

**Condensed Income Statement**  
**For the Half Year Ended 31 January 2012**

		UNAUDITED		AUDITED	
	Actual 2012	Budget 2012	Actual 2011	Actual 2011	
Note	Six Months	Six Months	Six Months	Full Year	
	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	
<b><u>Revenue and Other Income</u></b>					
Betting Turnover (including GST)	1a	831,996	827,132	800,703	1,533,401
Net Dividends (including GST)		(686,117)	(682,728)	(656,378)	(1,260,608)
Betting Deductions (including GST)	1b	(24,453)	(23,429)	(23,372)	(44,636)
<b>Net Betting Revenue (excluding GST)</b>		<b>121,426</b>	<b>120,975</b>	<b>120,953</b>	<b>228,157</b>
Interest Income	1c	1,058	774	1,217	2,177
Other Income	1d	30,181	28,268	21,561	43,413
<b>Other Revenues</b>		<b>31,239</b>	<b>29,042</b>	<b>22,778</b>	<b>45,590</b>
<b>Total Revenue and Other Income</b>		<b>152,665</b>	<b>150,017</b>	<b>143,731</b>	<b>273,747</b>
<b><u>Expenses</u></b>					
Operating Expenses	2	80,050	78,111	74,167	146,716
Software Impairment	12	-	-	-	3,200
<b>Net Return before Industry Expenditure and Distributions</b>	16a	<b>72,615</b>	<b>71,906</b>	<b>69,564</b>	<b>123,831</b>
<b><u>Industry and On-Course Projects</u></b>					
On-Course and Other Projects Funded	16b	741	1,063	809	1,515
<b>Total On-Course Projects</b>		<b>741</b>	<b>1,063</b>	<b>809</b>	<b>1,515</b>
<b>Surplus available for distribution</b>		<b>71,874</b>	<b>70,843</b>	<b>68,755</b>	<b>122,316</b>
<b><u>Funding to the Racing Industry</u></b>					
Fixed Code Funding	16c	66,497	66,497	48,108	85,000
Domestic Market Share Funding	16c	-	-	325	1,167
Variable Code Funding	16c	-	-	20,246	36,368
Research and Integrity Funding	16c	3,321	3,269	1,933	3,820
Gaming Activity Funding	16c	1,346	2,085	-	-
<b>Total Funding</b>	16c	<b>71,164</b>	<b>71,851</b>	<b>70,612</b>	<b>126,355</b>
<b>Net surplus/(deficit) after Funding</b>		<b>710</b>	<b>(1,008)</b>	<b>(1,857)</b>	<b>(4,039)</b>
<b>Surplus attributable to:</b>					
New Zealand Racing Board Reserves		710	(1,008)	(1,857)	(4,039)
		<b>710</b>	<b>(1,008)</b>	<b>(1,857)</b>	<b>(4,039)</b>

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

**Condensed Statement of Comprehensive Income  
For the Half Year Ended 31 January 2012**

	Actual 2012 Six Months NZ\$ '000	UNAUDITED Budget 2012 Six Months NZ\$ '000	Actual 2011 Six Months NZ\$ '000	AUDITED Actual 2011 Full Year NZ\$ '000
Net surplus/(deficit) after Funding Other comprehensive income	710	(1,008)	(1,857)	(4,039)
	-	-	-	-
<b>Total comprehensive income</b>	<b>710</b>	<b>(1,008)</b>	<b>(1,857)</b>	<b>(4,039)</b>
<b>Total comprehensive income attributable to:</b>				
New Zealand Racing Board Reserves	710	(1,008)	(1,857)	(4,039)
	<b>710</b>	<b>(1,008)</b>	<b>(1,857)</b>	<b>(4,039)</b>

**Condensed Statement of Changes in Equity  
For the Half Year Ended 31 January 2012**

	General Reserves NZ\$ '000	Budget NZ\$ '000
<b><u>Changes in equity 2011 (six months - unaudited)</u></b>		
Balance at 1 August 2010	84,848	89,766
Adjust Budget for Actual carried forward	-	(4,917)
Total comprehensive income for the period	(1,857)	(2,212)
<b>Balance at 31 January 2011</b>	<b>82,991</b>	<b>82,637</b>
<b><u>Changes in equity 2011 (full year - audited)</u></b>		
Balance at 1 August 2010	84,848	89,766
Adjust Budget for Actual carried forward	-	(4,918)
Total comprehensive income for the year	(4,039)	(927)
<b>Balance at 31 July 2011</b>	<b>80,809</b>	<b>83,921</b>
<b><u>Changes in equity 2012 (six months - unaudited)</u></b>		
Balance at 1 August 2011	80,809	83,921
Adjust Budget for Actual carried forward	-	(3,112)
Total comprehensive income for the period	710	(1,008)
<b>Balance at 31 January 2012</b>	<b>81,519</b>	<b>79,801</b>

**Condensed Statement of Financial Position  
As at 31 January 2012**

		UNAUDITED		AUDITED
	Actual 2012	Budget 2012	Actual 2011	Actual 2011
	Six Months	Six Months	Six Months	Full Year
Note	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000
<b><u>Current Assets</u></b>				
Cash and Cash Equivalents	3	6,774	7,319	11,083
Trade and Other Receivables	4	9,817	7,683	9,736
Financial Assets	5	46,206	36,203	30,419
Other Assets	6	2,117	2,346	1,643
<b>Total Current Assets</b>		<b>64,914</b>	<b>53,551</b>	<b>52,881</b>
<b><u>Non-Current Assets</u></b>				
Property, Plant and Equipment	11	48,746	53,673	48,288
Intangible Assets	12	17,847	16,025	17,599
Financial Assets	5	4,962	4,976	10,856
<b>Total Non-Current Assets</b>		<b>71,555</b>	<b>74,674</b>	<b>76,743</b>
<b>TOTAL ASSETS</b>		<b>136,469</b>	<b>128,225</b>	<b>129,624</b>
<b><u>Current Liabilities</u></b>				
Trade and Other Payables	7	20,280	17,181	18,715
Account Betting Deposits and Vouchers		14,659	14,710	13,581
Financial Liabilities	8	15,567	11,397	10,291
Taxes Payable		3,200	3,955	2,924
Provisions	9	250	246	477
<b>Total Current Liabilities</b>		<b>53,956</b>	<b>47,489</b>	<b>45,988</b>
<b><u>Non-Current Liabilities</u></b>				
Financial Liabilities	8	-	-	-
Provisions	9	994	935	645
<b>Total Non-Current Liabilities</b>		<b>994</b>	<b>935</b>	<b>645</b>
<b>TOTAL LIABILITIES</b>		<b>54,950</b>	<b>48,424</b>	<b>46,633</b>
<b>Net Assets</b>		<b>81,519</b>	<b>79,801</b>	<b>82,991</b>
<b><u>Equity</u></b>				
General Reserve	15	81,519	79,801	82,991

The members of the New Zealand Racing Board authorise these Financial Statements for issue on 6 March 2012.



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



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

**Condensed Statement of Cash Flows**  
**For the Half Year Ended 31 January 2012**

	Note	Actual 2012 Six Months NZ\$ '000	UNAUDITED Budget 2012 Six Months NZ\$ '000	Actual 2011 Six Months NZ\$ '000	AUDITED Actual 2011 Full Year NZ\$ '000
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Inflows</b>					
Betting turnover		831,519	826,712	800,282	1,533,392
Racing services income		7,797	7,977	7,881	14,666
Jackpot retentions and account deposits (net)		(69)	(303)	(426)	281
Interest received		1,013	771	1,143	2,128
International racing fees and other income		14,317	13,879	11,893	26,960
Gaming machine proceeds		6,007	6,381	-	-
Interest received from Gaming		29	-	-	-
		860,613	855,417	820,773	1,577,427
<b>Outflows</b>					
Dividends paid		686,034	682,728	656,069	1,260,735
Fixed and domestic market share funding		59,086	56,372	62,926	108,426
On-course and Industry projects		904	1,238	961	1,825
Variable code, research and integrity funding		12,398	22,593	11,878	32,048
Payments to suppliers		42,736	42,005	41,476	80,125
Payments to employees		17,921	16,038	17,138	33,757
Goods and services tax		18,186	17,337	17,105	33,826
Betting duty paid		6,933	5,642	6,652	10,771
Sports bodies' levies		2,450	2,009	2,230	3,474
Payments for Gaming		2,811	4,637	-	-
		849,459	850,599	816,435	1,564,987
<b>Net cash provided by/(used in) operating activities</b>	<b>13</b>	<b>11,154</b>	<b>4,818</b>	<b>4,338</b>	<b>12,440</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Inflows</b>					
Repayment of short-term deposits on maturity		-	-	15,282	15,282
Disposals of property, plant and equipment		990	-	34	72
Disposals of intangible assets		-	-	1,028	1,028
Repayment of club loans		123	112	66	66
		1,113	112	16,410	16,448
<b>Outflows</b>					
Investments of short-term deposits		10,002	-	-	-
Purchase of property, plant and equipment		4,805	4,845	9,274	14,530
Purchase of intangible assets		419	423	6,383	10,323
Purchase of Gaming property, plant and equipment		2,746	5,622	-	-
Purchase of Gaming intangible assets		213	213	-	-
Drawdowns of club loans		-	-	15	14
		18,185	11,103	15,672	24,867
<b>Net cash provided by/(used in) investing activities</b>		<b>(17,072)</b>	<b>(10,991)</b>	<b>738</b>	<b>(8,419)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Inflows</b>					
Drawdown of loan for Gaming		2,700	3,550	-	-
		2,700	3,550	-	-
<b>Outflows</b>					
Interest paid		10	60	17	29
Repayments of finance leases		-	-	24	38
		10	60	41	67
<b>Net cash provided by/(used in) financing activities</b>		<b>2,690</b>	<b>3,490</b>	<b>(41)</b>	<b>(67)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(3,228)</b>	<b>(2,683)</b>	<b>5,035</b>	<b>3,954</b>
Cash and cash equivalents at the start of the year		10,002	10,002	6,048	6,048
		6,774	7,319	11,083	10,002
<b>Cash and cash equivalents at the end of the period</b>	<b>3</b>	<b>6,774</b>	<b>7,319</b>	<b>11,083</b>	<b>10,002</b>

*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.

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

## **Statement of compliance**

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

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

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

## **Basis of preparation**

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

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

The accounting policies and computation methods set out below have been applied in preparing the financial statements for the half year ended 31 January 2012 and the information presented for both comparative periods comprising the half year ended 31 January 2011 and the full year ended 31 July 2011.

The financial statements are parent and group financial statements. The group comprises the New Zealand Racing Board, Racing Integrity Unit Limited 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.

## **Application of new and amended accounting standards**

The following amended accounting standard applicable to the New Zealand Racing Board's half year reporting period beginning on or after 1 August 2011, has been applied from the beginning of the 2012 financial year. The amendment of this standard has not had any impact on the financial results of the New Zealand Racing Board.

Amendments to NZ IAS 24 Related Party Disclosures. The amendments simplify the definition of a related party and provide further clarification of its intended meaning.

# New Zealand Racing Board Statement of Accounting Policies

## Key source of estimation uncertainty

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

## Seasonality of interim operations

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

## Seasonality of interim operations (continued)

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

## Significant Accounting Policies

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

### (a) Revenue recognition

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

#### Net Betting Revenue

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

#### Totalisator Revenue

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

#### Fixed Odds Betting Revenue

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

#### International Racing Fees

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

#### Interest Income

Interest Income is recognised using the Effective Interest Method.

#### Racing Services Income

Racing Services Income refers to income the New Zealand Racing Board derives from providing on-course race services to racing clubs, recovered as part of the funding arrangements from the Code Bodies. This revenue is recognised at the time that the racing event take place.

#### Contributions towards assets

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

# New Zealand Racing Board Statement of Accounting Policies

## Significant Accounting Policies (continued)

### (b) Foreign currency transactions

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

The functional and presentation currency is the New Zealand dollar.

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

The income statement and statement of cash flows are prepared on a GST exclusive basis except for betting turnover and dividends paid to customers. The GST component in betting turnover and dividends paid to customers. The GST component in betting turnover represents the GST payable on betting deductions and net betting revenue as outlined in the Racing Act 2003. All items in the balance sheet and statement of changes in equity are stated net of GST, with the exception of trade receivables and payables which are recognised inclusive of GST.

### (d) Income Tax

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

### (e) Inventories

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

### (f) Financial assets

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

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

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

#### Loans and receivables

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

#### Held-to-maturity investments

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

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

# New Zealand Racing Board Statement of Accounting Policies

## Significant Accounting Policies (continued)

### (g) Financial liabilities

#### Trade and other accounts payable

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

#### Unpaid dividends

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

### (g) Financial liabilities (continued)

#### Jackpot retentions

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

#### Other financial liabilities

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

#### Recognition and measurement

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

### (h) Derivative financial instruments

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

#### Fixed Odds Betting Revenue

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

### (i) Property, plant and equipment

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

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

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

The current annual depreciation rates 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	20.00%
Gaming machines	33.00%

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



# New Zealand Racing Board Statement of Accounting Policies

## Significant Accounting Policies (continued)

### (j) Leased assets

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

#### Lessee

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

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

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

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

#### Lease incentives

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

### (k) Intangible assets

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

The current annual amortisation rates are as follows:

Broadcasting licences	5.0% - 38.5%
Other Broadcasting Intangibles	16.70%
Software	14.3% - 33.3%

### (l) Impairment of assets

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

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

# New Zealand Racing Board Statement of Accounting Policies

## Significant Accounting Policies (continued)

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

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

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

### (m) Provisions

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

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

### (n) Employee benefits

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

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

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

### (o) Netting

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

### (p) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the New Zealand Racing Board as at 31 January 2012 and the results of the operations of such entities for the year ended. New Zealand Racing Board and such entities are together referred to as The New Zealand Racing Board in these financial statements.

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

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

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

# New Zealand Racing Board Statement of Accounting Policies

## Significant Accounting Policies (continued)

### (q) Funding

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

Distributions (gaming activity funding) are approved by the New Zealand Racing Board's Net Proceeds Committees under a grants policy that ensures that the authorised purpose is consistent with the purpose specified in the New Zealand Racing Board's licence.

The Gambling (Net Proceeds) Regulations 2004 requires any undistributed surplus at year end to be recorded as a liability in the statement of financial position and an accrued distribution in the income statement.

### (r) Gaming machine proceeds

Gaming machine proceeds (GMP) are recognised in the period in which the services were rendered.

### (s) Gaming machine duty

Gaming machine duty is payable on the gaming machine proceeds (GMP) that the New Zealand Racing Board takes from its gaming machines. It is charged at 20% of the GMP GST inclusive total.

### (t) 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.

The New Zealand Racing Board intends to apply the standard for the financial period ending 31 July 2014.

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2012

### 1. Revenue

	Actual 2012 Six Months NZ\$ '000	UNAUDITED Budget 2012 Six Months NZ\$ '000	Actual 2011 Six Months NZ\$ '000	AUDITED Actual 2011 Full Year NZ\$ '000
<b>Revenue from Continuing Operations:</b>				
<b>(a) Betting Turnover (including GST)</b>				
Off-Course Racing - Totalisator (Tote)	582,966	610,625	595,918	1,128,091
Off-Course Racing - Fixed Odds (FOB)	88,951	81,908	75,387	144,495
On-Course Racing	38,869	38,202	43,119	69,453
<b>TOTAL RACING TURNOVER</b>	<b>710,786</b>	<b>730,735</b>	<b>714,424</b>	<b>1,342,039</b>
Sports Totalisator (Tote)	569	785	707	1,649
Sports - Fixed Odds (FOB)	120,641	95,612	85,572	189,713
<b>TOTAL SPORT TURNOVER</b>	<b>121,210</b>	<b>96,397</b>	<b>86,279</b>	<b>191,362</b>
<b>TOTAL BETTING TURNOVER</b>	<b>831,996</b>	<b>827,132</b>	<b>800,703</b>	<b>1,533,401</b>
<b>(b) Betting Deductions (including GST)</b>				
Betting Duty	5,764	5,499	5,672	10,663
Goods and Services Tax	18,689	17,930	17,700	33,973
<b>TOTAL BETTING DEDUCTIONS</b>	<b>24,453</b>	<b>23,429</b>	<b>23,372</b>	<b>44,636</b>
<b>(c) Interest Income</b>				
<b>Interest Income from Wagering Business</b>				
Cash and Cash Equivalents	113	79	208	289
Short Term Deposits	691	526	797	1,498
Corporate Bonds	70	56	40	58
Other Loans and Receivables	155	113	172	332
	<b>1,029</b>	<b>774</b>	<b>1,217</b>	<b>2,177</b>
<b>Interest Income from Gaming Business</b>				
Short Term Deposits	29	-	-	-
	<b>29</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL INTEREST INCOME</b>	<b>1,058</b>	<b>774</b>	<b>1,217</b>	<b>2,177</b>
<b>(d) Other Income</b>				
<b>Other Income from Wagering Business</b>				
Racing Services Income	7,797	7,977	7,881	14,666
International Racing Fees	11,218	10,039	11,026	20,767
Foreign Exchange Gains	355	-	313	541
Insurance Recovery	-	-	-	771
Gain on Disposal of Property, Plant & Equipment	345	-	31	-
Other	4,168	3,816	2,310	6,668
	<b>23,883</b>	<b>21,832</b>	<b>21,561</b>	<b>43,413</b>
<b>Other Income from Gaming Business</b>				
Gaming Machine Proceeds	6,298	6,436	-	-
	<b>6,298</b>	<b>6,436</b>	<b>-</b>	<b>-</b>
<b>TOTAL OTHER INCOME</b>	<b>30,181</b>	<b>28,268</b>	<b>21,561</b>	<b>43,413</b>

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2012

### 2. Operating Expenses

	Actual 2012 Six Months NZ\$ '000	UNAUDITED Budget 2012 Six Months NZ\$ '000	Actual 2011 Six Months NZ\$ '000	AUDITED Actual 2011 Full Year NZ\$ '000
<b>(a) Operating Expenses from Wagering Business includes the following items:</b>				
Amortisation Expense	1,055	1,266	2,086	3,744
Auditor's Remuneration				
- Auditing Services	53	42	40	79
Bad Debts Written Off	-	-	-	-
Board Members' Remuneration and Expenses	166	165	168	339
Broadcasting Expenses	3,898	4,043	4,424	8,669
Communications Expenses	2,769	2,054	2,272	6,498
Depreciation Expense	4,943	4,993	5,318	10,016
Employee Expenses	20,701	19,483	20,755	41,149
Finance Costs	60	-	55	30
Form Guide Production and Marketing Expenses	4,690	5,583	3,639	8,283
Insurance	714	558	476	947
Net Movement in Provision for Doubtful Debts	16	-	2	(8)
Overseas Racing Rights	9,989	9,766	9,496	18,673
Problem Gambling Levy and Expenses	919	761	786	1,374
Property and Equipment Leases	2,589	2,616	2,494	5,044
Restructuring Costs	716	-	54	427
Retail and Internet Fees	12,008	11,818	11,032	20,500
Sporting Body Levies	2,500	2,109	2,374	3,016
Other Expenses	9,065	9,062	8,696	17,844

### (b) Surplus from Wagering Business has been arrived at after (crediting)/charging the following losses

(Gain)/Loss on Disposal of Property, Plant & Equipment	-	-	-	92
Foreign Exchange Losses	-	25	-	-
<b>Total Operating Expenses from Wagering Business</b>	<b>76,851</b>	<b>74,344</b>	<b>74,167</b>	<b>146,716</b>

### (c) Operating Expenses from Gaming Business includes the following items:

Amortisation Expense	15	-	-	-
Communications Expenses	29	4	-	-
Depreciation Expense	296	513	-	-
Employee Expense	82	66	-	-
Finance Costs	10	60	-	-
Gaming Levies and Duty	1,556	1,590	-	-
Gaming Operating Expenses	792	1,013	-	-
Other Expenses	419	521	-	-
<b>Total Operating Expenses from Gaming Business</b>	<b>3,199</b>	<b>3,767</b>	<b>-</b>	<b>-</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>80,050</b>	<b>78,111</b>	<b>74,167</b>	<b>146,716</b>

### 3. Cash and Cash Equivalents

	Actual 2012 Six Months NZ\$ '000	UNAUDITED Budget 2012 Six Months NZ\$ '000	Actual 2011 Six Months NZ\$ '000	AUDITED Actual 2011 Full Year NZ\$ '000
Foreign Currency Bank Accounts	1,108	985	5,275	985
Foreign Currency Betting Accounts	469	537	468	537
NZ Dollar Bank Accounts and Call Deposits	5,197	5,797	5,340	8,480
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>6,774</b>	<b>7,319</b>	<b>11,083</b>	<b>10,002</b>

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2012

### 4. Trade and Other Receivables

	Actual 2012 Six Months NZ\$ '000	UNAUDITED Budget 2012 Six Months NZ\$ '000	Actual 2011 Six Months NZ\$ '000	AUDITED Actual 2011 Full Year NZ\$ '000
Trade and Sundry Receivables	9,841	7,683	9,754	8,844
Allowance for Doubtful Debts	(24)	-	(18)	(8)
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>9,817</b>	<b>7,683</b>	<b>9,736</b>	<b>8,836</b>

### 5. Financial Assets

	Actual 2012 Six Months NZ\$ '000	UNAUDITED Budget 2012 Six Months NZ\$ '000	Actual 2011 Six Months NZ\$ '000	AUDITED Actual 2011 Full Year NZ\$ '000
Short-term deposits	20,001	10,000	10,000	10,000
Short-term deposits - Betting Accounts and Betting Vouchers Trust	20,000	20,000	20,000	20,000
Corporate bonds	2,031	2,031	2,031	2,031
Loans and advances to Clubs and Codes	9,136	9,148	9,244	10,379
<b>TOTAL FINANCIAL ASSETS</b>	<b>51,168</b>	<b>41,179</b>	<b>41,275</b>	<b>42,410</b>
Disclosed as:				
Current	46,206	36,203	30,419	31,467
Non-Current	4,962	4,976	10,856	10,943
<b>TOTAL FINANCIAL ASSETS</b>	<b>51,168</b>	<b>41,179</b>	<b>41,275</b>	<b>42,410</b>

Short-term deposits - Betting Accounts and Betting Vouchers Trust represent funds held in trust to cover amounts owing to customers on betting accounts and unrepresented vouchers for resulted wagering. The New Zealand Racing Board's obligations for these amounts are separately disclosed in the Statement of Financial Position as Account Betting Deposits and Vouchers totalling \$14.7 million (2011: 15.1 million as at 31 July 2011).

### 6. Other Assets

	Actual 2012 Six Months NZ\$ '000	UNAUDITED Budget 2012 Six Months NZ\$ '000	Actual 2011 Six Months NZ\$ '000	AUDITED Actual 2011 Full Year NZ\$ '000
Prepayments	2,065	2,203	1,483	1,661
Inventory*	52	143	160	143
<b>TOTAL OTHER ASSETS</b>	<b>2,117</b>	<b>2,346</b>	<b>1,643</b>	<b>1,804</b>

\* Inventory is carried at cost.

### 7. Trade and Other Payables

	Actual 2012 Six Months NZ\$ '000	UNAUDITED Budget 2012 Six Months NZ\$ '000	Actual 2011 Six Months NZ\$ '000	AUDITED Actual 2011 Full Year NZ\$ '000
Employee Entitlements	3,367	3,587	3,212	3,440
Amounts Payable to Board Members	36	35	56	35
Trade Payables and Accruals	16,037	12,662	14,494	14,078
Deferred Revenue (Pre-sales)	695	752	761	1,172
Contribution to Assets by Racing Codes	145	145	192	161
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>20,280</b>	<b>17,181</b>	<b>18,715</b>	<b>18,886</b>

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

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2012

### 8. Financial Liabilities

		UNAUDITED	UNAUDITED	AUDITED	
	Actual 2012	Budget 2012	Actual 2011	Actual 2011	
	Six Months	Six Months	Six Months	Full Year	
Note	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	
Code Liability	14	7,077	2,342	4,062	3,639
Unpaid Dividends		3,705	3,501	3,791	3,433
Jackpot Retentions		2,085	2,004	2,438	2,003
Gaming Machine Borrowings		2,700	3,550	-	-
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>15,567</b>	<b>11,397</b>	<b>10,291</b>	<b>9,075</b>
Disclosed as:					
Current		15,567	11,397	10,291	9,075
Non-Current		-	-	-	-
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>15,567</b>	<b>11,397</b>	<b>10,291</b>	<b>9,075</b>

### 9. Provisions

	Actual 2012	UNAUDITED	UNAUDITED	AUDITED	
	Six Months	Budget 2012	Actual 2011	Actual 2011	
	NZ\$ '000	Six Months	Six Months	Full Year	
	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	
Make Good Provisions*		397	352	427	481
Long Service Leave Provision		597	583	617	627
Sick Leave Provision		250	246	78	73
<b>TOTAL PROVISIONS</b>		<b>1,244</b>	<b>1,181</b>	<b>1,122</b>	<b>1,181</b>
Disclosed as:					
Current		250	246	477	237
Non-Current		994	935	645	944
<b>TOTAL PROVISIONS</b>		<b>1,244</b>	<b>1,181</b>	<b>1,122</b>	<b>1,181</b>

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

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2012

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

	Actual 2012 Six Months NZ\$ '000	UNAUDITED Budget 2012 Six Months NZ\$ '000	Actual 2011 Six Months NZ\$ '000	AUDITED Actual 2011 Full Year NZ\$ '000
New Zealand Greyhound Racing Association	400	412	451	458
New Zealand Metropolitan Trotting Club (Inc)	5,900	5,900	5,691	5,800
New Zealand Thoroughbred Racing	-	-	295	1,297
RACE Inc	2,784	2,765	2,672	2,710
Wanganui Greyhound Racing Club	44	45	66	43
Whangarei Racing Club Inc	8	26	69	71
<b>TOTAL LOANS AND ADVANCES TO CLUBS AND CODES</b>	<b>9,136</b>	<b>9,148</b>	<b>9,244</b>	<b>10,379</b>
<b>Disclosed as:</b>				
Current	6,205	6,203	124	1,467
Non-Current	2,931	2,945	9,120	8,912
<b>TOTAL LOANS AND ADVANCES TO CLUBS AND CODES</b>	<b>9,136</b>	<b>9,148</b>	<b>9,244</b>	<b>10,379</b>

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

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

	Interest rate		Rate Type
	2012	2011	
New Zealand Greyhound Racing Association	5.00%	5.00%	Fixed
New Zealand Metropolitan Trotting Club (Inc)	2.88%	2.88%	Variable
RACE Inc	3.50%	3.50%	Variable
Wanganui Greyhound Racing Club	4.00%	4.00%	Fixed
Whangarei Racing Club Inc	2.88%	2.88%	Variable

Loan approval amounts have remained constant at the existing levels throughout the reporting period. The New Zealand Racing Board is satisfied as to the ultimate collectability of all these loans.

#### Collateral

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

The New Zealand Metropolitan Trotting Club loan is secured by a General Security Agreement and mortgage over all the assets of New Zealand Metropolitan Trotting Club (Inc) and Addington Raceway Ltd. The main public stand at Addington suffered major damage in the Canterbury earthquakes and has been demolished. Addington Raceway Ltd have negotiated an agreement with its insurers which provides a \$12.2m as full settlement for the loss of the grandstand and for assessed loss of profits. New Zealand Racing Board has agreed with New Zealand Metropolitan TC that \$6.1m of this settlement will be held in escrow to ensure repayment of the loan, unless the New Zealand Racing Board subsequently agrees that the funds be used in redevelopment of the clubs facilities.

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 RACE Inc assets subject to the BNZ and New Zealand Racing Board charges as at 31 July 2011 was \$35.3 million (31 July 2010 \$35.9 million).

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

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

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



**Condensed Notes to the Financial Statements  
For the Half Year Ended 31 January 2012**

**11. Property, plant and equipment**

	Land NZ\$000	Buildings NZ\$000	Computer hardware NZ\$000	Office equipment NZ\$000	Leasehold improvements NZ\$000	Motor vehicles NZ\$000	Operations and trackside equipment NZ\$000	Gaming Machines NZ\$000	Total property, plant and equipment in use NZ\$000	Work in progress NZ\$000	Total property, plant and equipment NZ\$000
<b>COST OR DEEMED COST</b>											
<b>Balance at 1 August 2010</b>	<b>2,590</b>	<b>13,894</b>	<b>37,429</b>	<b>4,527</b>	<b>19,663</b>	<b>2,951</b>	<b>37,077</b>	-	<b>118,131</b>	<b>4,180</b>	<b>122,311</b>
Additions	-	109	5,732	350	3,146	458	1,764	-	11,559	-	11,559
Disposals	-	(99)	(2,027)	(49)	(1,148)	(370)	(378)	-	(4,071)	-	(4,071)
Net transfers between asset classes	-	-	-	-	-	6	-	-	6	-	6
Net change to work in progress	-	-	-	-	-	-	-	-	-	2,200	2,200
<b>Balance at 31 July 2011</b>	<b>2,590</b>	<b>13,904</b>	<b>41,134</b>	<b>4,828</b>	<b>21,661</b>	<b>3,045</b>	<b>38,463</b>	-	<b>125,625</b>	<b>6,380</b>	<b>132,005</b>
Additions	-	115	1,380	21	863	263	686	2,330	5,658	-	5,658
Disposals	(275)	(412)	(108)	(1)	(227)	(54)	-	-	(1,077)	-	(1,077)
Net transfers between asset classes	-	-	-	-	-	-	-	-	-	-	-
Net change to work in progress	-	-	-	-	-	-	-	-	-	884	884
<b>Balance at 31 January 2012</b>	<b>2,315</b>	<b>13,607</b>	<b>42,406</b>	<b>4,848</b>	<b>22,297</b>	<b>3,254</b>	<b>39,149</b>	<b>2,330</b>	<b>130,206</b>	<b>7,264</b>	<b>137,470</b>
<b>DEPRECIATION AND IMPAIRMENT LOSSES</b>											
<b>Balance at 1 August 2010</b>	-	<b>(4,821)</b>	<b>(32,877)</b>	<b>(2,693)</b>	<b>(12,031)</b>	<b>(2,564)</b>	<b>(22,879)</b>	-	<b>(77,865)</b>	-	<b>(77,865)</b>
Depreciation for the year	-	(496)	(2,896)	(433)	(2,008)	(303)	(3,880)	-	(10,016)	-	(10,016)
Impairment losses	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	99	2,014	49	1,030	346	375	-	3,913	-	3,913
Net transfers between asset classes	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31 July 2011</b>	-	<b>(5,218)</b>	<b>(33,759)</b>	<b>(3,077)</b>	<b>(13,009)</b>	<b>(2,521)</b>	<b>(26,384)</b>	-	<b>(83,968)</b>	-	<b>(83,968)</b>
Depreciation for the year	-	(249)	(1,489)	(168)	(999)	(168)	(1,886)	(280)	(5,239)	-	(5,239)
Impairment losses	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	112	106	1	178	54	32	-	483	-	483
Net transfers between asset classes	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31 January 2012</b>	-	<b>(5,355)</b>	<b>(35,142)</b>	<b>(3,244)</b>	<b>(13,830)</b>	<b>(2,635)</b>	<b>(28,238)</b>	<b>(280)</b>	<b>(88,724)</b>	-	<b>(88,724)</b>
<b>NET BOOK VALUE</b>											
<b>Balance at 1 August 2010</b>	<b>2,590</b>	<b>9,073</b>	<b>4,552</b>	<b>1,834</b>	<b>7,632</b>	<b>387</b>	<b>14,198</b>	-	<b>40,266</b>	<b>4,180</b>	<b>44,446</b>
<b>Balance at 31 July 2011</b>	<b>2,590</b>	<b>8,686</b>	<b>7,375</b>	<b>1,751</b>	<b>8,652</b>	<b>524</b>	<b>12,079</b>	-	<b>41,657</b>	<b>6,380</b>	<b>48,037</b>
<b>Balance at 31 January 2012</b>	<b>2,315</b>	<b>8,252</b>	<b>7,264</b>	<b>1,604</b>	<b>8,467</b>	<b>619</b>	<b>10,911</b>	<b>2,050</b>	<b>41,482</b>	<b>7,264</b>	<b>48,746</b>

The net book value for the assets for the Gaming Division included within Property, Plant and Equipment is \$2,593,000.00.

**Condensed Notes to the Financial Statements**  
**For the Half Year Ended 31 January 2012**

**12. INTANGIBLE ASSETS**

	Software NZ\$000	Licences NZ\$000	Other intangible assets NZ\$000	Total intangible assets in use NZ\$000	Work in progress NZ\$000	Total intangible assets NZ\$000
<b>COST OR DEEMED COST</b>						
<b>Balance at 1 August 2010</b>	<b>43,670</b>	<b>4,337</b>	<b>4,850</b>	<b>52,857</b>	<b>6,959</b>	<b>59,816</b>
Additions	1,463	1,114	-	2,577	-	2,577
Disposals	(539)	(2,921)	-	(3,460)	-	(3,460)
Net transfers between asset categories	-	-	(6)	(6)	-	(6)
Net change to work in progress	-	-	-	-	7,490	7,490
<b>Balance at 31 July 2011</b>	<b>44,594</b>	<b>2,530</b>	<b>4,844</b>	<b>51,968</b>	<b>14,449</b>	<b>66,417</b>
Additions	1,016	-	-	1,016	-	1,016
Disposals	-	-	-	-	-	-
Net transfers between asset categories	-	-	-	-	-	-
Net change to work in progress	-	-	-	-	571	571
<b>Balance at 31 January 2012</b>	<b>45,610</b>	<b>2,530</b>	<b>4,844</b>	<b>52,984</b>	<b>15,020</b>	<b>68,004</b>
<b>AMORTISATION AND IMPAIRMENT LOSSES</b>						
<b>Balance at 1 August 2010</b>	<b>(37,664)</b>	<b>(3,888)</b>	<b>(4,044)</b>	<b>(45,596)</b>	-	<b>(45,596)</b>
Amortisation for the year	(2,942)	(296)	(506)	(3,744)	-	(3,744)
Impairment losses	-	-	-	-	(3,200)	(3,200)
Disposals	539	2,914	-	3,453	-	3,453
Net transfers between asset categories	-	-	-	-	-	-
<b>Balance at 31 July 2011</b>	<b>(40,067)</b>	<b>(1,270)</b>	<b>(4,550)</b>	<b>(45,887)</b>	<b>(3,200)</b>	<b>(49,087)</b>
Amortisation for the year	(1,013)	(57)	-	(1,070)	-	(1,070)
Impairment losses	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Net transfers between asset categories	-	-	-	-	-	-
<b>Balance at 31 January 2012</b>	<b>(41,080)</b>	<b>(1,327)</b>	<b>(4,550)</b>	<b>(46,957)</b>	<b>(3,200)</b>	<b>(50,157)</b>
<b>NET BOOK VALUE</b>						
<b>Balance at 1 August 2010</b>	<b>6,006</b>	<b>449</b>	<b>806</b>	<b>7,261</b>	<b>6,959</b>	<b>14,220</b>
<b>Balance at 31 July 2011</b>	<b>4,527</b>	<b>1,260</b>	<b>294</b>	<b>6,081</b>	<b>11,249</b>	<b>17,330</b>
<b>Balance at 31 January 2012</b>	<b>4,530</b>	<b>1,203</b>	<b>294</b>	<b>6,027</b>	<b>11,820</b>	<b>17,847</b>

The net book value for the assets for the Gaming Division included within Software is \$198,000.00.

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2012

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

	Actual 2012 Six Months NZ\$ '000	UNAUDITED Budget 2012 Six Months NZ\$ '000	Actual 2011 Six Months NZ\$ '000	AUDITED Actual 2011 Full Year NZ\$ '000
<b>Surplus attributable to New Zealand Racing Board Reserves</b>	<b>710</b>	<b>(1,008)</b>	<b>(1,857)</b>	<b>(4,039)</b>
<b>NON-CASH ITEMS</b>				
Depreciation Expense	5,239	5,506	5,318	10,016
Amortisation Expense	1,070	1,266	2,086	3,744
Foreign Exchange (Gain)/Loss	(355)	25	(313)	(541)
Doubtful Debts Written Off/(Recovered)	16	-	2	(8)
Fair Value (Gain)/Loss on Financial Assets/Liabilities	(163)	(175)	152	(309)
Software Impairment	-	-	-	3,200
Other Non-Cash Items	301	4	(2)	604
	<b>6,108</b>	<b>6,626</b>	<b>7,243</b>	<b>16,706</b>
<b>ITEMS CLASSIFIED AS INVESTING/FINANCING ACTIVITIES</b>				
Net (gain) / loss on sale of property, plant and equipment	(345)	-	(31)	92
Net Finance Costs	70	60	55	30
	<b>(275)</b>	<b>60</b>	<b>24</b>	<b>122</b>
<b>Movement in Assets:</b>				
(Increase)/decrease in Trade & Other Receivables	(981)	1,153	(1,021)	(121)
(Increase)/decrease in Inventories	91	-	68	85
(Increase)/decrease in Other Assets	(404)	(542)	(487)	(665)
(Increase)/decrease in Code Assets	1,297	1,297	691	(311)
	<b>3</b>	<b>1,908</b>	<b>(749)</b>	<b>(1,012)</b>
<b>Movement in Liabilities:</b>				
Increase/(decrease) in Trade Payables & Accruals	1,959	(1,416)	(1,064)	(1,533)
Increase/(decrease) in Unpaid Dividends	272	68	69	(289)
Increase/(decrease) in Account Betting Deposits and Vouchers	(423)	(372)	(804)	697
Increase/(decrease) in Jackpot Retentions	82	1	308	(127)
Increase/(decrease) in Employee Entitlements	(73)	147	32	260
Increase/(decrease) in Taxes Payable	(186)	569	(729)	(267)
Increase/(decrease) in Code Liability	3,438	(1,297)	2,351	1,928
Increase/(decrease) in Deferred Revenue	(477)	(420)	(420)	(9)
Increase/(decrease) in Other Liabilities	16	(48)	(66)	3
	<b>4,608</b>	<b>(2,768)</b>	<b>(323)</b>	<b>663</b>
<b>Net Cash provided by/(used in) Operating Activities</b>	<b>11,154</b>	<b>4,818</b>	<b>4,338</b>	<b>12,440</b>

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2012

### 14. Related Parties

#### Funding transactions with racing codes

Funding ENTITY	Funding			Code Liability			Code Asset		
	UNAUDITED	UNAUDITED	AUDITED	UNAUDITED	UNAUDITED	AUDITED	UNAUDITED	UNAUDITED	AUDITED
	Actual 2012	Actual 2011	Actual 2011	Actual 2012	Actual 2011	Actual 2011	Actual 2012	Actual 2011	Actual 2011
	Six Months	Six Months	Full Year	Six Months	Six Months	Full Year	Six Months	Six Months	Full Year
NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	
New Zealand Greyhound Racing Association	9,518	10,061	19,361	(2,619)	(1,806)	(2,012)	-	-	-
Harness Racing New Zealand	20,122	20,878	37,731	(3,031)	(2,256)	(1,627)	-	-	-
New Zealand Thoroughbred Racing	38,201	37,741	65,443	(1,427)	-	-	-	295	1,297
Other funding	3,323	1,932	3,820	-	-	-	-	-	-
<b>Total Funding</b>	<b>71,164</b>	<b>70,612</b>	<b>126,355</b>	<b>(7,077)</b>	<b>(4,062)</b>	<b>(3,639)</b>	<b>-</b>	<b>295</b>	<b>1,297</b>

#### Other transactions with racing codes and racing clubs

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

Transactions ENTITY	TRANSACTION	Transaction Value			Balance Outstanding		
		UNAUDITED	UNAUDITED	AUDITED	UNAUDITED	UNAUDITED	AUDITED
		Actual 2012	Actual 2011	Actual 2011	Actual 2012	Actual 2011	Actual 2011
		Six Months	Six Months	Full Year	Six Months	Six Months	Full Year
NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000	
New Zealand Greyhound Racing Association	On-course venue services, trackside operations and radio recoveries	1,423	1,576	3,092	-	-	-
	Loan for the construction of an artificial racing surface at Manawatu Greyhound Racing Club	-	-	-	470	537	537
Harness Racing New Zealand	On-course venue services, trackside operations and radio recoveries	2,408	2,670	4,699	-	-	-
New Zealand Thoroughbred Racing	On-course venue services, trackside operations and radio recoveries	3,853	3,709	6,874	-	-	-

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2012

### 14. Related Parties (continued)

New Zealand Metropolitan Racing Club (Inc)	Loan for construction of stables at Addington Raceway	88	95	95	6,079	6,079	6,094
RACE Inc	Working Capital facility	53	61	114	3,014	3,010	2,993
Whangarei Racing Club Incorporated	Loan for racetrack development at Ruakaka Racecourse	-	15	16	9	71	72

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

### Compensation of key personnel

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

	UNAUDITED		AUDITED
	Actual 2012 Six Months NZ\$ '000	Actual 2011 Six Months NZ\$ '000	Actual 2011 Full Year NZ\$ '000
	Salaries and other short-term benefits	1,656	2,092

The New Zealand Racing Board considers key management personnel to be the Board members, the Chief Executive Officer the Chief Financial Officer, and the other members of the Executive 6 (7 in total: for 2010).

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2012

### 14. Related Parties (continued)

#### Transactions with entities in which key personnel have an interest

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

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

Transactions ENTITY AND RELATIONSHIP	TRANSACTION	Transaction Value			Balance Outstanding		
		UNAUDITED	AUDITED	UNAUDITED	AUDITED	AUDITED	
		Actual 2012 Six Months NZ\$ '000	Actual 2011 Six Months NZ\$ '000	Actual 2011 Full Year NZ\$ '000	Actual 2012 Six Months NZ\$ '000	Actual 2011 Six Months NZ\$ '000	Actual 2011 Full Year NZ\$ '000
<b>Gadol Corporation Ltd</b>	Rental and associated payments for a TAB outlet property lease	61	60	120	-	-	-
Michael Stiasny, Chairman of the New Zealand Racing Board, is a director of Gadol Corporation Ltd.							
<b>DNZ Property Group Limited</b>	Rental and associated payments for a TAB outlet property lease	57	69	127	-	-	-
Michael Stiasny, Chairman of the New Zealand Racing Board, is a director and shareholder of DNZ Property Group Ltd.							
<b>Racing Integrity Unit</b>	Funding	2,208	-	254	-	-	-
Michael Stiasny, Chairman of the New Zealand Racing Board, is the Chairman of the Racing Integrity Unit.							
The New Zealand Racing Board provides accounting, human resources and IT services to the Racing Integrity Unit	Accountancy Services	(36)	-	(30)	-	-	(6)
The New Zealand Racing Board provides rental premises to the Racing Integrity Unit	Rental of Auckland Premises	(12)	-	(10)	-	-	(2)

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2012

### 14. Related Parties (continued)

Transactions ENTITY AND RELATIONSHIP	TRANSACTION	Transaction Value			Balance Outstanding		
		UNAUDITED	AUDITED	UNAUDITED	AUDITED		
		Actual 2012 Six Months NZ\$ '000	Actual 2011 Six Months NZ\$ '000	Actual 2011 Full Year NZ\$ '000	Actual 2012 Six Months NZ\$ '000	Actual 2011 Six Months NZ\$ '000	Actual 2011 Full Year NZ\$ '000
<b>NZ Equine Industry Training Organisation Inc</b>	Funding	-	183	190	190	-	-
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 Inc.							
The New Zealand Racing Board provides accountancy and human resources services to the NZ Equine Industry Training Organisation Inc.	Accountancy services	-	(5)	(10)	(10)	(10)	(10)
	Rental of Auckland Premises	-	-	(2)	(2)	-	-
<b>Massey University Partnership for Excellence</b>	Funding	126	175	150	-	175	25
Bill Colgan, in his capacity as an executive of the New Zealand Racing Board, is a Trustee of Equine Trust, which administers the Partnership of 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:

Thayne Green  
Simon Moutter  
Ray O'Connor  
Bill Colgan  
David Craig  
Martin Saunders  
Glen Broomhall  
Michael Wemyss

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

Alan Jackson  
Simon Moutter  
Ray O'Connor  
Alan Barlow  
Fleur Murray

## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2012

### 15. Nature of Reserves

#### **General Reserve**

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

### 16. Funding to the Racing Industry

	Actual 2012 Six Months NZ\$ '000	UNAUDITED Budget 2012 Six Months NZ\$ '000	Actual 2011 Six Months NZ\$ '000	AUDITED Actual 2011 Full Year NZ\$ '000
<b>(a) Funding Generated by the New Zealand Racing Board</b>				
Betting Turnover (including GST)	831,996	827,132	800,703	1,533,401
Dividends & Betting Deductions (including GST)	(710,570)	(706,157)	(679,750)	(1,305,244)
Interest & Other Income (excluding GST)	31,239	29,042	22,778	45,590
Operating & Selling Expenses (excluding GST)	(80,050)	(78,111)	(74,167)	(146,716)
Software Impairment	-	-	-	(3,200)
<b>NET RETURN BEFORE INDUSTRY EXPENDITURE AND DISTRIBUTIONS (excluding GST)</b>	<b>72,615</b>	<b>71,906</b>	<b>69,564</b>	<b>123,831</b>
<b>(b) On-Course and Other Projects Funded by the New Zealand Racing Board from Net Return</b>				
<b>On-Course Projects</b>				
Customer Research Studies	64	90	81	113
Destination Summer Holiday Racing	188	320	289	387
On-Course Big Screens	216	280	158	272
Christmas at the Races	153	260	211	375
Other On-Course Projects	284	288	148	601
<b>Other Projects and Costs</b>				
Club Loan Fair Value Adjustments	(163)	(175)	(152)	(309)
Equine Influenza	-	-	-	-
Industry Careers Development	-	-	-	-
Supply Chain Wastage	-	-	-	-
Synthetic Track Development	-	-	(1)	(1)
Track Feasibility Studies	-	-	-	-
Other Industry Projects	(1)	-	75	77
<b>TOTAL ON-COURSE &amp; OTHER PROJECTS FUNDED FROM NET RETURN</b>	<b>741</b>	<b>1,063</b>	<b>809</b>	<b>1,515</b>



## Condensed Notes to the Financial Statements For the Half Year Ended 31 January 2012

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

		UNAUDITED		AUDITED	
		Actual 2012	Budget 2012	Actual 2011	Actual 2011
		Six Months	Six Months	Six Months	Full Year
		NZ\$ '000	NZ\$ '000	NZ\$ '000	NZ\$ '000
<b>(c) Funding Applied by the New Zealand Racing Board from Surplus Available for Distribution and from Reserves</b>					
<b><i>Distributions to the Racing Industry</i></b>					
Fixed Code Funding		66,497	66,497	48,108	85,000
Domestic Market Share Code Funding - Interim		-	-	325	1,167
Domestic Market Share Code Funding - Final		-	-	-	-
<b>TOTAL CODE DISTRIBUTIONS</b>		<b>66,497</b>	<b>66,497</b>	<b>48,433</b>	<b>86,167</b>
<b><i>Variable Code Funding</i></b>					
Export Commissions Paid		-	-	9,876	18,561
Fixed Odds Betting Product Payment		-	-	2,648	5,054
Friday Greyhound Funding		-	-	1,153	2,270
Industry Interest Paid on Code Liability Balances		-	-	-	-
On-Course Commission Payments		-	-	6,569	10,483
<b>TOTAL VARIABLE CODE FUNDING</b>		<b>-</b>	<b>-</b>	<b>20,246</b>	<b>36,368</b>
<b><i>Research and Integrity Funding</i></b>					
Racing Laboratory Services		489	498	479	983
Racing Services Rebates		-	-	-	-
Research, Training and Education		157	181	358	415
Other Industry Expenses		2,675	2,590	1,096	2,422
<b>TOTAL RESEARCH AND INTEGRITY FUNDING</b>		<b>3,321</b>	<b>3,269</b>	<b>1,933</b>	<b>3,820</b>
<b><i>Gaming Activity Funding</i></b>					
Distribution to Codes		1,344	1,668	-	-
Distribution to External Bodies		2	417	-	-
<b>TOTAL GAMING ACTIVITY FUNDING</b>		<b>1,346</b>	<b>2,085</b>	<b>-</b>	<b>-</b>
<b>TOTAL FUNDING</b>		<b>71,164</b>	<b>71,851</b>	<b>70,612</b>	<b>126,355</b>
<b>Funded from:</b>					
Surplus available for distribution		71,164	70,843	68,755	126,355
General reserve	15	-	1,008	1,857	-
<b>Total funding</b>		<b>71,164</b>	<b>71,851</b>	<b>70,612</b>	<b>126,355</b>
<b>(d) Total Funding Applied</b>					
Total on-course and industry projects	16(b)	741	1,063	809	1,515
Total funding from surplus available for distribution and from reserves	16(c)	71,164	71,851	70,612	126,355
<b>TOTAL FUNDING APPLIED</b>		<b>71,905</b>	<b>72,914</b>	<b>71,421</b>	<b>127,870</b>
<b>17. Gaming Distribution Results</b>					
Gaming business revenue	1(c),(d)	6,327	6,436	-	-
Gaming business operating expenses	2(c)	(3,199)	(3,767)	-	-
<b>NET CONTRIBUTIONS</b>		<b>3,128</b>	<b>2,669</b>	<b>-</b>	<b>-</b>
<b>DISTRIBUTIONS</b>					
<b>GAMING DISTRIBUTIONS</b>	16(c)	<b>(1,346)</b>	<b>(2,085)</b>	<b>-</b>	<b>-</b>
<b>UNDISTRIBUTED FUNDS</b>		<b>1,782</b>	<b>584</b>	<b>-</b>	<b>-</b>
<b>18. Events Subsequent to Balance Date</b>					
The New Zealand Racing Board has recently resolved an outstanding Non-Resident Withholding Tax dispute with the Australian Tax Office. Resolution was favourable to the New Zealand Racing Board and the results will be incorporated into the full year financial statements to 31 July 2012.					