financial years.


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Auditors' Report

TO THE MEMBERS OF THE NEW ZEALAND RACING BOARD

We have audited the financial statements on pages 18 to 53. The financial statements provide information about the past financial performance and cash flows of the New Zealand Racing Board for the year ended 31 July 2009 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 23 to 27.

This report is made solely to the members of the New Zealand Racing Board, in accordance with the Racing Act 2003. Our audit work has been undertaken so that we might state to the members of the New Zealand Racing Board those matters that 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 members of the New Zealand Racing Board for our audit work, for this report or for the opinions we have formed.

BOARD MEMBERS' RESPONSIBILITIES

The Board members are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the New Zealand Racing Board as at 31 July 2009 and its financial performance and cash flows for the year ended on that date.

AUDITORS' RESPONSIBILITIES

We are responsible for expressing an independent opinion on the financial statements presented by the Board members and reporting our opinion to you.

BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Board members in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the New Zealand Racing Board, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations that we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the New Zealand Racing Board other than in our capacity as auditors.

UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the New Zealand Racing Board as far as appears from our examination of those records; and
- (b) the financial statements on pages 18 to 53:
 - (i) comply with generally accepted accounting practice in New Zealand;
 - (ii) comply with International Financial Reporting Standards; and
 - (iii) present fairly the financial position of the New Zealand Racing Board as at 31 July 2009 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 22 September 2009 and our unqualified opinion is expressed as at that date.

Chartered Accountants
Wellington

Senior Executive and Management

SENIOR EXECUTIVE COMMITTEE

Andrew Brown

Chief Executive Officer

Glen Broomhall

Head of Broadcasting

Bill Colgan

General Manager – Racing

David Craig

General Manager – Marketing

Glenn Myers

Chief Information Officer

Andrew Powers

Acting Chief Financial Officer

Dave Rodden

General Manager – Sales and Distribution

Martin Saunders

General Manager – Wagering

SENIOR MANAGEMENT

Alan Barlow

Technology Services – Operations Manager

Sandy Brockelsby

National Racing Services Manager

Dave Conroy

Technology Channel Manager

Michael Dore

Racing Operations Manager

Richard Ellerington

Broadcasting Operations Manager

Jayne Herriot

National Call Centre Manager

Emma Hicks

Financial Controller

Janice Hill

On-course Marketing Manager

Neil O'Styke

Customer Strategy Manager

Bruce Proudfoot

National Retail Group Manager

Mandy Toogood

Executive Producer – Television

Steve Tucker

Head of Fixed Odds

Jessica Venning-Bryan

Head of Communications

Michael Wemyss

Head of Risk, Legal and Audit

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PricewaterhouseCoopers
Wellington

Bank

ANZ National Bank Limited
Wellington



PHOTOS

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