



COVER IMAGES

Auckland Trotting Cup, March 2010

Wellington Phoenix - Courtesy of Wellington Phoenix Football Club

Greyhound Auckland Cup, March 2010

Wellington Cup Day, January 2010





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Wellington Cup Day, January 2010



Greyhound Auckland Cup, March 2010.

FINANCIAL HIGHLIGHTS

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Betting turnover	1,232	1,273	1,364	1,436	1,528	1,513	1,583
Net dividends	994	1,026	1,106	1,166	1,255	1,244	1,304
Surplus before industry expenditure & distributions	85	82	83	118	127	115	127
Total funding to industry	78	83	88	116	132	141	125
Races per year							
Greyhound	3,022	3,194	3,288	3,621	3,955	4,149	4,271
Harness	2,332	2,299	2,409	2,485	2,743	2,822	2,767
Thoroughbreds	2,791	2,807	2,855	2,863	2,970	3,088	3,068
Total	8,145	8,300	8,552	8,969	9,668	10,059	10,106
Imported	12,774	14,402	15,613	15,811	20,880	25,506	35,323
Exported	843	1,133	1,180	1,186	4,480	4,807	6,790

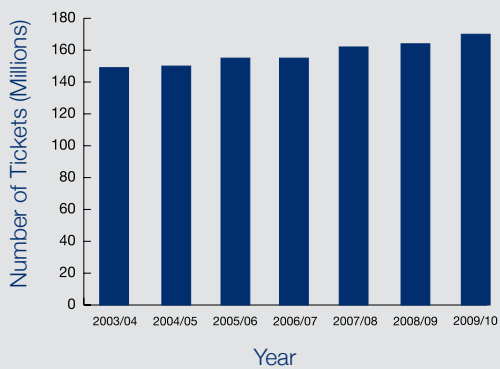


All Blacks vs Wales, Millennium Stadium, November 2009



Telecom Derby Day, March 2010

TICKETS ISSUED



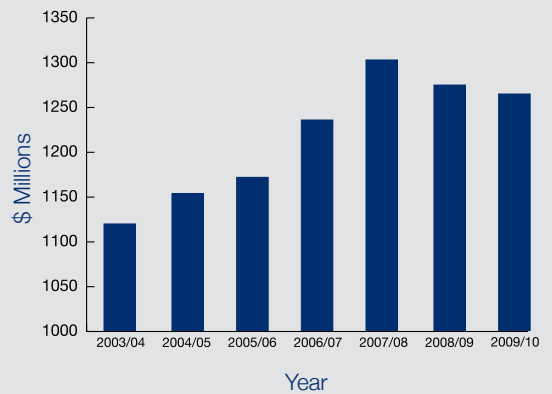
SPORTS FIXED ODDS BETTING TURNOVER



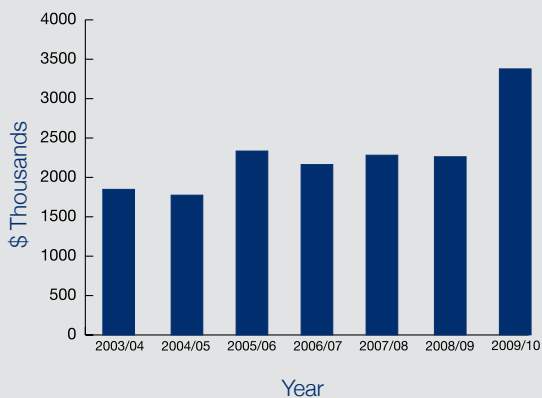
RACING FIXED ODDS BETTING TURNOVER



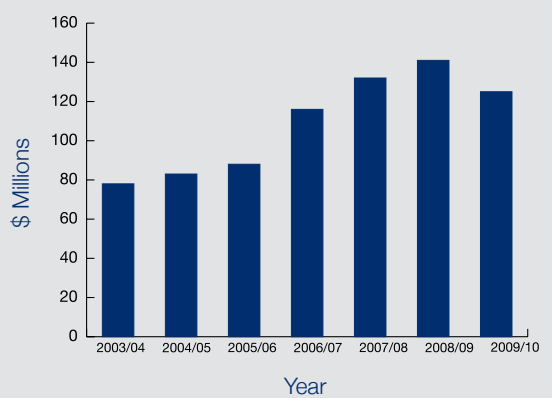
RACING TOTE TURNOVER



SPORTS LEVIES PAID



FUNDING TO THE RACING INDUSTRY





Greyhound Auckland Cup 2010

ABOUT US

The NZ Racing Board was established in 2003 under the Racing Act as the organisation to administer all racing and sports wagering in New Zealand. Part of every dollar bet through the TAB contributes to the development of New Zealand racing and sport.

We are an entertainment business with over 170,000 TAB account holders and a nationwide presence through 650 retail outlets, two TV channels, a radio station, as well as telephone, touch tone and interactive SKY digital betting services and a rapidly growing internet betting service, tab.co.nz.

Our operations are diverse and reflect the complexity and magnitude of our organisation. We support over 10,000 domestic races and more than 35,000 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 national TV channels, Trackside and TAB TV, and radio station Radio Trackside.

After operating costs and industry expenses, our profit is distributed to the three New Zealand Racing Codes in accordance with an agreed funding model. The industry expenses paid for by the NZ Racing Board

include the costs of laboratory analysis of swabs, funding for the Judicial Control Authority (JCA), and on-course marketing and promotions, along with cash contributions to the Equine ITO, and equine research through Massey University. The 2009/10 season was the third year of the existing funding allocation model. The Racing Codes are each responsible for determining the model for the consequent on-funding of their respective Clubs and other initiatives.

This year we have launched a new five-year strategic plan, *Racing Ahead*. Our Vision is to lead New Zealand racing and its wagering services to become the best in the world.

Our Vision is bold but with the commitment of our employees and support of the racing industry, we believe this is achievable.



MISSION, VISION, VALUES

Our strategic plan *Racing Ahead* was launched in April 2010 with a focus on becoming world-class in everything we do. The plan was launched through a series of meetings from Gore to Auckland, attended by staff and industry stakeholders.

The case for change

Under the Racing Act 2003 we have an obligation to promote the racing industry and maximise the profits of the TAB for the long term benefit of New Zealand racing. However, the racing industry and TAB are facing a range of pressures, including:

- increasing domestic competition from Lotto, casinos and other leisure activities;
- increasing international competition from offshore operators
- declining margins;
- tax pressures;
- declining sponsorship income for Clubs and events;
- rising costs of events and training;
- declining quality of infrastructure (e.g. tracks and grandstands); and,
- ageing systems.

Our strategic plan addresses the challenges we are facing. The plan is about *Racing Ahead* to a better future for our industry, stakeholders, customers and people.

***Racing Ahead* is based on a clear Mission to lead and promote the racing industry, and maximise the proceeds of wagering for the benefit of the racing industry.**

Our Vision is to lead New Zealand racing and its wagering services to become the best in the world.

In order to deliver this Vision we have developed five strategic goals. To have the world's:

- best wagering services;
- highest integrity in racing and wagering;
- best racing organisation;
- highest participation in racing; and,
- best quality racing.

Achieving these goals will depend on our ability to demonstrate our core Values:

- Integrity
- Drive
- Teamwork
- Respect



CHAIRMAN'S REPORT

Despite continuing economic uncertainty, the NZ Racing Board has delivered a solid result, returning more than \$125 million to the racing industry in the 2010 season.

While the worst effects of the Global Financial Crisis are considered to be behind us, New Zealand is still feeling the impact of recessionary forces that have been at play since 2008. Household spending remains subdued and business confidence is low. And, according to data released by the New Zealand Institute for Economic Research, real GDP growth for New Zealand over the 12 months to 30 June 2010 was just 0.9%.

Against this sobering backdrop, the NZ Racing Board has reason to be satisfied with results achieved in the 2009/10 reporting period.

Prudent fiscal management has resulted in turnover of \$1.583 billion, an increase of 4.5% (\$69 million) over the 2008/09 year and 2.1% ahead of budget.

Profit before industry expenditure and distributions is up 7.7% on last year to \$128.3 million and ahead of budget by 0.53%.

In the current economic environment, these results have been hard won.

Put in a longer term context, the profit figure represents a significant increase of 49.7% over the 2005/06 year figure of \$85.7 million. And, total funding to the racing industry has grown by \$37 million – an increase of 42.3% over the past four racing seasons.

However, financial results only reflect part of the picture in terms of the health and ongoing strength of the industry.

In March the NZ Racing Board commissioned Nielsen research to conduct a survey to test New Zealanders impressions of six sports (racing, rugby, rugby league, cricket, soccer and tennis) against 13 attributes.

Racing scored the lowest on 11 of these, including all six related specifically to integrity:

- 41% of New Zealanders think racing has problems with corruption;
- 40% think racing has problems with drugs;
- only 39% of New Zealanders think racing is professional;
- 29% think racing values the people associated with the sport;
- 26% think the racing industry acts responsibly and ethically; and,
- 22% think racing conducts its business with honesty and integrity.

And the most damning result of all – only 16% of New Zealanders have a positive overall impression of racing and wagering.

Unfortunately, perception is reality. If New Zealanders do not believe in the integrity of racing, they will not invest their time and money in the sport – as spectators, bettors or owners.

These findings have stirred controversy in the racing industry. And, while the NZ Racing Board has taken no pleasure in releasing the survey results, it is imperative the industry understands the nature and size of the challenge faced to increase rates of participation in racing.

The NZ Racing Board – along with the entire industry – must take this feedback on board and demonstrate to New Zealanders all that is good about the sport of racing.

Increased industry participation will only be achieved if New Zealanders' perceptions of racing improve. And in turn, perception improvements will only result from the industry taking concrete steps to address concerns.

Therefore, the goal to have the highest levels of integrity in racing and wagering in the world, has been, and will continue to be, at the forefront of much of the work undertaken by the NZ Racing Board. We will not be working in isolation. It remains imperative that the industry works together to solve the industry's problems.

With the three Codes, we are well on the way to establishing an independent Racing Integrity Unit (RIU) to police the Rules of Racing. The RIU is the cornerstone of our endeavours to improve perceptions – and therefore the fortunes – of the racing industry. The RIU is expected to be fully operational in time for the 2010/11 season.

In addition, from the 2011/12 season, Racing Clubs will need to pass a Class IV Gaming Audit in order to receive a betting licence. These Audits have been requested by the NZ Racing Board in the interests of full transparency and disclosure. They will ensure that any

arrangements that may compromise the Racing Club concerned with the Department of Internal Affairs, or the Gambling Commission, are identified and managed constructively.

Not only will this process improve perceptions, it will also help ensure the long-term viability of our Racing Clubs. Our industry must adhere to and promote the highest standards if we are to confidently withstand public scrutiny.

In closing, I wish to acknowledge the many people who have worked tirelessly over the years to drive high levels of integrity in racing. Our renewed focus in this area is not an affront to your efforts. However, the industry as a whole can, and must, do even better if we are to shift perceptions, increase participation and ensure a prosperous future.

I would like to thank all staff for a good result under testing economic conditions. I would also like to thank retiring Board member Alistair Sutherland for his contribution to the NZ Racing Board over the past four years.



Michael Stiassny,
Chairman

GOVERNANCE STATEMENT

The Racing Act 2003 sets out the authority, responsibilities, membership and operation of the NZ Racing Board.

Board structure and composition

The management of the business and affairs of the NZ 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 of each of: New Zealand Thoroughbred Racing Inc, Harness Racing New Zealand Inc and the New Zealand Greyhound Racing Association Inc; and,
- three members recommended by a nomination advisory panel 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, but may be eligible for reappointment.

Board responsibilities

The Board is responsible for the overall direction and control of the NZ 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, and annual Statement of Intent, Annual Report and other relevant reporting;
- implementing policies to enhance the NZ 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.

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 NZ 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 13 times during the year to 31 July 2010. 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 NZ 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 NZ 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 suitable 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 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 Dates Committee consists of Thayne Green (Chairman), Ray O'Connor, Michael Stiassny, Liz Dawson and Alistair Sutherland (Alistair has resigned from the Board. His last day of official duty was 21 September 2010).

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 NZ Racing Board, the work of the internal audit function and the NZ Racing Board's external auditor, PricewaterhouseCoopers.

The Audit and Finance Committee meets at least four times a year and consists of Warren Bell (Chairperson), Ray O'Connor and Michael Stiasny.

The NZ 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 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, 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 NZ 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 internal controls in place to safeguard and monitor all material risks to the NZ Racing Board;
- the completeness and accuracy of the financial and other records of the NZ Racing Board;
- compliance with Board policies and management directives;
- the economic and efficient management of resources; and,
- the effectiveness of operations undertaken by the NZ 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 NZ 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 monitors issues and determines policies and practices relating to the remuneration of the Chief Executive and the Senior Executive Committee, as well as overseeing management development and succession planning processes. In 2009/10 the Compensation and Development Committee consisted of Alistair Sutherland (Chairperson), Liz Dawson, Michael Stiasny, Simon Moutter and Thayne Green.

Board Members and Remuneration Year ended 31 July 2010

	Member's remuneration	Board meetings	Audit and Finance Committee	Compensation and Development Committee	Dates Committee
Michael Stiasny	\$79,500	13*	4	4	3
Warren Bell	\$41,500	13	4*		
Julie Crengle	\$11,625	2	1		1*
Liz Dawson	\$43,500	13		4	3
Thayne Green	\$46,500	13		3*	4*
Simon Moutter	\$28,875	10		2	
Ray O'Connor	\$43,500	12	4		4
Alistair Sutherland	\$46,500	13		4*	4
Number of Meetings		13	4	4	4

* Chairperson of the Committee

Note: During the year Julie Crengle left the Board and was replaced by Simon Moutter
 During the year the Chair of the Dates Committee changed from Julie Crengle to Thayne Green
 During the year the Chair of the Compensation & Development Committee changed from Thayne Green to Alistair Sutherland



Standing from left: Alistair Sutherland, Thayne Green, Warren Bell, Ray O'Connor Seated from left: Simon Moutter, Liz Dawson, Michael Stiasny

BOARD MEMBERS

The Board comprises of an independent Chair, three independent members and three members nominated by each of the Racing Codes.

Michael Stiasny (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, including DNZ, and is Chair of Vector Ltd. He is also a Fellow of the Institute of Directors and Auckland Branch Committee Member for the Institute of Directors. Michael was appointed as NZ Racing Board Chair 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 in March 2006. Warren has directorship experience, including as 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.

Board members' interests register

Michael Stiasny (Chairman)	KordaMentha, Partner Vector Limited, Chair Gadol Corporation Ltd, Director DNZ Property Group Ltd, Director
Warren Bell	No applicable interests to declare
Liz Dawson	Hurricanes Ltd, Director Wellington Regional Stadium Trust, Trustee Liz Dawson & Associates Ltd, Director ForsythMorison Ltd, Director Central Regions Netball Ltd, Director
Thayne Green	No applicable interests to declare
Simon Moutter	No applicable interests to declare
Ray O'Connor	Harness Racing New Zealand, Finance Chair Cambridge Raceway Ltd, Chairman Cambridge Te Awamutu Harness Club, Executive Waipa Workingmans Club (TAB licence holder), Secretary Cambridge Cosmopolitan Club (TAB licence holder), Accountant
Alistair Sutherland	Auckland Racing Club, Director

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 in August 2007 and 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 in 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.

Simon Moutter (Independent member), BSc, ME, is the Chief Executive of Auckland International Airport Limited. He is an engineer with 25 years experience in the management of public infrastructure and utility services companies. Simon has been a senior manager or director in roles spanning operations, technology, sales, marketing, and corporate services in energy technology and airport industries. Simon was Chief Executive of Powerco in the 1990s and Chief Operating Officer of Telecom for several years up to 2008. He was appointed to the NZ Racing Board by the Minister in November 2009.

Ray O'Connor (Harness Code nominee), BCom, CA, is a senior partner in the Te Awamutu accounting practice, Kelly and Bryant. He was appointed to the Board in 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 Phillips NZ Ltd and has held senior international roles with TMP Worldwide/Morgan and Banks and Magnum Corporation. He was appointed to the Board in 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 the Auckland Racing Club.



CHIEF EXECUTIVE'S REPORT

2009/10 was a year of contrasts.

We recorded strong turnover in the first half of the year but the second half was slower, proving the ongoing effects of the recession.

We saw exciting growth in our sports betting business but decline in domestic racing tote.

We spent a number of months developing *Racing Ahead*, our strategic plan for the next five years, but we also delivered a number of significant tactical initiatives designed to drive profit growth in the short term.

And while outperforming our traditional competitors in the gambling market we have taken a longer term view, focusing on opportunities that will help us compete against all other forms of entertainment.

In a year that was full of highs and lows we are very satisfied to have exceeded our financial targets at year end, achieving turnover of \$1.583b and profit of \$128.4m. These were both up on 2008/09, by 4.5% and 7.7% respectively. This result was achieved against a background of only 0.9% growth in GDP in the same period.

TAB turnover in the first half was stronger than expected, following the Global Financial Crisis which impacted heavily in the previous two seasons. But in the second part of the year it became apparent that New Zealand is still emerging slowly from depressed economic conditions, and discretionary household spending remains constrained.

Major initiatives implemented throughout the year, such as the launch of TAB TV, the relaunch of tab.co.nz and the successful Football World Cup campaign, enabled us to deliver a strong full year result despite the challenging second half.

Growth this year was also due to a healthy performance in sports betting on which spending grew 40% from the previous year (\$57m higher). The Football World Cup campaign was a significant driver of this result, attracting 34,074 new account customers and exceeding profit targets by 70%. Sports betting has doubled in the past five years and will continue to be a key opportunity to grow our business and attract new customers to the TAB.

Domestic racing tote turnover in 2009/10 was down 5% from the previous year. However this was mostly offset through the contribution of international racing, as overall totalisator racing turnover declined just 0.7%. This demonstrates the importance of offering a diverse portfolio of racing to our customers. Additionally, growth in fixed odds racing turnover of 23% meant total turnover on racing was marginally above 2008/09's figure, at an increase of 0.9%.

Having developed our strategic plan this year, we have also started implementing many of the key initiatives that will drive growth over the medium-term.

We have given the customer a renewed focus. We recognise that we need to start investing more in knowing our customers and meeting their needs. People have high expectations for their leisure time and we compete with every other business in the entertainment sector so our offer must be high-quality and customer-driven.

Development of our new wagering system commenced during the year. This will allow us to offer our customers more products and better service. The Typhoon system is being adapted internally to

\$1.58 billion
TAB turnover.

121
Racing Clubs
with TAB
licenses.

42.3%
more funding for the
New Zealand
racing industry than
in 2005/06.

4.3%
TAB growth in
share of New
Zealand
gambling
market.

481,000
New Zealanders
attended a race
meeting.

99,653
starters in
New Zealand
races.

THE YEAR IN NUMBERS

16%
of New Zealanders
held a positive
impression
of racing.**
** Nielsen, Perceptions of
Racing and Wagering in
New Zealand,
March 2010

31
sports the TAB
offered betting
on.

10,103
races held in
New Zealand.

34,074
TAB accounts
opened during the
FIFA Football
World Cup.

169,616,729
race day tickets
issued.

7.7%
profit growth
on 2008/09.

integrate with our other systems and we expect to have completely migrated to the new system by the end of 2011.

We launched TAB TV in December 2009, recognising an opportunity to give customers more comprehensive coverage of major metropolitan Australian meetings to keep them stimulated and engaged. The result of this move was an upturn in imported racing turnover which has enabled total turnover on racing to remain stable over the past 24 months.

To be relevant to new customers and retain existing customers we need to give them a great TAB experience that fits their lifestyle. This year we have invested significantly in improving tab.co.nz so that it delivers a better, faster, more intuitive service. We re-launched the site in March and as a result saw spending through tab.co.nz grow 40% (\$97.3m) in 2009/10, following 25% growth the previous year. We will continue to invest in improvements to tab.co.nz in 2010/11 to ensure that we offer our customers a truly world-class online betting experience.

In July, we announced the transformation of our retail network. Over the next four years every TAB retail outlet will be upgraded, including the rollout of new easy-to-use betting slips, a dynamic new centralised screen system, and self-service terminals. Commission structures for our agents have been changed to reduce costs and improve performance. Overall, the retail experience will be better and our stores will be more attractive to new customers.

There is no shortage of challenges facing the racing industry but in 2009/10 we have set the foundations for strong profit growth over the next five years. More profit from the TAB means more funding for the racing industry, and more funding should mean more strategic investment that will transform racing into a prosperous sport once again.

Based on our solid 2009/10 performance and growth projections for 2010/11, we have committed \$132.9m in industry funding for the 2010/11 season, up from \$125.1m in 2009/10. This will be funded by our budgeted profit of \$132m in 2010/11, which represents the highest profits ever earned by the NZ Racing Board. Funding will comprise a \$112.8m cash payment to the three Racing Codes (\$127.8m less cost-recovery charges for on-course services), and \$5.1m funding for industry development initiatives such as integrity services, the Equine ITO, research through Massey University, and on-course events.

However funding alone is not enough to transform the racing industry. There are a number of factors influencing the low levels of participation in racing. To attract more spectators, wagers and owners of racing animals to the sport we need to give them a positive end-to-end racing experience on a daily basis.

People need to feel inspired to invest their time and money in racing. When they go to the track they need to have a great experience; when they want to place a bet it needs to be easy; and ownership needs to be accessible and viable. If, as an industry, we can improve infrastructure, deliver a high quality experience in the betting shop and on the racecourse, and make the sport of racing more attractive to owners, I believe we will be able to achieve prosperity in the racing industry again.

I look forward to working with you in 2010/11 to progress our shared vision for the future.



Andrew Brown
Chief Executive

FAVORITES

WIN	M2	UNITAB
6	5.70	3.60
2	4.80	3.90
3	3.60	4.60
1	7.00	6.70
4	6.30	1.1
7	1.4	1.5
8	1.7	2.3
5	2.4	2.4
9	2.8	2.8

M12 R2 00:11
1400m HEAVY
SCR: All Start

NARACOORTE
DE BRUIJN GROUP HANDICAP

TAB Meeting 12 Race 2



2008 AFL Premiership Grand Final Winner

Team	Price	Unitab
1. Stirling	2.20	1.90
2. St Kilda	8.00	1.2
3. Collingwood	1.1	1.4
4. Adelaide	1.1	1.2
5. Sydney	1.4	1.2
6. Brisbane	1.4	1.2
7. Melbourne	1.4	1.2
8. Brisbane	1.4	1.2
9. Brisbane	1.4	1.2
10. Brisbane	1.4	1.2
11. Brisbane	1.4	1.2
12. Brisbane	1.4	1.2

NEVER YIELD

RUGBY LEAGUE POOLS

Up to \$200,000
\$200,000
With the TAB or TAB in-hand goods

TAB

WINNING HORSE

WIN	M2	UNITAB
1	5.70	3.60
2	4.80	3.90
3	3.60	4.60
4	7.00	6.70
5	6.30	1.1
6	1.4	1.5
7	1.7	2.3
8	2.4	2.4
9	2.8	2.8

Christmas at the Races



Telecom Derby Day, March 2010

RETAIL TRANSFORMATION

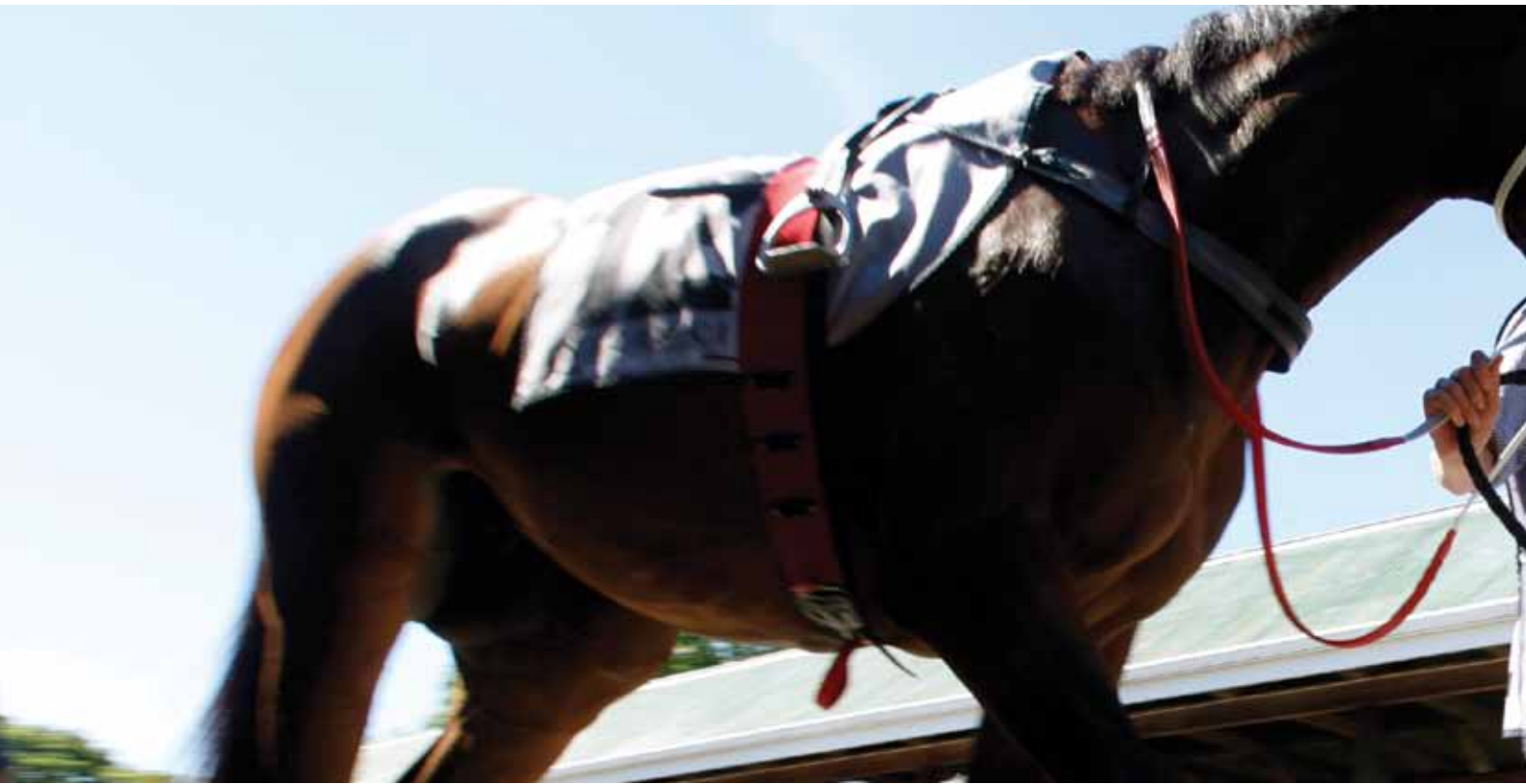
As part of our strategic goal to have the world's best wagering service, we will be transforming our entire retail network over the next five years. We will be investing in stand alone agencies, PubTABs and ClubTABs to drive greater turnover and cut costs, and improve the customer experience.

Over time the retail network will be modernised with:

- vibrant, colourful, centrally driven text screens to replace the current outdated teletext service. These will provide our customers with information, promotional prompts and calls to action that will stimulate turnover;
- modern, fast, intuitive self-service terminals in agencies and larger pubs and clubs to enhance the customer experience. This will significantly reduce labour costs in all outlets; and,
- state-of-the-art, touch-screen customer information kiosks, which will reduce (in many cases remove all together) the need for wall displays, leading to a subsequent reduction in labour, paper and toner costs.

We have restructured our remuneration model to provide more cash flow certainty for retailers and to create a fee structure which aligns to the different needs and opportunities within the agency, pub and club networks.

The transformation of the retail network represents the biggest single investment programme in the history of the TAB and will begin in February 2011.



NEW WAGERING COMPUTER SYSTEM

In an effort to offer the world's best wagering services, we are in the process of developing a state-of-the-art wagering computer system to replace Jetbet.

We have been considering the move to a new system for a long time as Jetbet is nearly 28 years old. Jetbet has served us extremely well over the years, but we are now in a position where we need to be more agile to respond to competitive demands.

The system is being supplied by Australian company Media and Gaming Pty Ltd and is being customised to the NZ Racing Board's requirements. It was chosen after a worldwide search.

The system will enable the TAB to be more flexible and responsive in launching new products and services to meet customer demand. The new system will allow us to deliver:

- more betting events, including more racing and sports betting options;
- new products, and enhancements to existing ones much more quickly and efficiently;
- better customer service and easier processing of bets – benefitting customers and TAB agents; and,
- greater real-time reporting that will assist decision making by NZ Racing Board management.

We expect the system to be online in April 2011 and to complete the migration of all betting channels from JetBet to the new system by the end of 2011. Jetbet will be decommissioned after this.



Wellington Cup Day, January 2010

RACING INTEGRITY UNIT

On 21 June 2010 the Minister for Racing, Hon. John Carter, convened a meeting with representatives from the Racing Codes and NZ Racing Board leadership.

A key outcome of this meeting was agreement that a new Racing Integrity Unit (RIU) would be established to oversee racing integrity services. This tri-Code body will be governed by an independent Board, appointed by a panel of the Chairs of the three Racing Codes and the NZ Racing Board.

The objective of the RIU is to improve the integrity (perceived and otherwise) of New Zealand racing. The responsibility for making the rules of racing, and the responsibility for policing those rules will be separated under this new model. Rule making will continue to lie with the Codes and the RIU will now police the rules. The JCA retains its judiciary role.

Funding for the RIU's business plan will be provided by the NZ Racing Board. To establish the RIU a number of tasks are to be undertaken by the NZ Racing Board and the three Racing Codes including:

- the passing of enabling amendments to the rules of racing;
- finalisation of Service Agreements between the RIU and Codes;
- appointment of the Board and General Manager of the RIU;
- transition of Stipendiary Stewards and Investigators currently employed by the Codes; and,
- the establishment of support and administration functions.

It is expected the RIU will be fully operational for the start of the 2011/12 season.



All Whites vs Italy, FIFA World Cup, June 2010

FOOTBALL WORLD CUP

The Football World Cup was the highlight of the year for sports betting, generating \$25.6m in turnover. We set ambitious goals to capitalise on this tournament and the huge public interest it brings domestically and globally. We wanted new customers, high turnover, and strong yields from our bookmaking team.

The success of the All Whites inevitably drove sustained interest in the tournament. Not only did we notice increased betting activity on the team as they progressed through the tournament, but overall we saw high levels of participation across all matches. A number of surprise results, including draws, enabled us to achieve good margins from high turnover.

For the first time we offered a cash incentive for new customers to bet with us. This technique, common place in other jurisdictions, paid off as we opened 34,074 new accounts over the course of the tournament. Eighty-three percent of these took the *Betcha \$20* offer.

The offer also told us a lot about new customers. Two-thirds of customers who engaged with us because of the *Betcha \$20* campaign were under 30. This information will help us better target products and services to grow our customer base in 2010/11.



RESPONSIBLE GAMBLING

The NZ Racing Board has a statutory responsibility under the Racing and Gambling Acts to take proactive measures to minimise the harm caused by problem gambling. We are required to report on programmes for minimising problem gambling; provide information and advice on problem gambling; and provide problem gambling training to all staff who sell betting products to customers.

Focus on harm prevention

We have taken measures during the year to ensure compliance with regulation and ensure that TAB stores are up to the standards required in our training policies and compliance procedures.

During the 2009/10 year the NZ Racing Board's investment in responsible gambling management was \$1.61m (\$1.57m in 2008/09). Of this approximately \$1.54m (\$1.47m 2008/09) was paid to the Crown to cover the cost of the Ministry of Health's problem gambling management services.

The NZ Racing Board is committed to Government strategies and programmes in this area and this is illustrated by our representation and participation in the Stakeholder Reference Group coordinated by the Department of Internal Affairs. This is an important opportunity to contribute, along with other gambling providers and interested parties, to the discussion of key issues within our sector from a harm prevention and minimisation perspective. The NZ Racing Board maintains strong relationships with Government officials and works alongside problem gambling support agencies to better understand customers' needs.

In 2009/10 approximately \$78,000 was invested in providing training on harm minimisation and prevention to TAB staff in customer-facing roles and in the wider racing industry.



It is a requirement in our Retail Agency Contracts that all TAB store management staff undertake problem gambling training to help achieve our responsibilities around harm minimisation.

Training is classroom-based, and provided in regional centres, by appropriate external facilitators, on a regular basis. During the 2009/10 year over 539 TAB operators participated in, and passed, problem gambling training.

The NZ Racing Board is expanding the scope of its problem gambling training services to incorporate web-based awareness and refresher training to complement the ongoing classroom training.

Identification and management

The NZ 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 behaviour. Further, we run a number of exception reports aimed at identifying significant changes in account customers' betting behaviour.

In the 2009/10 year, we investigated approximately 244 potential problem gambling incidents which resulted in 68 customer exclusion notices being issued and a further 11 account customers being placed on the *Set Your Limits* betting restriction programme.

Since the introduction of the Racing Act 2003 we have acted on 221 customer requests for self exclusion while also excluding a further 23 customers that we determined to be a risk.

Set Your Limits programme

The *Set Your Limits* programme is available to TAB account holders.

A TAB account customer can request that the NZ Racing Board places a limit on their betting activity through their account. The limitations on betting activity can be either on the amount of money spent through the account each week, or 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.

Changes to the limits as initially agreed can only be made after consultation with the NZ Racing Board.

To 31 July 2010 we have 29 customers who have availed themselves of this programme and the feedback from them has been very positive. It provides them with a practical option that enables them to put an overriding control on their betting.



FINANCIAL STATEMENTS



Wellington Cup Day, January 2010



Auckland Trotting Cup, March 2010

INCOME STATEMENT

FOR THE YEAR ENDED 31 JULY 2010

	Note	Actual 2010 NZ\$000	Budget 2010 NZ\$000	Actual 2009 NZ\$000
REVENUE AND OTHER INCOME				
Betting turnover (including GST)	1a	1,582,734	1,550,000	1,513,459
Net dividends (including GST)		(1,304,341)	(1,276,501)	(1,244,209)
Betting deductions (including GST)	1b	(41,205)	(41,490)	(39,888)
Net betting revenue (excluding GST)		237,188	232,009	229,362
Interest income	1c	2,348	2,295	4,749
Other income	1d	33,908	30,749	29,712
		36,256	33,044	34,461
Total revenue and other income		273,444	265,053	263,823
EXPENSES				
Operating expenses	2	145,063	137,353	144,731
Net return before industry expenditure and distributions	20a	128,381	127,700	119,092
INDUSTRY AND ON-COURSE PROJECTS				
On-course projects and other expenditure funded	20b	1,377	1,780	3,737
Industry projects funded	20c	-	-	-
Total industry and on-course projects	20c	1,377	1,780	3,737
Surplus available for distribution		127,004	125,920	115,355
FUNDING TO THE RACING INDUSTRY				
Fixed code funding	20d	84,261	84,261	84,261
Domestic market share code funding	20d	7,690	4,691	25,430
Variable code funding	20d	28,366	25,355	25,733
Research and integrity funding	20d	3,365	3,373	2,086
Total funding	20d	123,682	117,680	137,510
Net surplus/(deficit) after funding		3,322	8,240	(22,155)
Surplus attributable to:				
New Zealand Racing Board reserves		3,322	8,240	(22,155)

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2010

	Actual 2010 NZ\$000	Budget 2010 NZ\$000	Actual 2009 NZ\$000
Net surplus/(deficit) after funding	3,322	8,240	(22,155)
Other comprehensive income	-	-	-
Total comprehensive income	3,322	8,240	(22,155)
Total comprehensive income attributable to:			
New Zealand Racing Board reserves	3,322	8,240	(22,155)

STATEMENT OF CHANGES IN EQUITY

	Note	General reserve NZ\$000	Budget NZ\$000
Balance as at 1 August 2008		103,681	108,257
Adjust budget for actual carried forward		-	(4,575)
Total comprehensive income for the year		(22,155)	3,955
Balance as at 31 July 2009		81,526	107,637
Adjust budget for actual carried forward		-	(26,111)
Total comprehensive income for the year		3,322	8,240
Balance as at 31 July 2010		84,848	89,766

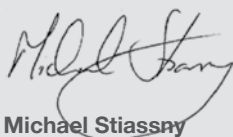
The accompanying accounting policies and notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 JULY 2010

	Note	Actual 2010 NZ\$000	Budget 2010 NZ\$000	Actual 2009 NZ\$000
CURRENT ASSETS				
Cash and cash equivalents	3	6,048	9,616	13,412
Trade and other receivables	4	8,715	4,702	4,911
Other financial assets	5	46,462	39,131	39,130
Other current assets	6	1,224	1,870	1,282
Total current assets		62,449	55,319	58,735
NON-CURRENT ASSETS				
Property, plant and equipment	11	44,446	59,706	49,983
Intangible assets	12	14,220	10,731	9,891
Other financial assets	5	10,680	10,496	10,012
Total non-current assets		69,346	80,933	69,886
TOTAL ASSETS		131,795	136,252	128,621
CURRENT LIABILITIES				
Trade and other payables	7	20,168	16,217	15,240
Account betting deposits and vouchers	5	14,385	13,143	13,262
Other financial liabilities	8	7,601	13,035	14,301
Taxes payable		3,653	2,579	2,697
Provisions	9	257	877	894
Total current liabilities		46,064	45,851	46,394
NON-CURRENT LIABILITIES				
Other financial liabilities	8	-	-	38
Provisions	9	883	635	663
Total non-current liabilities		883	635	701
TOTAL LIABILITIES		46,947	46,486	47,095
Net assets		84,848	89,766	81,526
EQUITY				
General reserve	19	84,848	89,766	81,526

The members of the New Zealand Racing Board authorise these Financial Statements for issue on 2 November 2010.



Michael Stiasny

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 2010

	Note	Actual 2010 NZ\$000	Budget 2010 NZ\$000	Actual 2009 NZ\$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows				
Betting turnover		1,582,760	1,550,113	1,513,825
Racing services income		14,845	14,968	14,374
Jackpot retentions and account deposits (net)		1,402	(879)	236
Interest received		2,083	2,295	4,749
International racing fees and other income		15,316	15,164	14,669
		1,616,406	1,581,661	1,547,853
Outflows				
Dividends paid		1,304,265	1,276,848	1,244,643
Fixed and domestic market share funding		111,282	88,952	105,433
On-course and Industry projects		2,526	1,780	2,720
Variable code, research and integrity funding		29,962	28,728	32,050
Payments to suppliers		79,022	87,226	90,785
Payments to employees		32,326	31,127	37,208
Goods and services tax (net)		30,185	29,965	28,669
Betting duty paid		10,045	11,240	11,401
Sports bodies' levies		2,697	2,538	2,128
		1,602,310	1,558,404	1,555,037
Net cash provided by/(used in) operating activities	15	14,096	23,257	(7,184)
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows				
Repayment of short-term deposits on maturity		28,000	-	16,902
Disposals of property, plant and equipment		84	-	9
Disposals of intangible assets		-	-	-
Repayments of club loans		37	27	58
		28,121	27	16,969
Outflows				
Investments of short-term deposits		34,313	-	1,024
Purchases of property, plant and equipment		5,134	21,571	9,783
Purchases of intangible assets		9,396	4,915	4,042
Drawdowns of club loans		165	-	4,700
		49,008	26,486	19,549
Net cash provided by/(used in) investing activities		(20,887)	(26,459)	(2,580)
CASH FLOWS FROM FINANCING ACTIVITIES				
Outflows				
Interest paid		28	28	21
Repayments on finance leases		545	566	268
Net cash provided by/(used in) financing activities		(573)	(594)	(289)
Net increase/(decrease) in cash and cash equivalents		(7,364)	(3,796)	(10,053)
Cash and cash equivalents as at 1 August 2009		13,412	13,412	23,465
Cash and cash equivalents as at 31 July 2010	3	6,048	9,616	13,412

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

NEW ZEALAND RACING BOARD 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.

These financial statements are prepared in accordance with the Racing Act 2003. The Racing Act 2003 requires disclosure of budgeted amounts approved by the Board and that the financial statements are prepared in accordance with generally accepted accounting practice.

Statement of compliance

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

These 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 for those assets and liabilities recognised at fair value as outlined in the accounting policies below. Cost is based on the fair value of the consideration given in exchange.

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 or other events is reported.

The accounting policies and computation methods set out below have been applied in preparing the financial statements for the year ended 31 July 2010 and the information presented for the comparative period.

The financial statements are parent and group financial statements. The group comprises the New Zealand Racing Board and the Betting Accounts and Vouchers Trust. The financial statements of the group are the same as those of the parent as all assets and liabilities of the trust are held by the New Zealand Racing Board as trustee.

Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the New Zealand Racing Board as at 31 July 2010 and the results of the operations of such entities for the year then ended. New Zealand Racing Board and such entities are together referred to in these financial statements as The New Zealand Racing Board.

Controlled entities are those entities over which the New Zealand Racing Board has the power to govern the entity's 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.

Application of new and amended accounting standards

The following new and amended accounting standards, applicable to The New Zealand Racing Board's annual reporting period beginning on or after 1 August 2009, have been applied from the beginning of the 2010 financial year. The initial application of these standards and amendments has had a presentation impact only on the financial results of The New Zealand Racing Board.

NZ IAS 1 Presentation of Financial Statements (revised 2007) requires the presentation of income and expenses in a format that replaces the previous Statement of Financial Performance. In adopting the revised NZ IAS 1, the New Zealand Racing Board has chosen to present income and expenses in two separate statements:

- an Income Statement containing the same financial information as previously recognised in the Statement of Financial Performance; and
- a Statement of Comprehensive Income that recognises any operational income and expense that falls within a separate category of Other Comprehensive Income (currently nil) separately from owner changes in equity.

Amendments to NZ IFRS 7 Financial Instruments: Disclosures have expanded the disclosures required for fair value measurements and liquidity risk, including disclosure of fair value measurements in a hierarchy based on the inputs used to determine fair value.

Key sources of estimation uncertainty

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

STATEMENT OF ACCOUNTING POLICIES

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

The wagers placed on a betting event are recognised as deferred revenue (pre-sales) until the outcome of the betting event is determined, at which time the revenue is brought to account.

Net Betting Revenue

Net Betting Revenue consists of resulted turnover less dividends paid and payable to customers, and less duty and GST payable to the Inland Revenue Department. Except where otherwise noted, Net Betting Revenue is recognised once the outcome of the betting event is confirmed.

Totalisator revenue

Totalisator revenue is recognised once the outcome of the betting event is confirmed.

Fixed odds betting revenue

Revenue is recognised as the net win or net loss on an event. 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 based on the turnover taken by the international betting agencies on the exported racing events and 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 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 take place.

Contributions towards assets

Contributions towards assets received from the Racing Code Bodies for laboratory equipment purchased by the New Zealand Racing Board are recognised as deferred income over the estimated useful 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. Foreign 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.

(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 represents the GST payable on betting deductions and net betting revenue as outlined in section 53 of 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 (other than derivatives)

Initial recognition

Financial assets are initially recognised at their fair value when The New Zealand Racing Board becomes a party to the contractual provisions of the financial instrument. Initial fair value is considered to be the cost price of the instrument except in the circumstances described below.

Club loans

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

Trade date recognition for investments

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

STATEMENT OF ACCOUNTING POLICIES

Subsequent measurement

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

Loans and receivables

Loans and receivables comprising cash and cash equivalents, trade receivables, Club loans, and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Those loans and receivables with a maturity date within twelve months of the reporting date are recognised in current assets in the statement of financial position while those with maturities greater than twelve months are recognised as non-current assets.

Loans and receivables are carried at amortised cost using the effective interest method less any impairment.

Held-to-maturity investments

Held-to-maturity investments, comprising corporate bonds and certain short-term deposits, are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity (other than those instruments classified as loans and receivables).

Held-to-maturity investments are carried at amortised cost using the effective interest method less any 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 over a shorter period, to the net carrying amount of the financial asset.

Cash and cash equivalents

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

(g) Impairment of financial assets

At the end of each reporting period and whenever circumstances warrant, financial assets are assessed for objective evidence of impairment.

Any financial asset impairment losses are recognised within "Operating expenses" in the income statement.

(h) Financial liabilities (other than derivatives)

Initial recognition and subsequent measurement

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

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 represents the liability due to winning customers that has yet to be claimed. Unpaid dividends are recognised at the time the related revenue is recognised.

Jackpot retentions

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

Other financial liabilities

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

(i) Derivative financial instruments

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

Fixed odds betting positions

Fixed odds betting positions are considered derivative financial instruments for financial reporting purposes.

(j) Property, plant and equipment

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

STATEMENT OF ACCOUNTING POLICIES

The current annual depreciation rates are 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	20.0%

Gains and losses on disposals are determined by comparing the sale proceeds with the asset's carrying amount at the disposal date. The resulting gain or loss is recognised in the income statement within "Other income" or "Operating expenses" as appropriate.

(k) Leased assets

Leases are classified as finance leases where 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.

Finance leases

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 obligation to the lessor is included in the statement of financial position as a finance lease liability.

Finance lease payments are apportioned between finance charges and reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets subject to finance leases are depreciated on a straight-line basis over the shorter of the asset's estimated useful life or the lease term.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(l) Intangible assets

Broadcasting licences, software and other intangible assets are finite-life intangible assets carried at cost less accumulated amortisation and any impairment. Amortisation is charged on a straight-line basis over their estimated useful lives and is recognised within "Operating expenses" in the income statement. 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 intangible assets	16.7%
Software	14.3% - 33.3%

(m) Impairment of non-financial assets

At each reporting date, the New Zealand Racing Board reviews the carrying amounts of its property, plant and equipment 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). Intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts.

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. Any impairment loss is recognised immediately in the income statement. If 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 immediately in the income statement.

(n) 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.

STATEMENT OF ACCOUNTING POLICIES

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.

(o) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, retirement gratuities and sick leave when it is probable that settlement will be required and the benefits 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. Future cash flows have been estimated based on service completed to date, expected length of service and estimated future remuneration rates. The discount rates used are government stock rates consistent with the term of the obligation.

(p) Netting in the Statement of Cash Flows

The movements in Jackpot retentions and in Goods and Services Tax have been presented net in the Statement of Cash Flows as the transactions are settled over a short period of time.

The movement in Account deposits has been presented net in the Statement of Cash Flows as these movements represent customer transactions rather than transactions of the New Zealand Racing Board.

(q) Funding

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

(r) New financial reporting standards and amendments not yet applied

The following financial reporting standards and amendments have been issued and have not been applied in the preparation of these financial statements. The New Zealand Racing Board considers that the application of these standards and amendments will have a non-material recognition and disclosure impact on the financial statements.

NZ IFRS 9 Financial Instruments (effective for reporting periods commencing on or after 1 January 2013)

NZ IFRS 9 requires the re-classification of financial assets into two categories – those recognised and measured at amortised cost and those recognised and measured at fair value. Classification is dependent upon the business model adopted for managing the financial assets and upon specified criteria. Early application of NZ IFRS 9 is permitted and the New Zealand Racing Board has yet to determine the date it will apply this standard.

NZ IAS 24 Related Party Disclosures amendments (effective for reporting periods commencing on or after 1 January 2011)

The amendments simplify the definition of a related party and provide further clarification of its intended meaning. Early application of the amendments to NZ IAS 24 is permitted. The New Zealand Racing Board intends to apply these amendments for the financial period ending 31 July 2012.

Improvements to New Zealand equivalents to International Financial Reporting Standards (various effective dates up to reporting periods commencing on or after 1 January 2010)

The improvements are the annual updates to financial reporting standards on sundry clarification matters. The New Zealand Racing Board intends to apply these amendments after the effective dates.

1. REVENUE	Actual 2010 NZ\$000	Budget 2010 NZ\$000	Actual 2009 NZ\$000
REVENUE FROM CONTINUING OPERATIONS:			
(a) Betting turnover (including GST)			
Off-course racing -- totalisator	1,195,243	1,203,000	1,193,929
Off-course racing -- fixed odds	110,905	117,000	96,145
On-course racing	77,271	71,000	81,008
TOTAL RACING TURNOVER	1,383,419	1,391,000	1,371,082
Sports -- totalisator	2,337	2,000	2,069
Sports -- fixed odds	196,978	157,000	140,308
TOTAL SPORTS TURNOVER	199,315	159,000	142,377
TOTAL BETTING TURNOVER	1,582,734	1,550,000	1,513,459
(b) Betting deductions (including GST)			
Betting duty	10,907	10,983	10,560
Goods and services tax	30,298	30,507	29,328
TOTAL BETTING DEDUCTIONS	41,205	41,490	39,888
(c) Interest income			
Cash and cash equivalents	291	2,025	1,139
Short-term deposits	1,570	-	3,122
Corporate bonds	175	-	99
Loans and advances to clubs and codes	312	270	389
TOTAL INTEREST INCOME	2,348	2,295	4,749
(d) Other income			
Racing services income	14,845	14,968	14,374
International racing fees	13,467	10,650	10,391
Other	5,596	5,131	4,947
TOTAL OTHER INCOME	33,908	30,749	29,712

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

2. OPERATING EXPENSES

	Note	Actual 2010 NZ\$000	Budget 2010 NZ\$000	Actual 2009 NZ\$000
(a) Operating expenses include the following items:				
Amortisation expense	12	4,279	4,778	4,083
Auditor's remuneration				
- Auditing services		79	77	77
Bad debts written off	4	-	-	49
Board members' remuneration and expenses		339	340	354
Broadcasting expenses		7,989	7,146	7,395
Communications expenses		6,647	7,277	7,613
Depreciation expense	11	11,354	11,557	11,688
Employee expenses		37,895	33,508	37,929
Finance costs		29	32	30
Form guide production and marketing expenses		6,984	5,607	5,628
Insurance		910	1,112	1,062
Net movement in allowance for doubtful debts	4	10	-	(57)
Overseas racing rights		17,987	17,113	16,533
Problem gambling levy and expenses		1,608	1,552	1,570
Property and equipment leases		4,710	4,755	4,750
Restructuring costs		256	-	1,017
Retail and internet fees		23,921	22,009	26,369
Sporting bodies' levies		3,376	2,439	2,261
Other expenses		16,650	17,991	16,203
(b) Losses included in net surplus:				
Losses on disposals of property, plant and equipment		21	-	179
Net foreign exchange losses		19	60	(2)
TOTAL OPERATING EXPENSES		145,063	137,353	144,731

3. CASH AND CASH EQUIVALENTS

	Actual 2010 NZ\$000	Budget 2010 NZ\$000	Actual 2009 NZ\$000
Foreign currency bank accounts	388	255	255
Foreign currency betting accounts	645	482	482
NZ dollar bank accounts and call deposits	5,015	8,879	12,675
TOTAL CASH AND CASH EQUIVALENTS	6,048	9,616	13,412

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

4. TRADE AND OTHER RECEIVABLES	Actual 2010 NZ\$000	Budget 2010 NZ\$000	Actual 2009 NZ\$000
Trade and sundry receivables	8,731	4,702	4,917
Allowance for doubtful debts	(16)	-	(6)
TOTAL TRADE AND OTHER RECEIVABLES	8,715	4,702	4,911

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 period outstanding on sales of goods and services is 39 days (2009:46 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 receivables balance are debtors with a carrying amount of \$520,705 that are past due at 31 July 2010 (2009: \$51,178) for which the Board has not provided or recognised any impairment loss. The Board believes the credit quality of these receivables remains sound and the amounts are fully recoverable. The New Zealand Racing Board does not hold any collateral over these balances, of which the average age is 57 days (2009: 54 days) at the reporting date. An analysis of the ageing of past due debtors is outlined below:

	Past due 30 days NZ\$000	Past due 60 days NZ\$000	Past due 90 days NZ\$000	Total NZ\$000
2010				
Past due and not impaired	99	108	314	521
Impaired assets - gross	-	-	16	16
Impairment allowance	-	-	(16)	(16)
Net past due trade and other receivables	99	108	314	521
Current trade and other receivables				8,194
TOTAL TRADE AND OTHER RECEIVABLES				8,715

	Past due 30 days NZ\$000	Past due 60 days NZ\$000	Past due 90 days NZ\$000	Total NZ\$000
2009				
Past due and not impaired	43	8	-	51
Impaired assets - gross	-	-	6	6
Impairment allowance	-	-	(6)	(6)
Net past due trade and other receivables	43	8	-	51
Current trade and other receivables				4,860
TOTAL TRADE AND OTHER RECEIVABLES				4,911

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

4. TRADE AND OTHER RECEIVABLES continued

Movement in the allowance for doubtful debts

	2010 NZ\$000	2009 NZ\$000
Balance at the beginning of the year	(6)	(63)
Amounts written off during the year	-	49
Amounts recovered during the year	-	14
(Additions)/reversals in allowance	(10)	(6)
BALANCE AT THE END OF THE YEAR	(16)	(6)

Movements in the allowance for doubtful debts are recognised in Operating expenses in the Income Statement. Amounts provided for in 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 receivable, the Board considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date including whether a liquidator, receiver or other statutory manager has been appointed. Within trade and other receivables, there are no entities or individuals (2009: nil) that are subject to any form of statutory management and therefore no further impairment is considered necessary.

5. OTHER FINANCIAL ASSETS

	Note	Actual 2010 NZ\$000	Budget 2010 NZ\$000	Actual 2009 NZ\$000
Foreign currency forward exchange contracts	14(i)	69	-	1
Short-term deposits		25,282	25,000	25,000
Short-term deposits - Betting Accounts and Vouchers Trust		20,000	14,000	14,000
Corporate bonds		2,051	2,019	2,019
Loans and advances to Clubs and Codes	10	9,740	8,608	8,122
TOTAL OTHER FINANCIAL ASSETS		57,142	49,627	49,142

Disclosed as:

Current	46,462	39,131	39,130
Non-current	10,680	10,496	10,012
TOTAL OTHER FINANCIAL ASSETS	57,142	49,627	49,142

Short-term deposits - Betting Accounts and Vouchers Trust represents 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 \$14.4 million (2009: \$13.3 million).

6. OTHER CURRENT ASSETS

	Actual 2010 NZ\$000	Budget 2010 NZ\$000	Actual 2009 NZ\$000
Prepayments	996	1,594	1,007
Inventory	228	276	275
TOTAL OTHER CURRENT ASSETS	1,224	1,870	1,282

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

7. TRADE AND OTHER PAYABLES	Note	Actual 2010 NZ\$000	Budget 2010 NZ\$000	Actual 2009 NZ\$000
Employee entitlements		3,180	3,196	3,263
Amounts payable to Board members		55	48	48
Trade payables and accruals		15,558	11,511	10,548
Deferred revenue (pre-sales)	14(i)	1,181	1,268	1,155
Contributions to assets by racing codes		194	194	226
TOTAL TRADE AND OTHER PAYABLES		20,168	16,217	15,240

No interest is incurred on trade payables unless the amounts payable fall overdue. Interest is charged 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 time frame.

8. OTHER FINANCIAL LIABILITIES	Note	Actual 2010 NZ\$000	Budget 2010 NZ\$000	Actual 2009 NZ\$000
Canwest radio liability		-	-	492
Code liability	16	1,711	8,184	8,184
Unpaid dividends		3,722	2,759	3,518
Jackpot retentions		2,130	2,054	2,054
Finance leases	13	38	38	91
TOTAL OTHER FINANCIAL LIABILITIES		7,601	13,035	14,339

Disclosed as:

Current		7,601	13,035	14,301
Non-current		-	-	38
TOTAL OTHER FINANCIAL LIABILITIES		7,601	13,035	14,339

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

9. PROVISIONS

	Make good NZ\$000	Long-term employee benefits NZ\$000	Sick leave NZ\$000	Restructuring NZ\$000	Total provisions NZ\$000
Balance at 1 August 2008	308	300	94	-	702
Additional provisions	177	56	114	800	1,147
Provisions released	-	(18)	-	-	(18)
Amounts used	(124)	(36)	(114)	-	(274)
Balance at 31 July 2009	361	302	94	800	1,557
Additional provisions	159	441	78	-	678
Provisions released	-	-	(79)	-	(79)
Amounts used	(93)	(108)	(15)	(800)	(1,016)
Balance at 31 July 2010	427	635	78	-	1,140

	Actual 2010 NZ\$000	Budget 2010 NZ\$000	Actual 2009 NZ\$000
Disclosed as:			
Current	257	877	894
Non-current	883	635	663
TOTAL PROVISIONS	1,140	1,512	1,557

a. Provision for make good costs

A provision has been established for anticipated future 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 the lease term expired.

The leases have varying expiry dates up to 2018. The actual payment dates and costs will be known once each lease reaches its expiry date and the extent of the corresponding make good is ascertained.

b. Provision for long-term employee benefits

The New Zealand Racing Board has a group of legacy employment contracts containing long service leave entitlements and a further group of legacy employment contracts containing retirement gratuity entitlements.

A provision has been established to recognise the probable amounts to vest to employees in the future based on estimated future salaries, payment dates and achievement of service milestones.

The provision in 2010 includes amounts for both long service leave and retirement gratuity.

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

A restructuring provision arose in 2009 from the disestablishment of a number of specific positions within the New Zealand Racing Board. The provision was fully utilised during the 2010 financial year.

10. LOANS AND ADVANCES TO CLUBS AND CODES

	Note	Actual 2010 NZ\$000	Budget 2010 NZ\$000	Actual 2009 NZ\$000
New Zealand Greyhound Racing Association		518	585	554
New Zealand Metropolitan Trotting Club (Inc)		5,504	5,446	5,169
New Zealand Thoroughbred Racing		986	-	-
RACE Inc		2,614	2,452	2,250
Wanganui Greyhound Racing Club		65	73	99
Whangarei Racing Club Inc		53	52	50
LOANS TO CLUBS AND CODES	5	9,740	8,608	8,122

Disclosed as:

Current		1,112	131	130
Non-current		8,628	8,477	7,992
LOANS TO CLUBS AND CODES		9,740	8,608	8,122

The amounts outlined above are the loan carrying values recognised in the statement of financial position.

As outlined in the significant accounting policies, at the time each loan tranche was initially advanced, a fair value adjustment was made to the loan carrying amount that reflected the differential between the interest rate charged on the loan and current market interest rates for similar loans. This adjustment is fully amortised over the life of the loan so that the loan carrying value at maturity is equal to the cash amount due.

The loan carrying values include the net fair value adjustments after amortisation at the effective interest rate, loan interest at the contracted rate and any repayments made.

Reconciliation of loan carrying values to loan amounts outstanding

The following table provides a reconciliation of the loan carrying value to the actual loan amounts outstanding.

The net fair value adjustments comprise the originating adjustments less the accumulated amortisation.

	Loan carrying value NZ\$000	Net fair value adjustments NZ\$000	Loan balance outstanding NZ\$000
2010			
New Zealand Greyhound Racing Association	518	86	604
New Zealand Metropolitan Trotting Club (Inc)	5,504	479	5,983
New Zealand Thoroughbred Racing	986	-	986
RACE Inc	2,614	399	3,013
Wanganui Greyhound Racing Club	65	1	66
Whangarei Racing Club Inc	53	2	55
LOANS TO CLUBS AND CODES	9,740	967	10,707

2009

New Zealand Greyhound Racing Association	554	133	687
New Zealand Metropolitan Trotting Club (Inc)	5,169	642	5,811
New Zealand Thoroughbred Racing	-	-	-
RACE Inc	2,250	494	2,744
Wanganui Greyhound Racing Club	99	4	103
Whangarei Racing Club Inc	50	4	54
LOANS TO CLUBS AND CODES	8,122	1,277	9,399

10. LOANS AND ADVANCES TO CLUBS AND CODES continued

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

	Interest rate 2010	Interest rate 2009	Rate type
New Zealand Greyhound Racing Association	5.00%	5.00%	Fixed
New Zealand Metropolitan Trotting Club (Inc)	2.88%	3.25%	Variable
RACE Inc	4.00%	3.50%	Variable
Wanganui Greyhound Racing Club	4.00%	4.00%	Fixed
Whangarei Racing Club Inc	2.88%	3.25%	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 2009 was \$56.8 million (31 July 2008: \$47.5 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 was \$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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

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 2008	2,590	12,918	41,402	3,275
Additions	-	786	2,851	527
Disposals	-	(23)	(2,821)	(70)
Net transfers between asset classes	-	-	-	-
Net change to work in progress	-	-	-	-
Balance at 31 July 2009	2,590	13,681	41,432	3,732
Additions	-	222	512	841
Disposals	-	(9)	(4,206)	(46)
Net transfers between asset classes	-	-	(309)	-
Net change to work in progress	-	-	-	-
Balance at 31 July 2010	2,590	13,894	37,429	4,527
DEPRECIATION AND IMPAIRMENT LOSSES				
Balance at 1 August 2008	-	(3,828)	(31,603)	(1,876)
Depreciation for the year	-	(508)	(4,467)	(439)
Impairment losses	-	-	-	-
Disposals	-	18	2,812	64
Net transfers between asset classes	-	-	-	-
Balance at 31 July 2009	-	(4,318)	(33,258)	(2,251)
Depreciation for the year	-	(508)	(3,909)	(465)
Impairment losses	-	-	-	-
Disposals	-	5	4,180	23
Net transfers between asset classes	-	-	110	-
Balance at 31 July 2010	-	(4,821)	(32,877)	(2,693)
NET BOOK VALUE				
Balance at 1 August 2008	2,590	9,090	9,799	1,399
Balance at 31 July 2009	2,590	9,363	8,174	1,481
Balance at 31 July 2010	2,590	9,073	4,552	1,834

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

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
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
1,378	253	1,056	4,262	-	4,262
(1,473)	(243)	(128)	(6,105)	-	(6,105)
-	(3,469)	3,469	(309)	-	(309)
-	-	-	-	2,037	2,037
19,663	2,951	37,077	118,131	4,180	122,311
(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)
(1,696)	(325)	(4,451)	(11,354)	-	(11,354)
-	-	-	-	-	-
1,264	223	127	5,822	-	5,822
-	1,219	(1,219)	110	-	110
(12,031)	(2,564)	(22,879)	(77,865)	-	(77,865)
4,527	2,385	14,564	44,354	7,434	51,788
8,159	2,729	15,344	47,840	2,143	49,983
7,632	387	14,198	40,266	4,180	44,446

11. PROPERTY, PLANT AND EQUIPMENT continued

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 \$34,562 (2009: \$69,069).

Jetbet assets decommissioning

The New Zealand Racing Board expects to have fully implemented its new wagering system by end of 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)
Total additional expense	(552)	(552)	(1,104)

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.

Transfers between asset classes

All trucks associated with on-course and trackside activities were transferred from Motor vehicles to Operations and trackside equipment as at 1 August 2009. The new classification more appropriately reflects the nature and use of these assets within the New Zealand Racing Board's business and aligns the classification of the vehicles with that of the equipment fitted to them for their specialised use.

During the year, certain items were reclassified from computer hardware to computer software.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

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
COST OR DEEMED COST						
Balance at 1 August 2008	40,168	4,037	4,550	48,755	-	48,755
Additions	3,742	300	-	4,042	-	4,042
Disposals	(1,592)	-	-	(1,592)	-	(1,592)
Net transfers between asset classes	-	-	-	-	-	-
Net change to work in progress	-	-	-	-	-	-
Balance at 31 July 2009	42,318	4,337	4,550	51,205	-	51,205
Additions	1,118	1,028	300	2,446	-	2,446
Disposals	(75)	(1,028)	-	(1,103)	-	(1,103)
Net transfers between asset classes	309	-	-	309	-	309
Net change to work in progress	-	-	-	-	6,959	6,959
Balance at 31 July 2010	43,670	4,337	4,850	52,857	6,959	59,816
AMORTISATION AND IMPAIRMENT LOSSES						
Balance at 1 August 2008	(33,094)	(3,096)	(2,527)	(38,717)	-	(38,717)
Amortisation for the year	(2,927)	(398)	(758)	(4,083)	-	(4,083)
Impairment losses	-	-	-	-	-	-
Disposals	1,486	-	-	1,486	-	1,486
Net transfers between asset classes	-	-	-	-	-	-
Balance at 31 July 2009	(34,535)	(3,494)	(3,285)	(41,314)	-	(41,314)
Amortisation for the year	(3,034)	(486)	(759)	(4,279)	-	(4,279)
Impairment losses	-	-	-	-	-	-
Disposals	15	92	-	107	-	107
Net transfers between asset classes	(110)	-	-	(110)	-	(110)
Balance at 31 July 2010	(37,664)	(3,888)	(4,044)	(45,596)	-	(45,596)
NET BOOK VALUE						
Balance at 1 August 2008	7,074	941	2,023	10,038	-	10,038
Balance at 31 July 2009	7,783	843	1,265	9,891	-	9,891
Balance at 31 July 2010	6,006	449	806	7,261	6,959	14,220

12. INTANGIBLE ASSETS**Business combination**

On 9 July 2010, the Turf Digest/Best Bets and Friday Flash publications were purchased from Fairfax New Zealand Ltd as complements to the New Zealand Racing Board's existing television and radio media coverage formats.

Provisional amounts for the mastheads, trade marks and other intangible assets acquired in the purchase of these publications are included in 2010 intangible assets.

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 \$6,344,830 (2009: nil).

Jetbet assets decommissioning

The New Zealand Racing Board expects to have fully implemented its new wagering system by end of 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.

The impact of this adjustment is detailed in Note 11 Property, plant and equipment.

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 purchase date market value.

13. STATEMENT OF COMMITMENTS

(a) Capital commitments

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

	2010 NZ\$000	2009 NZ\$000
Property, plant and equipment and intangible assets -- payable:		
Within one year	1,400	1,445
Later than one year but no later than five years	-	1,350
TOTAL CAPITAL COMMITMENTS	1,400	2,795

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 October 2010.

(b) Operating lease commitments

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

	2010 NZ\$000	2009 NZ\$000
Within one year	5,185	5,086
Later than one year but no later than five years	8,981	9,188
Later than five years	1,604	881
TOTAL OPERATING LEASE COMMITMENTS	15,770	15,155

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 \$14,925 (2009: \$81,697) are expected to be received during the financial year.

Twelve (2009: 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 2010, \$4.7 million was recognised as an expense in the Income Statement in respect of operating leases (2009: \$4.8 million).

(c) Finance lease commitments

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

	2010 NZ\$000	2009 NZ\$000
Within one year	38	53
Later than one year but no later than five years	-	38
Later than five years	-	-
TOTAL FINANCE LEASE COMMITMENTS	38	91

(d) Other non-cancellable operating commitments

During the period, the New Zealand Racing Board underwent a detailed review of the basis of their contracts with retail outlets. As part of this review, it was resolved to change from a wholly variable commission calculation to a part variable, part fixed commission basis in the year beginning 1 August 2010. As at the balance date, no retail outlets had yet migrated to the new contract and as such no non-cancellable commitment was held under these contracts as at 31 July 2010.

14. FINANCIAL INSTRUMENTS

(a) Capital risk management

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

The Board's equity comprises the general reserve, consisting of accumulated balances of prior years' retained surplus. The Board reviews the appropriateness of its capital structure on an annual basis as part of the annual budget cycle. As part of this review, the Board considers the distribution or retention of general reserve 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.

(c) Categories of financial instruments

Note

Fair value through profit & loss
NZ\$000

2010

ASSETS

Cash and cash equivalents	3	-
Trade and other receivables	4	-
Other financial assets	5	69
Total financial assets		69
Total non-financial assets		

TOTAL ASSETS

LIABILITIES

Trade and other payables	7	1,181
Account betting deposits and vouchers		-
Other financial liabilities	8	-
Total financial liabilities		1,181
Total non-financial liabilities		

TOTAL LIABILITIES

Fair value through profit & loss
NZ\$000

2009

ASSETS

Cash and cash equivalents	3	-
Trade and other receivables	4	-
Other financial assets	5	-
Total financial assets		-
Total non-financial assets		

TOTAL ASSETS

LIABILITIES

Trade and other payables	7	1,155
Account betting deposits and vouchers		-
Other financial liabilities	8	-
Total financial liabilities		1,155
Total non-financial liabilities		

TOTAL LIABILITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

Held-to-maturity NZ\$000	Loans and receivables NZ\$000	Financial liabilities at amortised cost NZ\$000	Total NZ\$000
-	6,048	-	6,048
-	8,715	-	8,715
47,333	9,740	-	57,142
47,333	24,503	-	71,905

59,890

131,795

-	-	18,987	20,168
-	-	14,385	14,385
-	-	7,601	7,601
-	-	40,973	42,154

4,793

46,947

Held-to-maturity NZ\$000	Loans and receivables NZ\$000	Financial liabilities at amortised cost NZ\$000	Total NZ\$000
-	13,412	-	13,412
-	4,911	-	4,911
41,020	8,122	-	49,142
41,020	26,445	-	67,465

61,156

128,621

-	-	14,085	15,240
-	-	13,262	13,262
-	-	14,339	14,339
-	-	41,686	42,841

4,254

47,095

14. FINANCIAL INSTRUMENTS continued**(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 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, 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 the exposure limits therein is reviewed annually by the internal audit function of the New Zealand Racing Board. 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.

(e) Liquidity risk management

Liquidity risk is the risk that the New Zealand Racing Board will encounter difficulties in meeting its payment obligations as they fall due.

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

The following table outlines the Board's remaining contractual maturities for its financial liabilities including derivative instruments.

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

The undiscounted cash flows differ from the amounts recognised in the statement of financial position for the relevant financial liabilities because the amounts recognised in that statement are based on the notional cash flows discounted to their present value. Where the amount payable is variable because it is based on variable interest rates or other factors, the amount in the table has been determined based on the conditions existing at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

FINANCIAL LIABILITIES	Less than 1 month NZ\$000	1-3 months NZ\$000	3 months to 1 year NZ\$000	1-5 years NZ\$000	5+ years NZ\$000	Total NZ\$000
2010						
Trade and other payables	(17,854)	(1,062)	-	-	-	(18,916)
Account betting deposits and vouchers	(14,385)	-	-	-	-	(14,385)
Canwest radio liability -- non-interest bearing	-	-	-	-	-	-
Other non-interest bearing liabilities	(5,852)	-	-	-	-	(5,852)
Finance lease liability	(7)	(13)	(47)	-	-	(67)
Variable rate instruments	(1,711)	-	-	-	-	(1,711)
Derivatives	(1,446)	-	(2,314)	-	-	(3,760)
Total notional cash outflows for recognised liabilities	(41,255)	(1,075)	(2,361)	-	-	(44,691)
Financial guarantees (maximum amount payable)						
Cheque encashment letters of credit	(119)	-	-	-	-	(119)
Club loan guarantees	(8,820)	-	-	-	-	(8,820)
TOTAL NOTIONAL CASH OUTFLOWS	(50,194)	(1,075)	(2,361)	-	-	(53,630)
2009						
Trade and other payables	(16,737)	-	-	-	-	(16,737)
Account betting deposits and vouchers	(13,262)	-	-	-	-	(13,262)
Canwest radio liability -- non-interest bearing	(58)	(117)	(317)	-	-	(492)
Other non-interest bearing liabilities	(5,572)	-	-	-	-	(5,572)
Finance lease liability	(7)	(13)	(60)	(68)	-	(148)
Variable rate instruments	(8,184)	-	-	-	-	(8,184)
Derivatives	(1,200)	(94)	(554)	-	-	(1,848)
Total notional cash outflows for recognised liabilities	(45,020)	(224)	(931)	(68)	-	(46,243)
Financial guarantees (maximum amount payable)						
Cheque encashment letters of credit	(1,580)	-	-	-	-	(1,580)
Club loan guarantees	(8,820)	-	-	-	-	(8,820)
TOTAL NOTIONAL CASH OUTFLOWS	(55,420)	(224)	(931)	(68)	-	(56,643)

14. FINANCIAL INSTRUMENTS continued

(e) Liquidity risk management (continued)

The following table details the Board's expected maturities for its financial assets. The table comprises the notional undiscounted contractual cash flows for the Board's financial assets, including interest that will be earned on those assets. The timing of the cash inflows is based on the financial asset's contracted maturity date except where the Board expects that the cash flow will occur in a different period.

The undiscounted cash flows differ from the amounts recognised in the statement of financial position for the relevant financial assets because the amounts recognised in that statement are based on the notional cash flows discounted to their present value.

Where the amount receivable is variable because it is based on variable interest rates or other factors, the amount in the table has been determined based on the conditions existing at the end of the reporting period.

FINANCIAL ASSETS	Less than 1 month NZ\$000	1-3 months NZ\$000	3 months to 1 year NZ\$000	1-5 years NZ\$000	5+ years NZ\$000	Total NZ\$000
2010						
Cash and investments						
Non-interest bearing	659	-	-	-	-	659
Variable interest rate instruments	15,671	18	55	2,221	-	17,965
Fixed rate instruments	-	5,050	30,721	31	-	35,802
	16,330	5,068	30,776	2,252	-	54,426
Trade and other receivables	8,715	-	-	-	-	8,715
Loans and advances to clubs						
Non-interest bearing	986	-	-	-	-	986
Variable interest rate instruments	13	20	90	9,706	-	9,829
Fixed rate instruments	-	81	37	390	290	798
	999	101	127	10,096	290	11,613
	26,044	5,169	30,903	12,348	290	74,754
2009						
Cash and investments						
Non-interest bearing	574	-	-	-	-	574
Variable interest rate instruments	12,839	18	55	2,314	-	15,226
Fixed rate instruments	-	16,088	24,331	-	-	40,419
	13,413	16,106	24,386	2,314	-	56,219
Trade and other receivables	4,911	-	-	-	-	4,911
Loans and advances to clubs						
Non-interest bearing	-	-	-	-	-	-
Variable interest rate instruments	-	-	-	10,603	-	10,603
Fixed rate instruments	-	99	39	433	380	951
	-	99	39	11,036	380	11,554
	18,324	16,205	24,425	13,350	380	72,684

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 is exposed to varying degrees of credit risk on all its financial assets.

	Note	2010 NZ\$000	2009 NZ\$000
MAXIMUM EXPOSURE TO CREDIT RISK			
Cash and cash equivalents	3	6,048	13,412
Foreign currency forward exchange contracts	5	69	1
Short-term deposits	5	45,282	39,000
Total liquid investments		51,399	52,413
<hr/>			
Trade and other receivables	4	8,715	4,911
Corporate bonds	5	2,051	2,019
Loans to clubs and codes	5	9,740	8,122
Total financial assets		71,905	67,465
<hr/>			
UNRECOGNISED CREDIT EXPOSURES			
Guarantee issued	10	8,820	8,820
Total unrecognised credit exposures		8,820	8,820
TOTAL CREDIT EXPOSURES		80,725	76,285

All loans to Clubs and Codes are fully secured as detailed in Note 10 Loans and advances to Clubs and Codes. The guarantee issued relates to surety provided to Bank of New Zealand for their advance to Racing at Awapuni, Otaki and Trentham Combined Enterprise Incorporated. Full details of this guarantee are disclosed in Note 21 Statement of contingent liabilities.

14. FINANCIAL INSTRUMENTS continued

(f) Credit risk continued

Concentrations of credit risk

The New Zealand Racing Board considers that it is exposed to concentrations of credit risk where a group of financial assets with similar shared characteristics represents at least 20% of the total assets in each significant financial asset class. Based on this analysis, the New Zealand Racing Board is exposed to the following concentrations of credit risk:

	2010 %	2010 NZ\$000	2009 %	2009 NZ\$000
Liquid investments				
(Counterparty concentrations)				
New Zealand registered banks	99.5%	51,123	98.9%	51,841
Other counterparties	0.5%	276	1.1%	572
Total liquid investments	100%	51,399	100%	52,413
Trade and other receivables				
(Industry & geographical concentrations)				
Australian betting agencies	22.9%	1,992	14.3%	701
New Zealand retail TAB outlets	35.2%	3,070	47.7%	2,343
Other New Zealand trade and other receivables	41.9%	3,653	38.0%	1,867
Total trade and other receivables	100%	8,715	100%	4,911

The New Zealand Racing Board has some concentration of credit risk with New Zealand registered banks. To minimise this risk, the New Zealand Racing Board's policy is to hold investments with financial institutions with a quality borrower Standard and Poor's rating. Currently, all New Zealand registered banks with which the New Zealand Racing Board has invested have a credit rating of AA.

14. FINANCIAL INSTRUMENTS continued

(g) Foreign currency exchange rate risk

The New Zealand Racing Board is exposed to exchange rate fluctuations from certain foreign currency denominated transactions it undertakes. Exchange rate exposures are managed within approved policy parameters including the use of forward foreign exchange contracts.

Exposure to Australian dollar exchange rate fluctuations is mitigated by the natural hedge that arises from amounts payable and receivable on international racing product fees.

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

		Assets		Liabilities	
		Foreign currency '000	NZD NZ\$000	Foreign currency '000	NZD NZ\$000
2010					
Australian dollars	AUD	2,759	3,399	3,630	4,563
Pounds sterling	GBP	35	85	4	9
United States dollars	USD	60	85	-	-
Singapore dollars	SGD	-	-	3	3
		2,854	3,569	3,637	4,575
2009					
Australian dollars	AUD	1,144	1,434	1,844	2,359
Pounds sterling	GBP	12	29	-	-
United States dollars	USD	35	53	28	43
Singapore dollars	SGD	-	-	-	-
		1,191	1,516	1,872	2,402

Foreign currency sensitivity analysis

As at 31 July 2010, if the New Zealand dollar had strengthened / weakened against the Australian dollar by 4% (2009:10%), with all other variables held constant, the net surplus before distributions would have been \$47,000 (2009: \$103,000) higher / lower as a result of higher / lower foreign exchange gains. There would also be a corresponding increase / decrease in equity.

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 NZD 50,000.

The notional value of forward foreign exchange contracts outstanding as at 31 July 2010 was AUD 2,129,000 (2009: USD 448,824).

(h) Interest rate risk

The New Zealand Racing Board is exposed to interest rate risk through its club loans, cash and call account balances, short-term deposits and corporate bonds held. The carrying values of these exposures are detailed in the Credit risk section of this note at 14(f) above.

As at 31 July 2010, if the Official Cash Rate had increased / decreased by 1% (2009: 3%), with all other variables held constant, the net surplus before distributions would have been \$552,000 (2009: \$1,900,000) higher / lower as a result of higher / lower net interest receipts. There would also be a corresponding increase / decrease in equity.

14. FINANCIAL INSTRUMENTS continued

(i) Fair values of financial instruments

The table below provides an analysis of the methodology used for valuing those financial assets and financial liabilities that are either carried at fair value or are re-measured at fair value because their carrying amounts are considered to differ from their fair value. The fair value of each class of financial instrument has been allocated in full to the category that most accurately reflects the basis of the fair value calculation.

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

Fair value measurement at the end of the reporting period using:

2010	Note	Quoted market price NZ\$000
Financial assets		
Foreign currency forward exchange contracts	5	-
Total financial assets measured at fair value		
Financial assets measured at amortised cost		
Total financial assets	14(c)	
Financial liabilities		
Deferred revenue (pre-sales)	7	-
Total financial liabilities measured at fair value		
Financial liabilities measured at amortised cost		
Total financial liabilities	14(c)	
2009		
Financial assets		
Foreign currency forward exchange contracts	5	-
Total financial assets measured at fair value		
Financial assets measured at amortised cost		
Total financial assets	14(c)	
Financial liabilities		
Deferred revenue (pre-sales)	7	-
Total financial liabilities measured at fair value		
Financial liabilities measured at amortised cost		
Total financial liabilities	14(c)	

Valuation methods and assumptions

The fair value of foreign currency forward exchange contracts is calculated based on interest-adjusted foreign exchange rates supplied by the New Zealand bank counterparties to the contracts. The fair value of open fixed odds single betting positions within deferred revenue (pre-sales) is calculated by applying the New Zealand Racing Board's expected probability of each outcome to the potential gross dividend payable on any particular outcome.

Gains and losses on financial instruments valued using non-observable inputs

In accordance with the New Zealand Racing Board's accounting policy, all gains and losses on pre-sales are recognised in Net betting revenue in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

Observable market inputs NZ\$000	Non-observable inputs NZ\$000	Total fair value measurement NZ\$000	Carrying value NZ\$000
69	-	69	69
		69	69
			71,836
			71,905
-	1,181	1,181	1,181
		1,181	1,181
			40,973
			42,154
1	-	1	1
		1	1
			67,464
			67,465
-	1,155	1,155	1,155
		1,155	1,155
			41,686
			42,841

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

	Actual 2010 NZ\$000	Budget 2010 NZ\$000	Actual 2009 NZ\$000
Surplus attributable to New Zealand Racing Board Reserves	3,322	8,240	(22,155)
NON-CASH ITEMS			
Depreciation expense	11,354	11,557	11,688
Amortisation expense	4,279	4,778	4,083
Foreign exchange (gain) / loss	19	60	(2)
Doubtful debts written off / (recovered)	10	-	(7)
Loan fair value adjustment	310	-	785
Other non-cash items	(368)	261	(45)
	15,604	16,656	16,502
ITEMS CLASSIFIED AS INVESTING/FINANCING ACTIVITIES			
Net (gain) / loss on sale of property, plant and equipment	21	-	179
Net finance costs	29	32	30
	50	32	209
MOVEMENT IN CURRENT ASSETS			
(Increase) / decrease in trade and other receivables	(3,804)	(1,401)	(311)
(Increase) / decrease in inventories	47	(1,291)	28
(Increase) / decrease in other assets	11	472	(132)
(Increase) / decrease in code asset	(986)	-	-
	(4,732)	(2,220)	(415)
MOVEMENT IN LIABILITIES			
Increase / (decrease) in trade payables and accruals	4,985	1,522	(1,006)
Increase / (decrease) in unpaid dividends	204	(683)	92
Increase / (decrease) in account betting deposits and vouchers	1,123	36	373
Increase / (decrease) in jackpot retentions	76	(230)	(230)
Increase / (decrease) in employee entitlements	(83)	(1,048)	(661)
Increase / (decrease) in taxes payable	956	(83)	(649)
Increase / (decrease) in code liability	(6,473)	258	258
Increase / (decrease) in deferred revenue	26	537	366
Increase / (decrease) in other liabilities	(962)	240	132
	(148)	549	(1,325)
Net cash provided by / (used in) operating activities	14,096	23,257	(7,184)

16. RELATED PARTIES

Funding transactions with Racing Codes

In the 2009-10 season, the New Zealand Racing Board agreed to bulk fund the Racing Codes to a maximum value of \$117.7 million (2008-09 \$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 (2009: \$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 the 2008/09 season, a further \$4.0 million final distribution was made to the Racing Codes for that season.

ENTITY	Funding		Code liability		Code asset	
	2010	2009	2010	2009	2010	2009
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
NZ Greyhound Racing Association	15,304	17,009	(1,008)	(2,225)	-	-
Harness Racing New Zealand	37,291	42,462	(703)	(2,735)	-	-
New Zealand Thoroughbred Racing	67,723	75,953	-	(3,224)	986	-
Other funding	3,364	2,086	-	-	-	-
Total funding transactions	123,682	137,510	(1,711)	(8,184)	986	-

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 practicable 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	
		2010	2009	2010	2009
		NZ\$000	NZ\$000	NZ\$000	NZ\$000
New Zealand Greyhound Racing Association	On-course venue services, trackside operations and radio recoveries	2,737	2,748	-	-
	Loan for the construction of an artificial racing surface at Manawatu Greyhound Racing Club	-	-	604	687
Harness Racing New Zealand	On-course venue services, trackside operations and radio recoveries	4,795	4,682	-	-
New Zealand Thoroughbred Racing	On-course venue services, trackside operations and radio recoveries	7,307	6,874	-	-
New Zealand Metropolitan Racing Club (Inc)	Loan for construction of stables at Addington Raceway	173	1,838	5,983	5,811
RACE Inc	Working capital facility	268	2,710	3,013	2,744
Whangarei Racing Club Incorporated	Loan for racetrack development at Ruakaka Racecourse	2	53	55	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.

16. RELATED PARTIES continued

Compensation of key management personnel

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

	2010 NZ\$000	2009 NZ\$000
Salaries and other short-term employee benefits	3,643	2,836

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

Employees and remuneration for the year ended 31 July 2010

The New Zealand Racing Board employed the following staff:	As at 31 July 2010	As at 31 July 2009
Salaried full-time employees	323	315
Phonebet operators (Rostered shift work)	217	225
Hourly rate staff		
-- part-time	163	149
-- casual	46	42
	749	731

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. The salary bands and number of employees within each band were as follows:

Total remuneration (\$000)	No. of employees as at 31 July 2010	No. of employees as at 31 July 2009
100-110	18	12
110-120	11	15
120-130	8	5
130-140	2	7
140-150	3	2
150-160	4	4
160-170	2	1
170-180	1	2
180-190	-	1
190-200	1	2
200-210	1	2
210-220	-	-
220-230	-	-
230-240	1	-
240-250	-	-
270-280	-	-
280-290	-	1
290-300	1	-
300-310	1	1
360-370	1	-
460-470	-	1
500-550	-	1
840-850	1	-
	56	57

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 pay and long service leave due to the 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.

16. RELATED PARTIES continued

Transactions with entities in which key management personnel have an interest

Certain key management personnel have relevant interests in a number of entities with which the New Zealand Racing Board has transactions in the normal course of business. A number of the key management 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.

Outlined below are the significant transactions with related parties:

Entity	Transaction	Transaction value		Balance outstanding		Relationship
		2010 NZ\$000	2009 NZ\$000	2010 NZ\$000	2009 NZ\$000	
Gadol Corporation Limited	Rental and associated payments for a property lease for a TAB outlet	116	142	-	-	Michael Stiassny, Chairman of the New Zealand Racing Board, is a director and shareholder of Gadol Corporation Ltd.
DNZ Property Group Limited	Rental and associated payments for a property lease for a TAB outlet	74	73	-	-	Michael Stiassny, Chairman of the New Zealand Racing Board, is a director of DNZ Property Group Ltd since 22 June 2010.
NZ Equine Industry Training Organisation Incorporated	Funding	100	90	-	85	Bill Colgan in his capacity as an executive of the New Zealand Racing Board, is a Board member of the NZ Equine Industry Training Organisation
	Accountancy services	(10)	(10)	(10)	(10)	The New Zealand Racing Board provides accounting and human resources services to the NZ Equine Industry Training Organisation.
	Rental of Auckland Premises	(2)	-	-	-	The New Zealand Racing Board provides rental premises to the NZ Equine Industry Training Organisation.
Massey University Partnership for Excellence	Funding	299	269	299	-	Bill Colgan in his capacity as an executive of the New Zealand Racing Board, is a Trustee of the Equine Trust, which administers the Partnership for Excellence.

New Zealand Racing Board TAB accounts maintained by related parties

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

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:

Simon Moutter

17. BUDGET COMPARATIVE INFORMATION

On-course projects and other expenditure funded was lower than budgeted due to budgeted initiatives not being able to be completed during the period. Domestic market share code funding was in excess of budget expectations due to an interim distribution of \$6 million made to the codes in March 2010.

Employee expenses were higher than budgeted mainly due to growth in headcount and increased reliance on contractors to support operational initiatives.

18. ACTUAL COMPARATIVE INFORMATION**(a) Interest income**

Interest income has decreased by \$2.4 million over the comparable period in the prior season due to lower cash balances.

(b) On-course projects and other expenditure funded

On-course projects and other expenditure funded was \$2.3 million lower than the comparable period in the prior season. This variance results from additional funding provided to these initiatives in the 2008/09 season to compensate the racing codes for the financial impact of the global economic downturn.

(c) Domestic market share code funding

Domestic market share code funding has decreased by \$17.7 million over the comparable period in the prior season. The difference is mainly due to a prior period extraordinary final distribution to the codes of \$22 million. An interim distribution of \$6 million was made to the codes in March 2010.

(d) Research and integrity funding

Research and integrity funding has increased by \$1.3 million over the comparable period in the prior season mainly due to the New Zealand Racing Board increasing its contribution to the Judicial Control Authority.

19. NATURE OF RESERVES**General Reserve**

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 2010

20. FUNDING TO THE RACING INDUSTRY

	Note	Actual 2010 NZ\$000	Budget 2010 NZ\$000	Actual 2009 NZ\$000
(a) Funding generated by the New Zealand Racing Board				
Betting turnover (including GST)	1a	1,582,734	1,550,000	1,513,459
Dividends and betting deductions (including GST)	1b	(1,345,546)	(1,317,991)	(1,284,097)
Interest and other income (excluding GST)	1c / 1d	36,256	33,044	34,461
Operating expenses (excluding GST)	2	(145,063)	(137,353)	(144,731)
NET RETURN BEFORE INDUSTRY EXPENDITURE AND DISTRIBUTIONS		128,381	127,700	119,092
(b) On-course projects and other expenditure funded by the New Zealand Racing Board from net return				
ON-COURSE PROJECTS				
Customer research studies		175	163	207
Destination Summer Holiday Racing		388	410	497
On-course big screens		341	326	942
Christmas at the Races		352	300	352
Other on-course projects		331	581	274
OTHER EXPENDITURE				
Club loan fair value adjustments		(310)	-	785
Equine influenza		9	-	164
Industry careers development		-	-	67
Supply chain wastage		-	-	26
Synthetic track development		74	-	402
Track feasibility studies		-	-	21
Other		17	-	-
TOTAL ON-COURSE PROJECTS AND OTHER EXPENDITURE FUNDED		1,377	1,780	3,737
(c) Project funding applied by the New Zealand Racing Board from reserves				
INDUSTRY PROJECTS FUNDED BY THE NEW ZEALAND RACING BOARD				
		-	-	-
TOTAL INDUSTRY PROJECTS FUNDED		-	-	-
TOTAL INDUSTRY AND ON-COURSE PROJECTS FUNDED		1,377	1,780	3,737

20. FUNDING TO THE RACING INDUSTRY continued

	Note	Actual 2010 NZ\$000	Budget 2010 NZ\$000	Actual 2009 NZ\$000
(d) Funding applied by the New Zealand Racing Board from surplus available for distribution and reserves				
DISTRIBUTIONS TO THE RACING INDUSTRY				
Fixed Code funding		84,261	84,261	84,261
Domestic market share Code funding -- interim		7,690	4,691	21,430
Domestic market share Code funding -- final		-	-	4,000
TOTAL CODE DISTRIBUTIONS		91,951	88,952	109,691
VARIABLE CODE FUNDING				
Export commissions paid		12,510	10,145	9,732
Fixed odds betting product payment		4,044	3,850	3,476
Industry interest paid on code liability balances		98	-	284
On-course commission payments		11,714	11,360	12,241
TOTAL VARIABLE CODE FUNDING		28,366	25,355	25,733
RESEARCH AND INTEGRITY FUNDING				
Racing laboratory services		888	924	901
Racing services rebates		58	-	58
Research, training and education		531	600	392
Other industry expenses		1,888	1,849	735
TOTAL RESEARCH AND INTEGRITY FUNDING		3,365	3,373	2,086
TOTAL FUNDING	16	123,682	117,680	137,510
Funded from:				
Surplus available for distribution		123,682	117,680	115,355
General reserve		-	-	22,155
TOTAL FUNDING	16	123,682	117,680	137,510
(e) Total funding applied				
TOTAL ON-COURSE AND INDUSTRY PROJECTS	20c	1,377	1,780	3,737
TOTAL FUNDING FROM SURPLUS AVAILABLE FOR DISTRIBUTION AND RESERVES	20d	123,682	117,680	137,510
TOTAL FUNDING APPLIED		125,059	119,460	141,247

21. STATEMENT OF CONTINGENT LIABILITIES**(a) 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 Bank of New Zealand.

(b) Litigation

The New Zealand Racing Board is defending a number of minor actions at balance date. While the liability is not admitted, if the defence against the action is unsuccessful the possible fines and legal costs would amount to less than \$100,000 in total. The New Zealand Racing Board does not expect the outcome of any actions to have a material effect on its financial position and no liability has been recognised.

(c) Other contingent liabilities

The New Zealand Racing Board has purchase card facilities with the Bank of New Zealand with a total limit of \$750,000 as at 31 July 2010. This facility is to allow personnel to incur business related expenses.

The New Zealand Racing Board has Letters of Credit with the Bank of New Zealand for a total of \$119,000 as at 31 July 2010. The Letters of Credit relate to the individual agencies limits for cheques payable to TAB customers.

22. EVENTS AFTER THE REPORTING DATE

In August 2010, the New Zealand Racing Board entered into an agreement to purchase 660 Self Service Terminals as part of the New Zealand Racing Board's retail transformation strategy. The total value of the contract is approximately \$5.3 million.

AUDITORS' REPORT



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Auditors' Report to the Members of New Zealand Racing Board

We have audited the financial statements on pages 27 to 67. 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 2010 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 31 to 35.

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 which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the New Zealand Racing Board and the 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 which present fairly the financial position of the New Zealand Racing Board as at 31 July 2010 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 which 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.



Auditors' Report
New Zealand Racing Board

Unqualified opinion

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

In our opinion the financial statements:

- (a) comply with generally accepted accounting practice in New Zealand; and
- (b) comply with International Financial Reporting Standards; and
- (c) present fairly the financial position of the New Zealand Racing Board as at 31 July 2010 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 2 November 2010 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read 'Price Waterhouse Coopers', written in a cursive style.

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