

**Condensed Income Statement**  
**For the Half Year Ended 31 January 2011**

		Actual 2011 Six Months NZ\$ '000	UNAUDITED Budget 2011 Six Months NZ\$ '000	Actual 2010 Six Months NZ\$ '000	AUDITED Actual 2010 Full Year NZ\$ '000
	Note				
<b><u>Revenue and Other Income</u></b>					
Betting Turnover (including GST)	1a	800,703	863,614	830,706	1,582,734
Net Dividends (including GST)		(656,378)	(711,502)	(686,206)	(1,304,341)
Betting Deductions (including GST)	1b	(23,372)	(25,248)	(21,424)	(41,205)
<b>Net Betting Revenue (excluding GST)</b>		<b>120,953</b>	<b>126,864</b>	<b>123,076</b>	<b>237,188</b>
Interest Income	1c	1,217	1,250	1,291	2,348
Other Income	1d	21,217	18,333	17,339	33,908
<b>Other Revenues</b>		<b>22,434</b>	<b>19,583</b>	<b>18,630</b>	<b>36,256</b>
<b>Total Revenue and Other Income</b>		<b>143,387</b>	<b>146,447</b>	<b>141,706</b>	<b>273,444</b>
<b><u>Expenses</u></b>					
Operating Expenses	2	73,823	77,033	70,771	145,063
<b>Net Return before Industry Expenditure and Distributions</b>	<b>16(a)</b>	<b>69,564</b>	<b>69,414</b>	<b>70,935</b>	<b>128,381</b>
<b><u>Industry and On-Course Projects</u></b>					
On-Course and Other Projects Funded	16b	809	1,327	1,205	1,377
Industry Projects Funded	16c	-	-	-	-
<b>Total Industry and On-Course Projects</b>	<b>16c</b>	<b>809</b>	<b>1,327</b>	<b>1,205</b>	<b>1,377</b>
<b>Surplus available for distribution</b>		<b>68,755</b>	<b>68,087</b>	<b>69,730</b>	<b>127,004</b>
<b><u>Funding to the Racing Industry</u></b>					
Fixed Code Funding	16d	48,108	48,108	43,462	84,261
Domestic Market Share Funding	16d	325	1,847	806	7,690
Variable Code Funding	16d	20,246	18,726	15,234	28,366
Research and Integrity Funding	16d	1,933	1,618	1,495	3,365
<b>Total Funding</b>	<b>14 &amp; 16d</b>	<b>70,612</b>	<b>70,299</b>	<b>60,997</b>	<b>123,682</b>
<b>Net surplus/(deficit) after Funding</b>		<b>(1,857)</b>	<b>(2,212)</b>	<b>8,733</b>	<b>3,322</b>
<b>Surplus attributable to:</b>					
New Zealand Racing Board Reserves		(1,857)	(2,212)	8,733	3,322
		<b>(1,857)</b>	<b>(2,212)</b>	<b>8,733</b>	<b>3,322</b>

**Condensed Statement of Comprehensive Income  
For the Half Year Ended 31 January 2011**

	Actual 2011 Six Months NZ\$ '000	UNAUDITED Budget 2011 Six Months NZ\$ '000	Actual 2010 Six Months NZ\$ '000	AUDITED Actual 2010 Full Year NZ\$ '000
Net surplus/(deficit) after Funding	(1,857)	(2,212)	8,733	3,322
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>(1,857)</b>	<b>(2,212)</b>	<b>8,733</b>	<b>3,322</b>
<b>Total comprehensive income attributable to:</b>				
New Zealand Racing Board Reserves	(1,857)	(2,212)	8,733	3,322
	<b>(1,857)</b>	<b>(2,212)</b>	<b>8,733</b>	<b>3,322</b>

**Condensed Statement of Changes in Equity  
For the Half Year Ended 31 January 2011**

	General Reserves NZ\$ '000	Budget NZ\$ '000
<b><u>Changes in equity 2010 (six months - unaudited)</u></b>		
Balance at 1 August 2009	81,526	107,637
Adjust Budget for Actual carried forward	-	(26,111)
Total comprehensive income for the period	8,733	5,416
<b>Balance at 31 January 2010</b>	<b>90,259</b>	<b>86,942</b>
<b><u>Changes in equity 2010 (full year - audited)</u></b>		
Balance at 1 August 2009	81,526	107,637
Adjust Budget for Actual carried forward	-	(26,111)
Total comprehensive income for the year	3,322	8,240
<b>Balance at 31 July 2010</b>	<b>84,848</b>	<b>89,766</b>
<b><u>Changes in equity 2011 (six months - unaudited)</u></b>		
Balance at 1 August 2010	84,848	89,766
Adjust Budget for Actual carried forward	-	(4,917)
Total comprehensive income for the period	(1,857)	(2,212)
<b>Balance at 31 January 2011</b>	<b>82,991</b>	<b>82,637</b>

**Condensed Statement of Financial Position  
As at 31 January 2011**

		UNAUDITED		AUDITED	
	Actual 2011	Budget 2011	Actual 2010	Actual 2010	
Note	Six Months	Six Months	Six Months	Full Year	
	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	
<b><u>Current Assets</u></b>					
Cash and Cash Equivalents	3	11,083	6,068	9,814	6,048
Trade and Other Receivables	4	9,736	11,431	9,075	8,715
Financial Assets	5	30,419	37,609	43,115	46,462
Other Assets	6	1,643	1,944	1,675	1,224
<b>Total Current Assets</b>		<b>52,881</b>	<b>57,052</b>	<b>63,679</b>	<b>62,449</b>
<b><u>Non-Current Assets</u></b>					
Property, Plant and Equipment	11	48,288	47,010	50,134	44,446
Intangible Assets	12	17,599	18,582	9,571	14,220
Financial Assets	5	10,856	10,853	10,386	10,680
<b>Total Non-Current Assets</b>		<b>76,743</b>	<b>76,445</b>	<b>70,091</b>	<b>69,346</b>
<b>TOTAL ASSETS</b>		<b>129,624</b>	<b>133,497</b>	<b>133,770</b>	<b>131,795</b>
<b><u>Current Liabilities</u></b>					
Trade and Other Payables	7	18,668	23,233	17,244	20,168
Account Betting Deposits and Vouchers		13,581	15,110	13,914	14,385
Financial Liabilities	8	10,338	8,606	8,410	7,601
Taxes Payable		2,924	3,169	3,175	3,653
Provisions	9	477	78	94	257
<b>Total Current Liabilities</b>		<b>45,988</b>	<b>50,196</b>	<b>42,837</b>	<b>46,064</b>
<b><u>Non-Current Liabilities</u></b>					
Financial Liabilities	8	-	-	15	-
Provisions	9	645	664	659	883
<b>Total Non-Current Liabilities</b>		<b>645</b>	<b>664</b>	<b>674</b>	<b>883</b>
<b>TOTAL LIABILITIES</b>		<b>46,633</b>	<b>50,860</b>	<b>43,511</b>	<b>46,947</b>
<b>Net Assets</b>		<b>82,991</b>	<b>82,637</b>	<b>90,259</b>	<b>84,848</b>
<b><u>Equity</u></b>					
General Reserve	15	82,991	82,637	90,259	84,848

The members of the New Zealand Racing Board authorise these Financial Statements for issue on 19 April 2011.



**Michael Stiasny**  
Chairman of the New Zealand Racing Board



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

**Condensed Statement of Cash Flows**  
**For the Half Year Ended 31 January 2011**

		UNAUDITED		AUDITED
	Actual 2011	Budget 2011	Actual 2010	Actual 2010
	Six Months	Six Months	Six Months	Full Year
Note	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Inflows</b>				
Betting turnover	800,282	863,053	830,145	1,582,760
Racing services income	7,881	7,967	9,117	14,845
Jackpot retentions and account deposits (net)	(426)	1,721	1,590	1,402
Interest received	1,143	1,165	1,291	2,083
International racing fees and other income	11,893	6,946	8,907	15,316
	820,773	880,852	851,050	1,616,406
<b>Outflows</b>				
Dividends paid	656,069	711,502	686,512	1,304,265
Fixed and domestic market share funding	62,926	70,401	50,745	111,282
On-course and Industry projects	961	1,327	529	2,526
Variable code, research and integrity funding	11,878	4,442	17,541	29,962
Payments to suppliers	41,476	43,051	46,955	79,022
Payments to employees	17,138	16,708	18,316	32,326
Goods and services tax	17,105	18,486	14,798	30,185
Betting duty paid	6,652	7,231	5,817	10,045
Sports bodies' levies	2,230	1,411	1,609	2,697
	816,435	874,559	842,822	1,602,310
<b>Net cash provided by/(used in) operating activities</b>	<b>13</b>	<b>4,338</b>	<b>6,293</b>	<b>8,228</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Inflows</b>				
Repayment of short-term deposits on maturity	15,282	8,782	15	28,000
Disposals of property, plant and equipment	34	-	25	84
Disposals of intangible assets	1,028	-	-	-
Repayment of club loans	66	66	-	37
	16,410	8,848	40	28,121
<b>Outflows</b>				
Investments of short-term deposits	-	-	4,000	34,313
Purchase of property, plant and equipment	9,274	8,531	7,603	5,134
Purchase of intangible assets	6,383	6,551	-	9,396
Drawdowns of club loans	15	-	239	165
	15,672	15,082	11,842	49,008
<b>Net cash provided by/(used in) investing activities</b>	<b>738</b>	<b>(6,234)</b>	<b>(11,802)</b>	<b>(20,887)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Outflows</b>				
Interest paid	17	15	13	28
Repayments of finance leases	24	24	11	545
<b>Net cash provided by/(used in) financing activities</b>	<b>(41)</b>	<b>(39)</b>	<b>(24)</b>	<b>(573)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,035</b>	<b>20</b>	<b>(3,598)</b>	<b>(7,364)</b>
Cash and cash equivalents at the start of the year	6,048	6,048	13,412	13,412
	11,083	6,068	9,814	6,048
<b>Cash and cash equivalents at the end of the period</b>	<b>3</b>	<b>11,083</b>	<b>6,068</b>	<b>9,814</b>
		<b>6,068</b>	<b>9,814</b>	<b>6,048</b>

*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.

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

## Basis of preparation

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

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

The accounting policies and computation methods set out below have been applied in preparing the financial statements for the half year ended 31 January 2011 and the information presented for both comparative periods comprising the half year ended 31 January 2010 and the full year ended 31 July 2010.

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

## Key source of estimation uncertainty

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

## Seasonality of interim operations

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

## Statement of Accounting Policies

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

### Significant Accounting Policies

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

#### (a) Revenue recognition

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

##### Net Betting Revenue

Net Betting Revenue consists of resulted Turnover less Dividends paid and payable to Customers and Duty and GST payable to the Inland Revenue Department. Except where otherwise noted, Net Betting Revenue is recognised at the time the betting event takes place.

##### Totalisator Revenue

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

##### Fixed Odds Betting Revenue

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

##### International Racing Fees

International Racing Fees is income earned by the New Zealand Racing Board through the export of New Zealand racing events to international Betting Agencies. This revenue is recognised at the time that the racing event takes place.

##### Interest Income

Interest Income is recognised using the Effective Interest Method.

##### Racing Services Income

Racing Services Income refers to income the New Zealand Racing Board derives from providing on-course race 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 take 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 income statement in the period in which they arise.

The functional and presentation currency is the New Zealand dollar.

# Statement of Accounting Policies

## Significant Accounting Policies (continued)

### (c) Goods and Services Tax (GST)

The income statement 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 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 balance sheet 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 or an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

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

#### Loans and receivables

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

#### Held-to-maturity investments

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

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

### (g) Financial liabilities

#### Trade and other accounts payable

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

#### Unpaid dividends

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

# Statement of Accounting Policies

## Significant Accounting Policies (continued)

### (g) Financial liabilities (continued)

#### Jackpot retentions

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

#### Other financial liabilities

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

#### Recognition and measurement

Financial liabilities are initially recognised at fair value on the date a derivative contract is entered into and are subsequently revalued to their fair value at each reporting date.

### (h) Derivative financial instruments

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

#### Fixed Odds Betting Revenue

Fixed Odds Betting positions are considered derivative financial instruments for the purposes of financial reporting. Refer to the Revenue recognition policy for Fixed Odds Betting Revenue in (a) above.

### (i) Property, plant and equipment

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

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

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

The current annual depreciation rates area as follows:

Buildings and fit out (at deemed cost)	2.5% - 10%
Computer hardware	14.3% - 33.3%
Furniture, office equipment and plant	10.0% - 20.0%
Leasehold improvements	14.3% - 20.0%
Motor vehicles	14.3% - 33.3%
Operations and trackside equipment	20.00%

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

### (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.



# Statement of Accounting Policies

## Significant Accounting Policies (continued)

### (j) Leased assets (continued)

#### 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 income statement 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	16.70%
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 established 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 Income Statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

# Statement of Accounting Policies

## Significant Accounting Policies (continued)

### (l) Impairment of assets (continued)

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

### (m) Provisions

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

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

### (n) Employee benefits

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

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

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

### (o) Netting

The movement in Jackpot Retentions and Account Deposits have been presented net in the Statement of Cash Flows as transactions are settled over a short period of time.

### (p) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the New Zealand Racing Board as at 31 January 2011 and the results of the operations of such entities for the year ended. New Zealand Racing Board and such entities are together referred to as The New Zealand Racing Board in these financial statements.

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

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

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

### (q) Funding

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















## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2011

### 1. Revenue

	Actual 2011 Six Months NZ\$ '000	UNAUDITED Budget 2011 Six Months NZ\$ '000	Actual 2010 Six Months NZ\$ '000	AUDITED Actual 2010 Full Year NZ\$ '000
<b>Revenue from Continuing Operations:</b>				
<b>(a) Betting Turnover (including GST)</b>				
Off-Course Racing - Totalisator (Tote)	595,918	661,149	637,019	1,195,243
Off-Course Racing - Fixed Odds (FOB)	75,387	70,103	62,175	110,905
On-Course Racing	43,119	47,886	47,195	77,271
<b>TOTAL RACING TURNOVER</b>	<b>714,424</b>	<b>779,138</b>	<b>746,389</b>	<b>1,383,419</b>
Sports Totalisator (Tote)	707	836	1,105	2,337
Sports - Fixed Odds (FOB)	85,572	83,640	83,212	196,978
<b>TOTAL SPORT TURNOVER</b>	<b>86,279</b>	<b>84,476</b>	<b>84,317</b>	<b>199,315</b>
<b>TOTAL BETTING TURNOVER</b>	<b>800,703</b>	<b>863,614</b>	<b>830,706</b>	<b>1,582,734</b>
<b>(b) Betting Deductions (including GST)</b>				
Betting Duty	5,672	6,113	5,671	10,907
Goods and Services Tax	17,700	19,135	15,753	30,298
<b>TOTAL BETTING DEDUCTIONS</b>	<b>23,372</b>	<b>25,248</b>	<b>21,424</b>	<b>41,205</b>
<b>(c) Interest Income</b>				
Cash and Cash Equivalents	208	474	183	291
Short Term Deposits	797	578	820	1,570
Corporate Bonds	40	82	131	175
Other Loans and Receivables	172	116	157	312
<b>TOTAL INTEREST INCOME</b>	<b>1,217</b>	<b>1,250</b>	<b>1,291</b>	<b>2,348</b>
<b>(d) Other Income</b>				
Racing Services Income	7,881	7,967	7,842	14,845
International Racing Fees	11,026	8,462	6,366	13,467
Other	2,310	1,904	3,131	5,596
<b>TOTAL OTHER INCOME</b>	<b>21,217</b>	<b>18,333</b>	<b>17,339</b>	<b>33,908</b>

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2011

### 2. Operating Expenses

	Actual 2011 Six Months NZ\$ '000	UNAUDITED Budget 2011 Six Months NZ\$ '000	Actual 2010 Six Months NZ\$ '000	AUDITED Actual 2010 Full Year NZ\$ '000
<b>(a) Operating Expenses includes the following items:</b>				
Amortisation Expense	2,086	1,859	1,906	4,279
Auditor's Remuneration	-	-	-	-
- Auditing Services	40	43	38	79
Bad Debts Written Off	-	-	-	-
Board Members' Remuneration and Expenses	168	169	158	339
Broadcasting Expenses	4,424	4,490	3,788	7,989
Communications Expenses	2,272	2,149	3,438	6,647
Depreciation Expense	5,318	5,787	5,789	11,354
Employee Expenses	20,755	20,727	18,081	37,895
Finance Costs	55	15	13	29
Form Guide Production and Marketing Expenses	3,639	4,366	2,583	6,984
Insurance	476	463	460	910
Net Movement in Provision for Doubtful Debts	2	-	87	10
Overseas Racing Rights	9,496	10,083	9,128	17,987
Problem Gambling Levy and Expenses	786	886	846	1,608
Property and Equipment Leases	2,494	2,528	2,344	4,710
Restructuring Costs	54	60	14	256
Retail and Internet Fees	11,032	11,567	12,400	23,921
Sporting Body Levies	2,374	2,290	1,325	3,376
Other Expenses	8,696	9,186	8,441	16,650

### (b) Surplus has been arrived at after (crediting)/charging the following gains and losses

(Gain)/Loss on Disposal of				
Property, Plant & Equipment	(31)	360	(22)	21
Net Foreign Exchange (Gains)/Losses	(313)	5	(46)	19
<b>TOTAL OPERATING EXPENSES</b>	<b>73,823</b>	<b>77,033</b>	<b>70,771</b>	<b>145,063</b>

### 3. Cash and Cash Equivalents

	Actual 2011 Six Months NZ\$ '000	UNAUDITED Budget 2011 Six Months NZ\$ '000	Actual 2010 Six Months NZ\$ '000	AUDITED Actual 2010 Full Year NZ\$ '000
Foreign Currency Bank Accounts	5,275	388	1,068	388
Foreign Currency Betting Accounts	468	645	380	645
NZ Dollar Bank Accounts and Call Deposits	5,340	5,035	8,366	5,015
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>11,083</b>	<b>6,068</b>	<b>9,814</b>	<b>6,048</b>

### 4. Trade and Other Receivables

	Actual 2011 Six Months NZ\$ '000	UNAUDITED Budget 2011 Six Months NZ\$ '000	Actual 2010 Six Months NZ\$ '000	AUDITED Actual 2010 Full Year NZ\$ '000
Trade and Sundry Receivables	9,754	11,431	9,168	8,731
Allowance for Doubtful Debts	(18)	-	(93)	(16)
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>9,736</b>	<b>11,431</b>	<b>9,075</b>	<b>8,715</b>

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2011

### 5. Financial Assets

		UNAUDITED		AUDITED
	Actual 2011 Six Months NZ\$ '000	Budget 2011 Six Months NZ\$ '000	Actual 2010 Six Months NZ\$ '000	Actual 2010 Full Year NZ\$ '000
Foreign currency forward exchange contracts	-	-	-	69
Short-term deposits	10,000	16,500	23,000	25,282
Short-term deposits - Betting Accounts and Betting Vouchers Trust	20,000	20,000	20,000	20,000
Corporate bonds	2,031	2,052	2,020	2,051
Loans and advances to Clubs and Codes	10 9,244	9,910	8,481	9,740
<b>TOTAL FINANCIAL ASSETS</b>	<b>41,275</b>	<b>48,462</b>	<b>53,501</b>	<b>57,142</b>
Disclosed as:				
Current	30,419	37,609	43,115	46,462
Non-Current	10,856	10,853	10,386	10,680
<b>TOTAL FINANCIAL ASSETS</b>	<b>41,275</b>	<b>48,462</b>	<b>53,501</b>	<b>57,142</b>

Short-term deposits - Betting Accounts and Betting Vouchers Trust represent funds held in trust to cover amounts owing to customers on betting accounts and unrepresented vouchers for resulted wagering. The New Zealand Racing Board's obligations for these amounts are separately disclosed in the Statement of Financial Position as Account Betting Deposits and Vouchers totalling \$13.6 million (2010: 14.4 million as at 31 July 2010).

### 6. Other Assets

	Actual 2011 Six Months NZ\$ '000	UNAUDITED Budget 2011 Six Months NZ\$ '000	Actual 2010 Six Months NZ\$ '000	AUDITED Actual 2010 Full Year NZ\$ '000
Prepayments	1,483	1,716	1,402	996
Inventory*	160	228	273	228
<b>TOTAL OTHER ASSETS</b>	<b>1,643</b>	<b>1,944</b>	<b>1,675</b>	<b>1,224</b>

\* Inventory is carried at cost.

### 7. Trade and Other Payables

	Actual 2011 Six Months NZ\$ '000	UNAUDITED Budget 2011 Six Months NZ\$ '000	Actual 2010 Six Months NZ\$ '000	AUDITED Actual 2010 Full Year NZ\$ '000
Employee Entitlements	3,212	2,974	2,970	3,180
Amounts Payable to Board Members	56	55	44	55
Trade Payables and Accruals	14,494	19,439	13,426	15,558
Deferred Revenue (Pre-sales)	761	620	594	1,181
Contribution to Assets by Racing Codes	145	145	210	194
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>18,668</b>	<b>23,233</b>	<b>17,244</b>	<b>20,168</b>

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

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2011

### 8. Financial Liabilities

	Note	Actual 2011 Six Months NZ\$ '000	UNAUDITED Budget 2011 Six Months NZ\$ '000	Actual 2010 Six Months NZ\$ '000	AUDITED Actual 2010 Full Year NZ\$ '000
Canwest Radio Liability		-	-	142	-
Code Liability	14	4,062	1,711	1,707	1,711
Unpaid Dividends		3,791	4,718	4,515	3,722
Jackpot Retentions		2,438	2,130	1,997	2,130
Finance Leases		47	47	64	38
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>10,338</b>	<b>8,606</b>	<b>8,425</b>	<b>7,601</b>
Disclosed as:					
Current		10,338	8,606	8,410	7,601
Non-Current		-	-	15	-
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>10,338</b>	<b>8,606</b>	<b>8,425</b>	<b>7,601</b>

### 9. Provisions

		Actual 2011 Six Months NZ\$ '000	UNAUDITED Budget 2011 Six Months NZ\$ '000	Actual 2010 Six Months NZ\$ '000	AUDITED Actual 2010 Full Year NZ\$ '000
Make Good Provisions*		427	427	396	427
Long Service Leave Provision		617	237	263	635
Sick Leave Provision		78	78	94	78
<b>TOTAL PROVISIONS</b>		<b>1,122</b>	<b>742</b>	<b>753</b>	<b>1,140</b>
Disclosed as:					
Current		477	78	94	257
Non-Current		645	664	659	883
<b>TOTAL PROVISIONS</b>		<b>1,122</b>	<b>742</b>	<b>753</b>	<b>1,140</b>

\* The movement in the Make Good Provision represents the recalculation of the liability for costs on the exit of leasehold property. The calculation is periodically updated to include the make good costs experienced over the current reporting period.

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2011

### 10. Loans and Advances to Clubs and Codes

	Actual 2011 Six Months NZ\$ '000	UNAUDITED Budget 2011 Six Months NZ\$ '000	Actual 2010 Six Months NZ\$ '000	AUDITED Actual 2010 Full Year NZ\$ '000
New Zealand Greyhound Racing Association	451	451	496	518
New Zealand Metropolitan Trotting Club (Inc)	5,691	5,682	5,334	5,504
New Zealand Thoroughbred Racing	295	986	-	986
RACE Inc	2,672	2,671	2,498	2,614
Wanganui Greyhound Racing Club	66	66	101	65
Whangarei Racing Club Inc	69	54	52	53
<b>TOTAL LOANS AND ADVANCES TO CLUBS AND CODES</b>	<b>9,244</b>	<b>9,910</b>	<b>8,481</b>	<b>9,740</b>
<b>Disclosed as:</b>				
Current	124	122	115	1,112
Non-Current	9,120	9,788	8,366	8,628
<b>TOTAL LOANS AND ADVANCES TO CLUBS AND CODES</b>	<b>9,244</b>	<b>9,910</b>	<b>8,481</b>	<b>9,740</b>

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
	2011	2010	
New Zealand Greyhound Racing Association	5.00%	5.00%	Fixed
New Zealand Metropolitan Trotting Club (Inc)	3.25%	2.88%	Variable
RACE Inc	4.00%	4.00%	Variable
Wanganui Greyhound Racing Club	4.00%	4.00%	Fixed
Whangarei Racing Club Inc	3.25%	2.88%	Variable

Loan approval amounts have remained constant at the existing levels throughout the reporting period. The New Zealand Racing Board is satisfied as to the ultimate collectability of all 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 the 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 2010 was \$56.1 million (31 July 2009: \$56.8 million).

The New Zealand Racing Board has a second-ranking charge over the assets of Racing at Awapuni, Otaki and Trentham Combined Enterprise Incorporated (RACE Inc) and its subsidiary racing clubs. Bank of New Zealand has the first ranking charge over these assets to a priority of \$9.2 million plus interest and costs. The combined value of the RACE Inc assets subject to the BNZ and New Zealand Racing Board charges as at 31 July 2010 \$35.9 million (31 July 2009 \$36.1 million).

New Zealand Thoroughbred Racing Incorporated guarantees to cover any shortfall for RACE Inc of up to \$1.0 million from distributions owing from the New Zealand Racing Board. If a shortfall were to exceed \$1.0 million, New Zealand Thoroughbred Racing Incorporated will pay one third of the shortfall amount annually from distributions owing to it from the New Zealand Racing Board until repaid.

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

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

**Condensed Notes to the Financial Statements  
For the Half Year Ended 31 January 2011**

**11. Property, plant and equipment**

	Land NZ\$000	Buildings NZ\$000	Computer hardware NZ\$000	Office equipment NZ\$000	Leasehold improvements NZ\$000	Motor vehicles NZ\$000	Operations and trackside equipment NZ\$000	Total property, plant and equipment in use NZ\$000	Work in progress NZ\$000	Total property, plant and equipment NZ\$000
<b>COST OR DEEMED COST</b>										
<b>Balance at 1 August 2009</b>	<b>2,590</b>	<b>13,681</b>	<b>41,432</b>	<b>3,732</b>	<b>19,758</b>	<b>6,410</b>	<b>32,680</b>	<b>120,283</b>	<b>2,143</b>	<b>122,426</b>
Additions	-	222	512	841	1,378	253	1,056	4,262	-	8,524
Disposals	-	(9)	(4,206)	(46)	(1,473)	(243)	(128)	(6,105)	-	(12,210)
Net transfers between asset classes	-	-	(309)	-	-	(3,469)	3,469	(309)	-	(618)
Net change to work in progress	-	-	-	-	-	-	-	-	2,037	2,037
<b>Balance at 31 July 2010</b>	<b>2,590</b>	<b>13,894</b>	<b>37,429</b>	<b>4,527</b>	<b>19,663</b>	<b>2,951</b>	<b>37,077</b>	<b>118,131</b>	<b>4,180</b>	<b>122,311</b>
Additions	-	19	279	64	2,151	242	225	2,980	-	2,980
Disposals	-	-	(68)	(15)	(391)	(187)	(58)	(719)	-	(719)
Net transfers between asset classes	-	-	-	-	-	-	-	-	-	-
Net change to work in progress	-	-	-	-	-	-	-	-	6,183	6,183
<b>Balance at 31 January 2011</b>	<b>2,590</b>	<b>13,913</b>	<b>37,639</b>	<b>4,576</b>	<b>21,423</b>	<b>3,005</b>	<b>37,245</b>	<b>120,391</b>	<b>10,363</b>	<b>130,755</b>

**DEPRECIATION AND IMPAIRMENT LOSSES**

<b>Balance at 1 August 2009</b>	-	(4,318)	(33,258)	(2,251)	(11,599)	(3,681)	(17,336)	(72,443)	-	(72,443)
Depreciation for the year	-	(508)	(3,909)	(465)	(1,696)	(325)	(4,451)	(11,354)	-	(11,354)
Impairment losses	-	-	-	-	-	-	-	-	-	-
Disposals	-	5	4,180	23	1,264	223	127	5,822	-	5,822
Net transfers between asset classes	-	-	110	-	-	1,219	(1,219)	110	-	110
<b>Balance at 31 July 2010</b>	-	(4,821)	(32,877)	(2,693)	(12,031)	(2,564)	(22,879)	(77,865)	-	(77,865)
Depreciation for the year	-	(251)	(1,522)	(227)	(1,021)	(147)	(2,150)	(5,318)	-	(5,318)
Impairment losses	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	68	15	388	187	58	716	-	716
Net transfers between asset classes	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31 January 2011</b>	-	(5,072)	(34,331)	(2,905)	(12,664)	(2,524)	(24,972)	(82,466)	-	(82,466)

**NET BOOK VALUE**

<b>Balance at 1 August 2009</b>	<b>2,590</b>	<b>9,363</b>	<b>8,174</b>	<b>1,481</b>	<b>8,159</b>	<b>2,729</b>	<b>15,344</b>	<b>47,840</b>	<b>2,143</b>	<b>49,983</b>
<b>Balance at 31 July 2010</b>	<b>2,590</b>	<b>9,073</b>	<b>4,552</b>	<b>1,834</b>	<b>7,632</b>	<b>387</b>	<b>14,198</b>	<b>40,266</b>	<b>4,180</b>	<b>44,446</b>
<b>Balance at 31 January 2011</b>	<b>2,590</b>	<b>8,841</b>	<b>3,309</b>	<b>1,671</b>	<b>8,760</b>	<b>482</b>	<b>12,273</b>	<b>37,925</b>	<b>10,363</b>	<b>48,288</b>

**Leased office equipment**

The Board leases photocopying equipment under a finance lease arrangement. At 31 July 2010, the net book value of leased office equipment was \$17,139 (31 July 2010: \$34,562)

**Jetbet assets decommissioning**

The New Zealand Racing Board expects to have fully implemented its new wagering system by 31 July 2011. The existing wagering system, comprising items of computer hardware within property, plant and equipment, and computer software within intangible assets, will be decommissioned as part of that process. The estimated useful life of the affected computer hardware and software has been adjusted to ensure that these assets are fully depreciated, or amortised, respectively, by end of 2011.

This change has resulted in additional depreciation and amortisation expense in the 2010 and 2011 financial years as follows:

	Actual 2010 NZ\$000	Expected actual 2011 NZ\$000	Total NZ\$000
Computer hardware additional depreciation expense	(27)	(27)	(54)
Computer software additional amortisation expense	(525)	(525)	(1,050)
<b>Total additional expense</b>	<b>(552)</b>	<b>(552)</b>	<b>(1,104)</b>

Additional 2010 depreciation expense for computer hardware assets is included in 2010 Depreciation for the year disclosed above.

Additional 2010 amortisation expense for computer software assets is included in 2010 Amortisation for the year disclosed in Note 12.

## Condensed Notes to the Financial Statements

### For the Half Year Ended 31 January 2011

#### 12. INTANGIBLE ASSETS

	Software NZ\$000	Licences NZ\$000	Other intangible assets NZ\$000	Total intangible assets in use NZ\$000	Work in progress NZ\$000	Total intangible assets NZ\$000
<b>COST OR DEEMED COST</b>						
<b>Balance at 1 August 2009</b>	<b>42,318</b>	<b>4,337</b>	<b>4,550</b>	<b>51,205</b>	-	<b>51,205</b>
Additions	1,118	1,028	300	2,446	-	2,446
Disposals	(75)	(1,028)	-	(1,103)	-	(1,103)
Net transfers between asset categories	309	-	-	309	-	309
Net change to work in progress	-	-	-	-	6,959	6,959
<b>Balance at 31 July 2010</b>	<b>43,670</b>	<b>4,337</b>	<b>4,850</b>	<b>52,857</b>	<b>6,959</b>	<b>59,816</b>
Additions	537	-	-	537	-	537
Disposals	-	-	-	-	-	-
Net transfers between asset categories	-	-	-	-	-	-
Net change to work in progress	-	-	-	-	4,929	4,929
<b>Balance at 31 January 2011</b>	<b>44,207</b>	<b>4,337</b>	<b>4,850</b>	<b>53,394</b>	<b>11,888</b>	<b>65,282</b>
<b>AMORTISATION AND IMPAIRMENT LOSSES</b>						
<b>Balance at 1 August 2009</b>	<b>(34,535)</b>	<b>(3,494)</b>	<b>(3,285)</b>	<b>(41,314)</b>	-	<b>(41,314)</b>
Amortisation for the year	(3,034)	(486)	(759)	(4,279)	-	(4,279)
Impairment losses	-	-	-	-	-	-
Disposals	15	92	-	107	-	107
Net transfers between asset categories	(110)	-	-	(110)	-	(110)
<b>Balance at 31 July 2010</b>	<b>(37,664)</b>	<b>(3,888)</b>	<b>(4,044)</b>	<b>(45,596)</b>	-	<b>(45,596)</b>
Amortisation for the year	(1,511)	(196)	(379)	(2,086)	-	(2,086)
Impairment losses	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Net transfers between asset categories	-	-	-	-	-	-
<b>Balance at 31 January 2011</b>	<b>(39,175)</b>	<b>(4,084)</b>	<b>(4,423)</b>	<b>(47,682)</b>	-	<b>(47,682)</b>
<b>NET BOOK VALUE</b>						
<b>Balance at 1 August 2009</b>	<b>7,783</b>	<b>843</b>	<b>1,265</b>	<b>9,891</b>	-	<b>9,891</b>
<b>Balance at 31 July 2010</b>	<b>6,006</b>	<b>449</b>	<b>806</b>	<b>7,261</b>	<b>6,959</b>	<b>14,220</b>
<b>Balance at 31 January 2011</b>	<b>5,032</b>	<b>253</b>	<b>427</b>	<b>5,712</b>	<b>11,888</b>	<b>17,599</b>

#### Development of new wagering system

As reported in the 2009 financial statements Note 22 Subsequent events, the New Zealand Racing Board has entered into agreements for the supply of a replacement totalisator and customer account management system. The total amount included in intangible asset work in progress for the system under development is \$10,451,059 (31 July 2010: 6,344,830).

#### Jetbet assets decommissioning

The New Zealand Racing Board expects to have fully implemented its new wagering system by 31 July 2011. The existing wagering system, Jetbet, comprising items of computer hardware within property, plant and equipment, and computer software within intangible assets, will be decommissioned as part of that process. The estimated useful life of the affected computer hardware and software has been adjusted to ensure that these assets are fully depreciated, or amortised, respectively, by 31 July 2011.

This change has resulted in additional depreciation and amortisation expense in the 2010 and 2011 financial years as follows:

	Actual 2010 NZ\$000	Expected actual 2011 NZ\$000	Total NZ\$000
Computer hardware additional depreciation expense	(27)	(27)	(54)
Computer software additional amortisation expense	(525)	(525)	(1,050)
Total additional expense	(552)	(552)	(1,104)

Additional 2010 depreciation expense for computer hardware assets is included in 2010 Depreciation for the year disclosed in Note 11.

Additional 2010 amortisation expense for computer software assets is included in 2010 Amortisation for the year disclosed above.

#### Sale and leaseback of broadcasting licences

The Ministry of Economic Development repurchased certain UHF TV Broadcasting licences during the reporting period. The New Zealand Racing Board has entered into a lease agreement to retain the rights to use these broadcasting frequencies with an option, expiring in March 2012, to purchase the long-term rights at their market value.

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2011

### 13. Reconciliation of Net Surplus to Net Cash Flows From Operating Activities

	Actual 2011 Six Months NZ\$ '000	UNAUDITED Budget 2011 Six Months NZ\$ '000	Actual 2010 Six Months NZ\$ '000	AUDITED Actual 2010 Full Year NZ\$ '000
<b>Surplus attributable to New Zealand Racing Board Reserves</b>	<b>(1,857)</b>	<b>(2,212)</b>	<b>8,733</b>	<b>3,322</b>
<b>NON-CASH ITEMS</b>				
Depreciation Expense	5,318	5,787	5,789	11,354
Amortisation Expense	2,086	1,859	1,906	4,279
Foreign Exchange (Gain)/Loss	(313)	5	(46)	19
Doubtful Debts Written Off/(Recovered)	2	-	87	10
Fair Value (Gain)/Loss on Financial Assets/Liabilities	152	-	136	310
Other Non-Cash Items	(2)	(386)	(225)	(368)
	<b>7,243</b>	<b>7,265</b>	<b>7,647</b>	<b>15,604</b>
<b>ITEMS CLASSIFIED AS INVESTING/FINANCING ACTIVITIES</b>				
Net (gain) / loss on sale of property, plant and equipment	(31)	360	(22)	21
Net Finance Costs	55	15	13	29
	<b>24</b>	<b>375</b>	<b>(9)</b>	<b>50</b>
<b>Movement in Assets:</b>				
(Increase)/decrease in Trade & Other Receivables	(1,021)	(2,716)	(4,164)	(3,804)
(Increase)/decrease in Inventories	68	-	2	47
(Increase)/decrease in Other Assets	(487)	(720)	(395)	11
(Increase)/decrease in Code Assets	691	397	-	(986)
	<b>(749)</b>	<b>(3,039)</b>	<b>(4,557)</b>	<b>(4,732)</b>
<b>Movement in Liabilities:</b>				
Increase/(decrease) in Trade Payables & Accruals	(1,064)	3,881	2,518	4,985
Increase/(decrease) in Unpaid Dividends	69	996	997	204
Increase/(decrease) in Account Betting Deposits and Vouchers	(804)	725	652	1,123
Increase/(decrease) in Jackpot Retentions	308	-	(57)	76
Increase/(decrease) in Employee Entitlements	32	(206)	(1,132)	(83)
Increase/(decrease) in Taxes Payable	(729)	(484)	478	956
Increase/(decrease) in Code Liability	2,351	-	(6,477)	(6,473)
Increase/(decrease) in Deferred Revenue	(420)	(561)	(561)	26
Increase/(decrease) in Other Liabilities	(66)	(447)	(4)	(962)
	<b>(323)</b>	<b>3,904</b>	<b>(3,586)</b>	<b>(148)</b>
<b>Net Cash provided by/(used in) Operating Activities</b>	<b>4,338</b>	<b>6,293</b>	<b>8,228</b>	<b>14,096</b>



## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2011

### 14. Related Parties

#### Funding transactions with racing codes

Funding ENTITY	Funding			Code Liability			Code Asset		
	UNAUDITED	UNAUDITED	AUDITED	UNAUDITED	UNAUDITED	AUDITED	UNAUDITED	UNAUDITED	AUDITED
	Actual 2011	Actual 2010	Actual 2010	Actual 2011	Actual 2010	Actual 2010	Actual 2011	Actual 2010	Actual 2010
	Six Months	Six Months	Full Year	Six Months	Six Months	Full Year	Six Months	Six Months	Full Year
NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000
New Zealand Greyhound Racing Association	10,061	7,030	15,304	(1,806)	(902)	(1,008)	-	-	-
Harness Racing New Zealand	20,878	18,065	37,291	(2,256)	(1,394)	(703)	-	-	-
New Zealand Thoroughbred Racing	37,741	34,843	67,723	-	-	-	295	589	986
Other funding	1,932	1,059	3,364	-	-	-	-	-	-
<b>Total Funding</b>	<b>70,612</b>	<b>60,997</b>	<b>123,682</b>	<b>(4,062)</b>	<b>(2,296)</b>	<b>(1,711)</b>	<b>295</b>	<b>589</b>	<b>986</b>

#### 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.

Transactions ENTITY	TRANSACTION	Transaction Value			Balance Outstanding		
		UNAUDITED	UNAUDITED	AUDITED	UNAUDITED	UNAUDITED	AUDITED
		Actual 2011	Actual 2010	Actual 2010	Actual 2011	Actual 2010	Actual 2010
		Six Months	Six Months	Full Year	Six Months	Six Months	Full Year
NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	
New Zealand Greyhound Racing Association	On-course venue services, trackside operations and radio recoveries	1,576	1,363	2,737	-	53	-
	Loan for the construction of an artificial racing surface at Manawatu Greyhound Racing Club	-	(66)	-	537	604	604
Harness Racing New Zealand	On-course venue services, trackside operations and radio recoveries	2,670	2,555	4,795	-	-	-
New Zealand Thoroughbred Racing	On-course venue services, trackside operations and radio recoveries	3,709	3,919	7,307	-	4	-

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2011

### 14. Related Parties (continued)

New Zealand Metropolitan Racing Club (Inc)	Loan for construction of stables at Addington Raceway	95	-	173	6,079	5,885	5,983
RACE Inc	Working Capital facility	61	165	268	3,010	2,960	3,013
Whangarei Racing Club Incorporated	Loan for racetrack development at Ruakaka Racecourse	15	-	2	71	55	55

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

### Compensation of key personnel

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

	UNAUDITED		AUDITED
	Actual 2011	Actual 2010	Actual 2010
	Six Months	Six Months	Full Year
	NZ\$ '000	NZ\$ '000	NZ\$ '000
Salaries and other short-term benefits	2,092	1,693	3,643

The New Zealand Racing Board considers key management personnel to be the Board members, the Chief Executive Officer the Chief Financial Officer, and the General Managers (7 in total; 6 in total for 2009).



## **Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2011**

### **14. Related Parties (continued)**

#### **New Zealand Racing Board TAB accounts maintained by related parties**

The following key management personnel maintain TAB accounts with the New Zealand Racing Board:

Thayne Green  
Simon Moutter  
Ray O'Connor  
Bill Colgan  
David Craig

The following key management personnel have family members who maintain TAB accounts with the New Zealand Racing Board:

Alan Jackson  
Simon Moutter  
Alan Barlow

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2011

### 15. Nature of Reserves

#### General Reserve

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

### 16. Funding to the Racing Industry

	Actual 2011 Six Months NZ\$ '000	UNAUDITED Budget 2011 Six Months NZ\$ '000	Actual 2010 Six Months NZ\$ '000	AUDITED Actual 2010 Full Year NZ\$ '000
<b>(a) Funding Generated by the New Zealand Racing Board</b>				
Betting Turnover (including GST)	800,703	863,614	830,706	1,582,734
Dividends & Betting Deductions (including GST)	(679,750)	(736,750)	(707,630)	(1,345,546)
Interest & Other Income (excluding GST)	22,434	19,583	18,630	36,256
Operating & Selling Expenses (excluding GST)	(73,823)	(77,033)	(70,771)	(145,063)
<b>NET RETURN BEFORE INDUSTRY EXPENDITURE AND DISTRIBUTIONS (excluding GST)</b>	<b>69,564</b>	<b>69,414</b>	<b>70,935</b>	<b>128,381</b>
<b>(b) On-Course and Other Projects Funded by the New Zealand Racing Board from Net Return</b>				
<b>On-Course Projects</b>				
Customer Research Studies*	81	74	135	175
Destination Summer Holiday Racing*	289	355	318	388
On-Course Big Screens*	158	322	212	341
Christmas at the Races*	211	300	282	352
Other On-Course Projects	148	276	306	331
<b>Other Projects and Costs</b>				
Club Loan Fair Value Adjustments	(152)	-	(136)	(310)
Equine Influenza	-	-	8	9
Industry Careers Development	-	-	-	-
Supply Chain Wastage	-	-	-	-
Synthetic Track Development	(1)	-	82	74
Track Feasibility Studies	-	-	(2)	-
Other Industry Projects	75	-	-	17
<b>TOTAL ON-COURSE &amp; OTHER PROJECTS FUNDED FROM NET RETURN</b>	<b>809</b>	<b>1,327</b>	<b>1,205</b>	<b>1,377</b>
<b>(c) Project Funding Applied by the New Zealand Racing Board From Reserves</b>				
<b>TOTAL PROJECT FUNDING APPLIED FROM RESERVES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ON-COURSE &amp; INDUSTRY PROJECTS FUNDED</b>	<b>809</b>	<b>1,327</b>	<b>1,205</b>	<b>1,377</b>

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2011

### 16. Funding to the Racing Industry (continued)

		UNAUDITED		AUDITED	
		Actual 2011	Budget 2011	Actual 2010	Actual 2010
		Six Months	Six Months	Six Months	Full Year
		NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000
<b>(d) Funding Applied by the New Zealand Racing Board from Surplus Available for Distribution and from Reserves</b>					
<b><i>Distributions to the Racing Industry</i></b>					
Fixed Code Funding		48,108	48,108	43,462	84,261
Domestic Market Share Code Funding - Interim		325	1,847	806	7,690
Domestic Market Share Code Funding - Final		-	-	-	-
<b>TOTAL CODE DISTRIBUTIONS</b>		<b>48,433</b>	<b>49,955</b>	<b>44,268</b>	<b>91,951</b>
<b><i>Variable Code Funding</i></b>					
Export Commissions Paid		9,876	7,628	5,769	12,510
Fixed Odds Betting Product Payment		2,648	2,705	2,179	4,044
Friday Greyhound Funding		1,153	1,157	-	-
Industry Interest Paid on Code Liability Balances		-	-	73	98
On-Course Commission Payments		6,569	7,236	7,213	11,714
<b>TOTAL VARIABLE CODE FUNDING</b>		<b>20,246</b>	<b>18,726</b>	<b>15,234</b>	<b>28,366</b>
<b><i>Research and Integrity Funding</i></b>					
Racing Laboratory Services		479	486	435	888
Racing Services Rebates		-	-	29	58
Research, Training and Education		358	175	61	531
Other Industry Expenses		1,096	957	970	1,888
<b>TOTAL RESEARCH AND INTEGRITY FUNDING</b>		<b>1,933</b>	<b>1,618</b>	<b>1,495</b>	<b>3,365</b>
<b>TOTAL FUNDING</b>		<b>70,612</b>	<b>70,299</b>	<b>60,997</b>	<b>123,682</b>
<b>Funded from:</b>					
Surplus available for distribution		68,755	68,087	60,997	123,682
General reserve	15	1,857	2,212	-	-
<b>Total funding</b>		<b>70,612</b>	<b>70,299</b>	<b>60,997</b>	<b>123,682</b>
<b>(e) Total Funding Applied</b>					
<b>Total on-course and industry projects</b>	16(c)	<b>809</b>	<b>1,327</b>	<b>1,205</b>	<b>1,377</b>
<b>Total funding from surplus available for distribution and from reserves</b>	16(d)	<b>70,612</b>	<b>70,299</b>	<b>60,997</b>	<b>123,682</b>
<b>TOTAL FUNDING APPLIED</b>		<b>71,421</b>	<b>71,626</b>	<b>62,202</b>	<b>125,059</b>

### 17. Events Subsequent to Balance Date

A new independent tri-Code Racing Integrity Unit (RIU) commenced operations on 1 February 2011. The RIU brings together the integrity functions of Thoroughbred, Harness and Greyhound Racing into a single independent organisation. It incorporates the Stipendary Steward and Investigatory functions of each Racing Code and will be responsible for investigating and prosecuting breaches of the Rules of Racing. This will be entirely funded by the racing industry and allows a more efficient pooling of resources and sharing of 'best practice' procedures.

On 22 February 2011, a major earthquake occurred in the Canterbury region. The New Zealand Racing Board has one owned property and a number of operational assets across the various TAB sites within the retail network and at race courses within this region. These assets/properties are currently being assessed for damage. Since the assessment process has yet to be completed, the cost and impact on operations has yet to be quantified.

The New Zealand Racing Board has material damage and business interruption insurance relating to an insurable event, subject to acceptance of such a claim for which an excess amount would apply. No provision has been made in the interim financial statements for the period ended 31 January 2011 in relation to this event.