



**1 March 2007**

### **NZ Racing Board Continues to Deliver Strong Financial Growth**

The New Zealand Racing Board today announced a 7% rise in wagering turnover for the first six months of this financial year, with operating earnings of \$67.1 million, a result largely attributed to a strong wagering performance, particularly in the growth of sports and racing fixed-odds wagering.

Turnover on Racing Fixed Odds wagering increased 32% to more than \$35 million, Sports Fixed Odds wagering increased 25% to more than \$62 million, while tote wagering grew 5% to more than \$608 million on the same period last year.

Michael Stiasny, Chairman of the NZ Racing Board said the business continues to make good progress in delivering a strong financial platform for future expansion.

“We are seeing very good growth in our Racing Fixed Odds business which is to be expected for a business in the early stages of its life cycle. The growth of the Sports Fixed Odds business is more pleasing to the Board as this is reflecting a global trend and we are now beginning to realise the potential that we see in sports wagering in New Zealand.

“It is also comforting for the Board and management that while the Fixed Odds business is growing very quickly our bread and butter, the tote, has shown growth of 5%. This demonstrates our customers have an appetite for an expansion in our current offering without reducing their involvement with our traditional business,” said Michael.

Following the introduction of lower duty rates, over the past six months the New Zealand Racing Board has increased payments to the three racing Codes by \$10.1 million, lowered take-out rates on Win and Place products and further enhanced retained earnings in line with the infrastructure investment target outlined at the start of the season.

“Going forward the business will work with the industry to identify and confirm the structural investment requirements as part of the industry redevelopment programme. It is imperative that the benefits from our wagering operation are invested in the most effective areas to drive sustainable industry growth”, added Michael.

The last six months have also seen the NZ Racing Board and the racing Codes develop a fresh approach to the scheduling of the domestic racing calendar which in time will help to realise greater earnings through the internationalisation strategy.

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**For further information, please contact:**

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New Zealand Racing Board  
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# NEW ZEALAND RACING BOARD

## FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL PERFORMANCE

For 6 months ended 31 January 2007

	Notes	2007 \$'000	Budget \$'000	2006 \$'000
<b>REVENUE</b>				
Betting Turnover (including GST)	2	752,139	717,677	701,963
Net Dividends (including GST)		(611,001)	(582,978)	(568,152)
Betting Deductions (including GST)	3	(21,449)	(20,673)	(38,148)
Net Betting Revenue (excluding GST)		119,689	114,026	95,663
Other Income	4	8,223	7,167	7,644
<b>Operating Revenue</b>		<b>127,912</b>	<b>121,193</b>	<b>103,307</b>
<b>OPERATING EXPENDITURE</b>				
Operating Expenses	5	64,196	62,113	59,118
<b>OTHER INCOME</b>				
Interest Income		3,360	2,790	2,930
<b>NET RETURN FROM NEW ZEALAND RACING BOARD OPERATIONS</b>		<b>67,076</b>	<b>61,870</b>	<b>47,119</b>
<b>INDUSTRY EXPENDITURE</b>				
Industry Operating Expenses	11	12,759	12,760	10,846
Industry Revitalisation Expenses		1,447	1,877	919
<b>NET SURPLUS</b>		<b>52,870</b>	<b>47,233</b>	<b>35,354</b>

### STATEMENT OF MOVEMENTS IN EQUITY

For 6 months ended 31 January 2007

	2007 \$'000	Budget \$'000	2006 \$'000
<b>Reserves at Beginning of Year</b>	<b>99,522</b>	<b>99,522</b>	<b>101,664</b>
Total Recognised Income and Expense (Net Surplus for the Period)	52,870	47,233	35,354
Distribution from Reserves for Industry Revitalisation	1,447	1,877	919
Net Surplus Available for Distribution	54,317	49,110	36,273
Interim Surplus Distributions to Codes	(42,730)	(42,457)	(33,327)
	11,587	6,653	2,946
Distribution from Reserves	(1,447)	(1,877)	(919)
<b>NET INCREASE IN RESERVES</b>	<b>10,140</b>	<b>4,776</b>	<b>2,027</b>
<b>Reserves at End of Year</b>	<b>109,662</b>	<b>104,298</b>	<b>103,691</b>

# NEW ZEALAND RACING BOARD

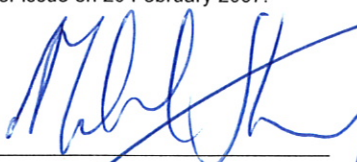
## FINANCIAL STATEMENTS

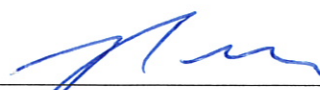
### STATEMENT OF FINANCIAL POSITION

As at 31 January 2007

	Notes	2007 \$'000	Budget \$'000	2006 \$'000
<b>EQUITY</b>				
Reserves		109,662	104,298	103,691
<b>Total Equity</b>		<b>109,662</b>	<b>104,298</b>	<b>103,691</b>
<i>Represented By:</i>				
<b>CURRENT ASSETS</b>				
Cash and Short Term Investments	6	86,643	79,843	70,805
Receivables and Prepayments	7	4,751	3,900	2,923
Inventory		280	183	205
		<b>91,674</b>	<b>83,926</b>	<b>73,933</b>
<b>CURRENT LIABILITIES</b>				
Payables	8	20,134	22,544	19,058
Account Betting Deposits and Vouchers		12,006	12,500	10,679
Unpaid Dividends and Jackpot Retentions		6,020	6,178	5,774
		<b>38,160</b>	<b>41,222</b>	<b>35,511</b>
<b>WORKING CAPITAL</b>		<b>53,514</b>	<b>42,704</b>	<b>38,422</b>
<b>NON CURRENT ASSETS</b>				
Loans and Advances to Clubs	9	1,626	1,710	1,921
Long Term Investments	6	5,011	5,011	10,271
Property, Plant and Equipment		46,140	51,465	51,093
Broadcasting Licences and Intangibles		4,935	4,972	4,306
		<b>57,712</b>	<b>63,158</b>	<b>67,591</b>
<b>NON CURRENT LIABILITIES</b>		<b>1,564</b>	<b>1,564</b>	<b>2,322</b>
<b>NET ASSETS</b>		<b>109,662</b>	<b>104,298</b>	<b>103,691</b>

The Members of the New Zealand Racing Board authorise these Financial Statements for issue on 20 February 2007.

  
 Michael Stiasny  
 Chairman of New Zealand Racing Board

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

# NEW ZEALAND RACING BOARD

## FINANCIAL STATEMENTS

### STATEMENT OF CASH FLOWS

For 6 months ended 31 January 2007

	Notes	2007 \$'000	Budget \$'000	2006 \$'000
<b>OPERATING ACTIVITIES</b>				
<i>INFLOWS</i>				
Betting Turnover		751,861	717,676	702,013
Racing Services Income		2,558	3,187	2,497
Current Dividends and Deposits		505	-	254
Interest Received		3,471	2,790	2,945
Other Income		3,407	3,075	4,048
		<u>761,802</u>	<u>726,728</u>	<u>711,757</u>
<i>OUTFLOWS</i>				
Betting Duty Paid		5,417	5,428	22,948
Dividends Paid		611,377	586,186	568,546
Payments to Suppliers		47,174	44,851	40,347
Industry Distributions		44,173	41,874	35,618
Industry Expenses		12,759	12,760	10,846
Sporting Bodies' Levies		986	1,144	858
Payment to Employees		13,838	13,203	12,839
Net Goods and Services Tax		14,810	14,275	13,826
		<u>750,534</u>	<u>719,721</u>	<u>705,828</u>
Net Cash from Operating Activities	10	<u>11,268</u>	<u>7,007</u>	<u>5,929</u>
<b>INVESTING ACTIVITIES</b>				
<i>INFLOWS</i>				
Disposal of Property, Plant and Equipment		-	-	122
Repayments of Club Loans		148	75	100
Repayments of Long Term Investments		-	-	4,509
		<u>148</u>	<u>75</u>	<u>4,731</u>
<i>OUTFLOWS</i>				
Purchase of Property, Plant and Equipment		4,883	7,378	5,506
Purchase of Long Term Investments		-	-	-
		<u>4,883</u>	<u>7,378</u>	<u>5,506</u>
Net Cash from Investing Activities		<u>(4,735)</u>	<u>(7,303)</u>	<u>(775)</u>
<b>Net (Decrease)/Increase in Cash Held</b>				
		<u>6,533</u>	<u>(296)</u>	<u>5,154</u>
Cash Brought Forward		80,189	80,189	65,665
Effect of Exchange Rate Change on Foreign Currency Balances		(80)	(50)	(14)
		<u>86,643</u>	<u>79,843</u>	<u>70,805</u>
Represented By:				
Cash and Short Term Investments	6	<u>86,643</u>	<u>79,843</u>	<u>70,805</u>
		<u>86,643</u>	<u>79,843</u>	<u>70,805</u>

# NEW ZEALAND RACING BOARD

## FINANCIAL STATEMENTS

### Notes to the Financial Statements

For 6 months ended 31 January 2007

#### NOTE 1 ACCOUNTING POLICIES

##### Interim Financial Statements

The New Zealand Racing Board Financial statements for the six months ended 31<sup>st</sup> January 2007 have been prepared in accordance with FRS 24 Interim Financial Statements, and should be read in conjunction with the previous annual report.

The accounting policies used are consistent with those used in the previous annual report, and there have been no changes to the accounting policies in the six months ended 31st January 2007.

Comparative information has been reclassified, where necessary, to achieve consistency in disclosure with the current year.

#### NOTE 2 BETTING TURNOVER (INCLUDING GST)

	2007	Budget	2006
	\$ 000's	\$ 000's	\$ 000's
Off-course Racing - Totalisator (Tote)	607,166	592,691	578,302
Off-course Racing - Fixed Odds Betting (FOB)	35,630	31,592	26,948
On-course Racing	45,885	46,153	45,894
<b>Total Racing Turnover</b>	<b>688,681</b>	<b>670,436</b>	<b>651,144</b>
Sports - Totalisator (Tote)	842	1,020	770
Sports - Fixed Odds Betting (FOB)	62,616	46,221	50,049
<b>Total Sports Betting</b>	<b>63,458</b>	<b>47,241</b>	<b>50,819</b>
<b>Total Betting Turnover</b>	<b>752,139</b>	<b>717,677</b>	<b>701,963</b>

#### NOTE 3 BETTING DEDUCTIONS (INCLUDING GST)

	2007	Budget	2006
	\$ 000's	\$ 000's	\$ 000's
Betting Duty	5,417	5,428	22,948
Goods and Services Tax	15,046	14,433	14,342
Sporting Bodies' Levies	986	812	858
<b>Total Betting Deductions</b>	<b>21,449</b>	<b>20,673</b>	<b>38,148</b>

Betting Duty has decreased as a result of the reduction in the duty rate from 20% to 4% effective 1 August 2006.

#### NOTE 4 TOTAL OPERATING REVENUE

	2007	Budget	2006
	\$ 000's	\$ 000's	\$ 000's
Net Betting Revenue	119,689	114,026	95,663
Racing Services Income	2,558	2,461	2,496
International Racing	2,367	1,840	1,845
* Other Income	3,298	2,866	3,303
<b>Total Other Income</b>	<b>8,223</b>	<b>7,167</b>	<b>7,644</b>
<b>Operating Revenue</b>	<b>127,912</b>	<b>121,193</b>	<b>103,307</b>
Interest Income	3,360	2,790	2,930
<b>Total Operating Revenue</b>	<b>131,272</b>	<b>123,983</b>	<b>106,237</b>

\* Other Income and Other Operating Expenses have been restated in the prior year comparative figures to reflect the value of non-cash service agreements with certain suppliers.

NEW ZEALAND RACING BOARD

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Notes to the Financial Statements

For 6 months ended 31 January 2007

NOTE 5 OPERATING EXPENSES	2007 \$ 000's	Budget \$ 000's	2006 \$ 000's
Amortisation of Intangible Assets	417	417	417
Depreciation	6,069	5,872	5,754
Insurance	436	453	454
* Other Operating Expenses	18,010	16,466	16,451
Overseas Racing Rights	6,963	6,061	6,080
Problem Gambling Levy and Expenses	865	693	733
Property and Equipment Leases	1,888	1,900	1,763
Retail and Internet Fees	13,695	13,624	12,398
Staff Costs	15,853	16,627	15,068
<b>Total Other Operating Expenses</b>	<b>64,196</b>	<b>62,113</b>	<b>59,118</b>

\* Other Income and Other Operating Expenses have been restated in the prior year comparative figures to reflect the value of non-cash service agreements with certain suppliers.

NOTE 6 CASH AND INVESTMENTS	2007 Actual \$ 000's	2007 Budget \$ 000's	2006 Actual \$ 000's
Foreign Currency Bank Accounts	496	200	913
Foreign Currency Betting Accounts	421	250	253
NZ Dollar Bank Accounts and Call Deposits	36,700	32,013	12,948
Short Term Investments	49,026	47,380	56,691
<b>Cash and Short Term Investments</b>	<b>86,643</b>	<b>79,843</b>	<b>70,805</b>
Corporate Bonds	5,011	5,011	10,271
<b>Long Term Investments</b>	<b>5,011</b>	<b>5,011</b>	<b>10,271</b>
<b>Total Cash and Investments</b>	<b>91,654</b>	<b>84,854</b>	<b>81,076</b>

Effective interest rates at 31 January 2007 range between 2.25% and 7.82%.

Note that \$14,000,000 is held in Trust to cover the amounts owing to customers for Account Deposits and Unpresented Betting Vouchers. The balance of these items as at 31 January 2007 was \$12,006,410 (2006: \$10,678,729).

NOTE 7 RECEIVABLES AND PREPAYMENTS	2007 \$ 000's	Budget \$ 000's	2006 \$ 000's
Current Portion of Advances to Clubs	247	272	252
Sundry Receivables	3,364	3,128	2,131
Trade Receivables	1,140	500	540
<b>Total Receivables and Prepayments</b>	<b>4,751</b>	<b>3,900</b>	<b>2,923</b>

NEW ZEALAND RACING BOARD

FINANCIAL STATEMENTS

**Notes to the Financial Statements**

For 6 months ended 31 January 2007

NOTE 8 PAYABLES	2007 \$ 000's	Budget \$ 000's	2006 \$ 000's
Code Liability	6,052	5,882	3,032
GST and NRWT	1,624	1,790	1,545
Accruals	8,126	7,500	7,739
Trade Payables	1,862	4,982	4,514
Annual and Long Service Leave	2,470	2,390	2,228
<b>Total Payables</b>	<b>20,134</b>	<b>22,544</b>	<b>19,058</b>

**NOTE 9 LOANS AND ADVANCES TO CLUBS**

*(Note these Loans were taken over from the previous New Zealand Racing Industry Board)*

	2007 \$ 000's	2006 \$ 000's
Avondale JC	1,599	1,772
Canterbury JC	36	70
Race Inc	20	40
Racing Southland	-	40
Wanganui GRC	218	251
<b>Total Loans and Advances to Clubs</b>	<b>1,873</b>	<b>2,173</b>
Current Portion of Loans and Advances to Clubs	247	252
Non Current Portion of Loans and Advances to Clubs	1,626	1,921
	<b>1,873</b>	<b>2,173</b>

Interest rates on these loans range from 0% to 5%. The New Zealand Racing Board is satisfied as to the ultimate collectability of these loans.



NEW ZEALAND RACING BOARD

FINANCIAL STATEMENTS

Notes to the Financial Statements

For 6 months ended 31 January 2007

NOTE 10 STATEMENT OF CASH FLOWS

Reconciliation of Net Surplus to Net Cash Flows from Operating Activities	2007 \$ 000's	Budget \$ 000's	2006 \$ 000's
NET SURPLUS	52,870	47,233	35,354
<i>Impact of Non Cash Items:</i>			
Amortisation of Intangible Assets	417	417	417
Depreciation	6,069	5,872	5,754
Foreign Exchange (Gains)/Losses	(80)	(50)	(14)
<i>Impact of Movements in Working Capital:</i>			
Account Betting Deposits and Vouchers	(151)	343	(377)
Interim Distributions to Codes	(42,730)	(42,457)	(33,327)
Payables	(4,427)	(2,017)	(3,877)
Receivables and Prepayments	(1,100)	(249)	2,650
Inventory	(97)	-	(44)
Unpaid Dividends and Jackpot Retentions	656	814	381
<i>Impact of Items Classified as Investing Activities:</i>			
Current Portion of Non Current Liabilities included in Payables	(875)	(875)	-
Property, Plant & Equipment Purchases in Accruals	657	(2,024)	(776)
Net Loss/(Gain) on Disposal of Assets	59	-	(113)
<b>Net Cash from Operating Activities</b>	<b>11,268</b>	<b>7,007</b>	<b>5,929</b>

NOTE 11 INDUSTRY OPERATING EXPENSES

	2007 \$ 000's	Budget \$ 000's	2006 \$ 000's
Final Field FOB Racing Levies	1,341	1,275	1,207
Industry Interest Paid	270	180	156
Local Club Payments - International Racing	2,026	1,703	1,562
On-course Commission Payments to Clubs	7,342	7,384	5,969
Other Industry Expenses	247	497	47
Owners/Breeders Incentives	-	-	480
Premier Marketing Subsidies	1,108	1,114	1,015
Racing Services Rebates	74	73	73
Research, Training and Education	10	227	22
Stakes Support to Codes	341	307	315
<b>Total Industry Operating Expenses</b>	<b>12,759</b>	<b>12,760</b>	<b>10,846</b>