



The NZ Racing Board
Interim Financial Statements

For the six months ended 31 January 2014

Financial Commentary

General

The NZ Racing Board achieved a Net Profit of \$72.6 million for the first half of the 2014 year which was \$1.1 million or 1.5% below the 2013 equivalent.

The result was comprised of a \$68.1 million Net Betting Profit and a \$4.5 million Net Gaming Profit.

For the six month period ended 31 January 2014 the NZ Racing Board has consolidated the Racing Integrity Unit Limited ("RIU") for the first time. The NZ Racing Board holds a 25% interest in the RIU and provides all the income for this company. This means that for financial reporting purposes the RIU is a subsidiary of the NZ Racing Board. The interim financial statements reflect the results for the NZ Racing Board Group, which comprises the NZ Racing Board, the Betting Accounts and Betting Vouchers Trust and the RIU. Consequently, the Net Profit for the six months ended 31 January 2013 and 2014 included the results of the RIU, after eliminating transactions and balances between the NZ Racing Board and the RIU.

Key features of the first half of the 2014 year were:

Turnover

Betting Turnover was \$25.2 million or 2.8% higher than for the same period last year. This was led by an increase in turnover on fixed odds betting products \$52.4 million or 21.0% outweighing the decline in tote betting (\$27.2 million or 4.1%). Sports fixed odds betting experienced growth of \$17.7 million or 14.8% compared to the same period last year.

Gaming Turnover fell by \$4.5 million or 3.7%. This was mainly due to the impact of business generated from the Courtenay Place, Wellington site which has remained closed since the earthquake in August 2013.

Income

Net Betting Revenue was \$3.9 million or 3.1% higher than for the first half of the 2013 year, resulting from both the increased turnover and a slightly improved Net Betting Margin (14.1% compared to 14.0% to January 2013).

Net Gaming Revenue was \$0.3 million or 3.8% below the first half of the 2013 year as a result of the decrease in turnover.

Other Income was \$1.5 million or 6.5% lower than the first half of the 2013 year as income from New Zealand racing shown overseas, denominated mainly in Australian Dollars, has been negatively impacted by the strong New Zealand Dollar.

Expenses

Turnover Related Expenses were \$0.2 million or 1.0% above the first half of the 2013 year. These expenses increased at a slower a rate than turnover which reflected the benefit of cost saving initiatives that have been implemented.

Operating Expenses were \$3.1 million or 5.1% above the prior year. This increase was mainly the result of an increase in staff expenses due to employee costs relating to projects, and a restructuring provision of \$1.2 million in relation to the restructure and relocation to Auckland of the Broadcasting division by September 2014.

Total Expenses were \$3.3 million or 3.9% above the first half of 2013 as a result of the above.

Total Distributions made from current year profit of \$74.9 million were \$6.1 million or 8.9% above the first half of 2013.

Balance Sheet

The cash balance has decreased by \$13.9 million or 52.3% since July 2013. Of this amount, \$9.0 million is due to cash management with \$7.5 million transferred to term deposits ('Other Financial Assets') and \$1.5 million used to fully repay the secured bank loan of \$1.5 million. The remaining decrease in the cash balance reflects the investment in projects. Cash and deposit funds, after excluding Betting Accounts and Vouchers Trust, are over \$32 million and Total Equity is \$65.8 million as at 31 January 2014.

New Zealand Racing Board
Interim Financial Statements
FOR THE SIX MONTHS ENDED 31 JANUARY 2014

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Condensed Statement of Profit or Loss and Comprehensive Income

FOR THE SIX MONTHS ENDED 31 JANUARY 2014

		UNAUDITED	
		31 JANUARY 2014	31 JANUARY 2013
		Consolidated NZ\$000	Consolidated NZ\$000
Betting and gaming turnover	2a	1,053,988	1,033,361
INCOME			
Net betting revenue	2b	131,354	127,412
Net gaming revenue	2c	7,007	7,286
Other income	3	21,574	23,073
TOTAL INCOME		159,935	157,771
TURNOVER RELATED EXPENSES			
	4	23,355	23,141
OPERATING EXPENSES			
Premises and equipment expenses	5	13,891	13,236
Staff expenses	5	30,712	28,201
Other expenses	5	19,408	19,491
TOTAL OPERATING EXPENSES		64,011	60,928
TOTAL EXPENSES		87,366	84,069
NET PROFIT BEFORE DISTRIBUTIONS		72,569	73,702
Distributions	12	74,907	68,796
Provision for undistributed gaming surplus	10	1,382	2,500
NET (LOSS) / PROFIT AFTER DISTRIBUTIONS		(3,720)	2,406
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(3,720)	2,406
Total other comprehensive (loss) / income attributable to:			
Non-controlling interests in RIU		40	105
NZ Racing Board reserves		(3,760)	2,301

Condensed Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 JANUARY 2014

	UNAUDITED General reserve NZ\$000	UNAUDITED Non-controlling interest NZ\$000	UNAUDITED Total equity NZ\$000
Balance as at 1 August 2012	69,255	(4)	69,251
Net profit after distributions	2,301	105	2,406
Balance as at 31 January 2013	71,556	101	71,657
Balance as at 1 August 2013	69,477	40	69,517
Net loss after distributions	(3,760)	40	(3,720)
Balance as at 31 January 2014	65,717	80	65,797

Condensed Statement of Financial Position

AS AT 31 JANUARY 2014

	Note	UNAUDITED 31 JANUARY 2014 Consolidated NZ\$000	AUDITED 31 JULY 2013 Consolidated NZ\$000
CURRENT ASSETS			
Cash and cash equivalents		12,704	26,622
Trade and other receivables		10,752	11,713
Other financial assets	6	39,684	32,000
Other current assets		2,457	951
TOTAL CURRENT ASSETS		65,597	71,286
NON-CURRENT ASSETS			
Property, plant and equipment	7	41,089	40,718
Intangible assets	8	10,816	7,469
Other financial assets	6	3,008	2,951
TOTAL NON-CURRENT ASSETS		54,913	51,138
TOTAL ASSETS		120,510	122,424
CURRENT LIABILITIES			
Trade and other payables	9	22,164	22,194
Customer betting account deposits and vouchers		17,658	16,649
Other financial liabilities		6,237	5,368
Taxation payable		4,077	2,847
Provisions	10	3,433	3,482
TOTAL CURRENT LIABILITIES		53,569	50,540
NON-CURRENT LIABILITIES			
Other financial liabilities	11	48	1,565
Provisions	10	1,096	802
TOTAL NON-CURRENT LIABILITIES		1,144	2,367
TOTAL LIABILITIES		54,713	52,907
NET ASSETS		65,797	69,517
EQUITY			
TOTAL EQUITY		65,797	69,517

The members of the New Zealand Racing Board authorised these financial statements for issue on 24 March 2014.



Glenda Hughes
Chair of the New Zealand Racing Board



Alistair Ryan
Chair of the Audit and Risk Committee
of the New Zealand Racing Board

Condensed Statement of Cash Flows

FOR THE SIX MONTHS ENDED 31 JANUARY 2014

	UNAUDITED	
	31 JANUARY 2014 Consolidated NZ\$000	31 JANUARY 2013 Consolidated NZ\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
INFLOWS		
Betting and gaming turnover	1,053,352	1,033,574
International racing fees and other income	12,187	12,278
Racing services income	7,641	7,940
Jackpot retentions and account deposits (net)	1,742	(126)
	1,074,922	1,053,666
OUTFLOWS		
Betting and Gaming dividends paid	(883,881)	(868,436)
Goods and services tax (net)	(20,750)	(19,609)
Betting and Gaming duty paid	(9,454)	(9,524)
National sporting organisations grants	(2,623)	(2,587)
Payments to suppliers	(48,691)	(50,939)
Payments for employee benefits including termination payments	(30,898)	(29,029)
Distributions to the Racing Codes	(73,489)	(66,729)
Racing industry initiatives	(1,525)	(965)
Payments for racing industry costs	(1,400)	(1,753)
Gaming distribution to external bodies	(960)	(145)
	(1,073,671)	(1,049,716)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,251	3,950
CASH FLOWS FROM INVESTING ACTIVITIES		
INFLOWS		
Repayment of short-term deposits on maturity	-	8,000
Interest received	832	1,078
Proceeds from sale of property, plant and equipment	2,961	53
Repayments of club loans	-	6,094
	3,793	15,225
OUTFLOWS		
Investment of short-term deposits	(7,500)	(1,002)
Purchases of property, plant and equipment	(5,180)	(4,179)
Purchase of intangible assets	(4,497)	(304)
Lending to clubs	(164)	-
	(17,341)	(5,485)
NET CASH PROVIDED (USED IN) / BY INVESTING ACTIVITIES	(13,548)	9,740
CASH FLOWS FROM FINANCING ACTIVITIES		
OUTFLOWS		
Repayment of secured loan	(1,500)	(1,500)
Interest paid	(99)	(80)
	(1,599)	(1,580)
NET CASH USED IN BY FINANCING ACTIVITIES	(1,599)	(1,580)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(13,896)	12,110
Cash and cash equivalents as at the beginning of the year	26,622	11,789
Foreign exchange loss on cash and cash equivalents	(22)	(12)
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	12,704	23,887

Basis of Preparation

Reporting entity and statutory base

The New Zealand Racing Board ("NZ Racing Board") is a statutory body established by the Racing Act 2003. Customer betting accounts and betting vouchers offered are debt securities within the meaning of the Securities Act 1978 and the NZ Racing Board is therefore an 'issuer' for the purposes of the Financial Reporting Act 1993. The NZ Racing Board is domiciled in New Zealand.

Statement of compliance

For financial reporting purposes, the NZ Racing Board is designated a profit-oriented entity. These financial statements are prepared in accordance with NZ IAS 34 'Interim Financial Reporting' and NZ GAAP.

XRB A1 Accounting Standards Framework For-Profit Entities has been applied for the first time in the current period. There were no material effects of adopting this Framework on the NZ Racing Board financial statements.

These unaudited statements do not include all the disclosures required for full annual financial statements prepared in accordance with NZ IFRS and should be read in conjunction with the financial statements and related notes included in the NZ Racing Board's financial statements for the year ended 31 July 2013.

These interim financial statements are intended to provide an update since the previous full annual financial statements. Accordingly, it focuses on new actions, events and circumstances and does not duplicate information previously reported in the NZ Racing Board's financial statements for the year ended 31 July 2013.

Basis of measurement

These financial statements have been prepared on the historical cost basis. Cost is based on the fair value of the consideration given in exchange.

Changes in accounting policies

The financial statements for the year ended 31 July 2013 were for Parent and Group. The Group comprised of the NZ Racing Board and the Betting Accounts and Betting Vouchers Trust. The NZ Racing Board did not consolidate its interest in the Racing Integrity Unit Limited ("RIU") due to the fact that the impact was immaterial on the financial statements. The NZ Racing Board holds a 25% interest in RIU, provides all the income and has control over the allocation of resources within the company. This means that for financial reporting purposes RIU is a subsidiary of the NZ Racing Board. As at 31 January 2014, the Group comprised of the NZ Racing Board, the Betting Accounts and Betting Vouchers Trust and RIU.

In these financial statements for the six months ended 31 January 2014, the NZ Racing Board has consolidated RIU. Comparative information has been restated where applicable on a consolidated basis to reflect that the NZ Racing Board has controlled RIU since 1 August 2011.

The NZ Racing Board has adopted the following standards as of 1 August 2013:

NZ IFRS 10 *Consolidation Financial Statements*

NZ IFRS 12 *Disclosure of Interests in Other Entities*

NZ IFRS 13 *Fair Value Measurement*

There were no material effects of adopting these standards on the NZ Racing Board financial statements.

There have been no other changes in accounting policies during the six months ended 31 January 2014. All the accounting policies have been applied consistently throughout the period and are the same as those used in the most recent financial statements.

Seasonality of interim operations

As many of the most significant racing events occur between November and February each year, net betting revenue is typically higher in the first six months to 31 January than in the second six months ending 31 July.

While there is some increase in total expenses due to additional seasonal labour costs, the seasonal increase in net betting revenue normally results in higher net profit before distributions in the first six month reporting period of the financial year.

1. OPERATING SEGMENTS

	UNAUDITED	
	31 JANUARY 2014 Consolidated NZ\$000	31 JANUARY 2013 Consolidated NZ\$000
BETTING		
Betting turnover	934,539	909,365
Net profit before distributions	68,123	69,096
GAMING		
Gaming turnover	119,449	123,996
Net profit before distributions	4,446	4,606
Total turnover	1,053,988	1,033,361
Total net profit before distributions	72,569	73,702

	UNAUDITED	
	31 JANUARY 2014 Consolidated NZ\$000	31 JULY 2013 Consolidated NZ\$000
Betting assets	115,625	117,301
Gaming assets	4,885	5,123
Total assets	120,510	122,424

2. REVENUE

	UNAUDITED	
	31 JANUARY 2014 Consolidated NZ\$000	31 JANUARY 2013 Consolidated NZ\$000
2a. TURNOVER (including GST)		
Betting turnover - racing totalisator	631,781	658,524
Betting turnover - racing fixed odds	165,273	130,560
Total betting turnover - Racing	797,054	789,084
Betting turnover - sports totalisator	721	1,187
Betting turnover - sports fixed odds	136,764	119,094
Total betting turnover - Sports	137,485	120,281
Total betting turnover	934,539	909,365
Gaming turnover	119,449	123,996
TOTAL BETTING AND GAMING TURNOVER	1,053,988	1,033,361
2b. NET BETTING REVENUE		
Total betting turnover	934,539	909,365
Less: dividends payable	(775,190)	(754,502)
Gross betting revenue	159,349	154,863
Betting duty (4%)	(6,233)	(6,252)
GST (15%)	(20,809)	(20,387)
Problem gambling levy	(953)	(812)
NET BETTING REVENUE	131,354	127,412
2c. NET GAMING REVENUE		
Gaming turnover	119,449	123,996
Less: dividends paid	(108,775)	(112,869)
Gross gaming revenue	10,674	11,127
Gaming machine duty (20%)	(2,135)	(2,225)
GST (15%)	(1,392)	(1,451)
Problem gambling levy	(140)	(165)
NET GAMING REVENUE	7,007	7,286

3. OTHER INCOME

	UNAUDITED	
	31 JANUARY 2014	31 JANUARY 2013
	Consolidated NZ\$000	Consolidated NZ\$000
Foreign exchange gains	200	258
Income subject to broadcasting levies	486	420
Interest income	1,151	1,204
NZ racing shown overseas revenue	9,867	11,117
Racing services income	7,641	7,940
Other income	2,229	2,134
TOTAL OTHER INCOME	21,574	23,073

4. TURNOVER RELATED EXPENSES

	UNAUDITED	
	31 JANUARY 2014	31 JANUARY 2013
	Consolidated NZ\$000	Consolidated NZ\$000
Commingling fee	1,201	1,245
National sporting organisations grants	2,121	1,800
Outlet and agency fees	7,731	7,863
Overseas racing rights	11,188	10,860
Thermal paper & betting slips	592	802
Other turnover related expenses	522	571
TOTAL TURNOVER RELATED EXPENSES	23,355	23,141

5. OPERATING EXPENSES

	UNAUDITED	
	31 JANUARY 2014	31 JANUARY 2013
	Consolidated NZ\$000	Consolidated NZ\$000
Depreciation and amortisation	6,629	6,463
Rent	3,316	2,472
Repairs & maintenance	2,173	2,060
Other premises and equipment expenses	1,773	2,241
TOTAL PREMISES AND EQUIPMENT EXPENSES	13,891	13,236
Salaries and wages	27,233	26,144
Termination payments	1,374	285
Other staff expenses	2,105	1,772
TOTAL STAFF EXPENSES	30,712	28,201

5. OPERATING EXPENSES (CONT)

	UNAUDITED	
	31 JANUARY 2014 Consolidated NZ\$000	31 JANUARY 2013 Consolidated NZ\$000
Advertising	3,553	3,090
Auditors remuneration	62	44
Broadcasting costs	3,389	4,084
Consultancy	1,437	1,479
Data and telecommunications	2,540	2,452
Insurance	697	880
Interest	99	80
Loss / (gain) on disposal of property, plant and equipment and intangibles	(202)	23
Printing and stationery	527	482
Publications	1,933	1,989
Travel and accommodation	1,476	1,263
Other operating expenses	3,897	3,625
TOTAL OTHER EXPENSES	19,408	19,491

6. OTHER FINANCIAL ASSETS

	UNAUDITED	AUDITED
	31 JANUARY 2014 Consolidated NZ\$000	31 JULY 2013 Consolidated NZ\$000
Corporate bonds	2,000	2,000
Loans to Racing Clubs	3,192	2,951
Short-term deposits - Betting Accounts and Vouchers Trust	20,000	20,000
Short-term deposits	17,500	10,000
TOTAL OTHER FINANCIAL ASSETS	42,692	34,951
Disclosed as:		
Current	39,684	32,000
Non-current	3,008	2,951
TOTAL OTHER FINANCIAL ASSETS	42,692	34,951

Loans to Racing Clubs

RACE Inc	3,008	2,931
Whangarei Racing Club Inc	184	20
LOANS TO RACING CLUBS	3,192	2,951

RACE Inc Loan

The RACE Inc loan terminates on 9 February 2014. The NZ Racing Board and RACE Inc have reached an agreement to extend the term under the same conditions, for a further period of 5 years or earlier if called by the lender. It is not expected that this loan will be repaid within the next 12 months and it is therefore classified as a non-current asset.

Whangarei Racing Club Inc Loan

Under the terms of the loan facility agreement, Whangarei Racing Club Inc increased their borrowings from the NZ Racing Board by an additional \$100,000 in December 2013 and a further \$60,000 in January 2014. The entire facility is repayable in December 2014 and is therefore classified as a current asset. The total committed but undrawn balance under this facility as at 31 January 2014 is \$16,000.

7. PROPERTY, PLANT AND EQUIPMENT

	UNAUDITED 6 MONTHS 31 JANUARY 2014 Consolidated NZ\$000	AUDITED 12 MONTHS 31 JULY 2013 Consolidated NZ\$000
At cost	136,609	132,259
Accumulated depreciation	(95,891)	(86,787)
OPENING BALANCE OF CARRYING AMOUNT	40,718	45,472
Additions	6,546	8,723
Disposals	(22)	(2,388)
Net transfers between asset classes	-	292
Depreciation	(6,144)	(11,056)
Impairment losses	(9)	(325)
CLOSING BALANCE OF CARRYING AMOUNT	41,089	40,718
At cost	143,133	136,609
Accumulated depreciation	(102,044)	(95,891)
CLOSING BALANCE OF CARRYING AMOUNT	41,089	40,718

8. INTANGIBLE ASSETS

	UNAUDITED 6 MONTHS 31 JANUARY 2014 NZ\$000	AUDITED 12 MONTHS 31 JULY 2013 NZ\$000
At cost	57,588	57,162
Accumulated amortisation	(50,119)	(48,213)
OPENING BALANCE OF CARRYING AMOUNT	7,469	8,949
Additions	4,541	1,439
Disposals	(5)	-
Net transfers between asset classes	-	(292)
Amortisation	(1,189)	(2,025)
Impairment losses	-	(602)
CLOSING BALANCE OF CARRYING AMOUNT	10,816	7,469
At cost	57,160	57,588
Accumulated amortisation	(46,344)	(50,119)
CLOSING BALANCE OF CARRYING AMOUNT	10,816	7,469

9. TRADE AND OTHER PAYABLES

	UNAUDITED 31 JANUARY 2014 Consolidated NZ\$000	AUDITED 31 JULY 2013 Consolidated NZ\$000
Accruals	6,478	7,415
Amounts payable to Board members	67	22
Employee entitlements	3,494	3,531
Racing Code distributions payable	4,991	6,205
Trade payables	7,134	5,021
TOTAL TRADE AND OTHER PAYABLES	22,164	22,194

10. PROVISIONS

The provision balance includes a \$1.3 million redundancy provision (2013: \$1.2 million), \$1.4 million of undistributed gaming surplus (2013: \$1.5 million), \$1.0 million of make good provision (2013: \$0.7 million) and \$0.9 million of other employee benefits (2013: \$0.9 million).

The redundancy provision of \$1.2 million recognised at 31 January 2014, relates to the announcement by the NZ Racing Board in December 2013 that it has committed to a plan to restructure its Broadcasting division and relocate it to Auckland by September 2014. Following this announcement, the NZ Racing Board established this provision for the expected redundancy costs as a result of some Broadcasting staff electing not to relocate to Auckland. The amount of the provision is the estimated employee termination cost. Actual costs which will be incurred may differ to the amount provided for as a result of a different mix of the number of employees and their termination costs, or those electing to relocate to Auckland.

11. OTHER NON-CURRENT FINANCIAL LIABILITIES

The secured bank loan of \$1.5 million included in the other non-current financial liabilities balance at 31 July 2013 was repaid in January 2014.

12. DISTRIBUTIONS

	UNAUDITED 31 JANUARY 2014 Consolidated NZ\$000 BETTING	UNAUDITED 31 JANUARY 2014 Consolidated NZ\$000 GAMING	UNAUDITED 31 JANUARY 2014 Consolidated NZ\$000 TOTAL
NET PROFIT BEFORE DISTRIBUTIONS	68,123	4,446	72,569
DISTRIBUTIONS FROM NET PROFIT			
Distributions to the Racing Industry			
Code Funding	72,248	-	72,248
Industry Initiatives	1,464	-	1,464
Laboratory services	-	575	575
Research, training and education	89	-	89
Other industry expenses	435	650	1,085
TOTAL DISTRIBUTIONS TO THE RACING INDUSTRY	74,236	1,225	75,461
Distributions to National Sporting and other Community Organisations			
Sports Authorised Purposes (Paid and payable)	-	960	960
Reversal of prior period provision for undistributed Gaming surplus	-	(1,514)	(1,514)
TOTAL DISTRIBUTIONS TO NATIONAL SPORTING AND OTHER COMMUNITY ORGANISATIONS	-	(554)	(554)
TOTAL DISTRIBUTIONS FROM NET PROFIT	74,236	671	74,907
DISTRIBUTIONS FROM TURNOVER			
Distributions to National Sporting Organisations			
Sports Authorised Purposes (note 4)	2,121	-	2,121
TOTAL DISTRIBUTIONS FROM TURNOVER	2,121	-	2,121

12. DISTRIBUTIONS (CONT)

	UNAUDITED 31 JANUARY 2013 Consolidated NZ\$000 BETTING	UNAUDITED 31 JANUARY 2013 Consolidated NZ\$000 GAMING	UNAUDITED 31 JANUARY 2013 Consolidated NZ\$000 TOTAL
NET PROFIT BEFORE DISTRIBUTIONS	69,096	4,606	73,702
DISTRIBUTIONS FROM NET PROFIT			
Distributions to the Racing Industry			
Code Funding	65,256	4,303	69,559
Industry Initiatives	819	-	819
Laboratory services	-	550	550
Research, training and education	99	-	99
Other industry expenses	119	541	660
TOTAL DISTRIBUTIONS TO THE RACING INDUSTRY	66,293	5,394	71,687
Distributions to National Sporting and other Community Organisations			
Sports Authorised Purposes (Paid and payable)	-	146	146
Reversal of prior period provision for undistributed Gaming surplus	-	(3,037)	(3,037)
TOTAL DISTRIBUTIONS TO NATIONAL SPORTING AND OTHER COMMUNITY ORGANISATIONS	-	(2,891)	(2,891)
TOTAL DISTRIBUTIONS FROM NET PROFIT	66,293	2,503	68,796
DISTRIBUTIONS FROM TURNOVER			
Distributions to National Sporting Organisations			
Sports Authorised Purposes (note 4)	1,800	-	1,800
TOTAL DISTRIBUTIONS FROM TURNOVER	1,800	-	1,800

13. EFFECT OF CHANGE IN COMPOSITION OF THE GROUP

As at 31 January 2014, the NZ Racing Board has consolidated Racing Integrity Unit Limited ("RIU"). The NZ Racing Board holds a 25% interest in RIU, provides all the income and has control over the allocation of resources within the company. The remaining 75% interest in RIU (non-controlling interest) is owned equally by the three Racing Codes. RIU manages integrity services to the racing industry and is responsible for investigating and prosecuting breaches of the Rules of Racing.

The NZ Racing Board has controlled RIU for financial reporting purposes since July 2011, however has not consolidated previously as the impact on the NZ Racing Board financial statements was not material. The NZ Racing Board has retrospectively consolidated RIU from August 2012 for comparative purposes in these financial statements and the impact of this is included in the non-controlling interest reserve in equity (Condensed Statement of Changes in Equity, pg 5)

The impact of consolidating RIU on the NZ Racing Board financial statements includes the following:

- Total assets increased by \$0.1 million (2013: \$0.7 million)
- Staff expenses increased by \$1.5 million (2013: \$1.5 million)
- Premises and equipment expenses increased by \$0.2 million (2013: \$0.2 million)
- Other expenses increased by \$1.0 million (2013: \$1.1 million)
- Distributions decreased by \$2.9 million (2013: \$2.9 million)

14. RELATED PARTIES

In addition to distributions, the NZ Racing Board has numerous transactions including on-course venue services, trackside operations and radio services with the three Racing Codes. The following table shows the net value of the total transactions with significant related parties during the six month period ending 31 January 2014:

	UNAUDITED NET TRANSACTION VALUE	
	31 JANUARY 2014 NZ\$000	31 JANUARY 2013 NZ\$000
Racing Codes:		
New Zealand Greyhound Racing Association	8,930	7,696
Harness Racing New Zealand	18,434	16,917
New Zealand Thoroughbred Racing	36,852	33,677

In addition to transactions with the three Racing Codes, the NZ Racing Board has granted loans to certain Racing Clubs. Refer to Note 6.

15. BROADCASTING CONTRACT

In October 2013 the NZ Racing Board entered into a 10 year service contract with NZ Live Limited ("NZ Live") for NZ Live to provide broadcasting services to the NZ Racing Board from 1 September 2014. Integral to this new contract is the upgrade from current standard definition broadcast vision ("SD") to high definition ("HD"). This contract supersedes the existing broadcasting agreement with Avalon Holdings Limited which terminates on 30 September 2014.

As part of the agreement with NZ Live, the NZ Racing Board has entered into two guarantee arrangements, as follows:

- A guarantee to Westpac over the NZ Live unsecured loan facility of \$8.9 million.
- A guarantee to Windsor Park Leasing Limited over the payments of the NZ Live leased premise with a nominal value at 31 January 2014 of \$4.2 million.

The NZ Racing Board has no ownership or future ownership rights of NZ Live. However, the NZ Racing Board does have potential exposure to losses through the bank and lease guarantees noted above. Additionally, the NZ Racing Board is the sole customer. Other than in the event of default by NZ Live on the bank or lease payments, NZ Racing Board does not have the power to control the operations of NZ Live.

NZ Live is a start up enterprise and did not have the capital to obtain a loan facility without a financial guarantee. NZ Live will provide key broadcasting services required by the NZRB and accordingly the NZRB has provided for the financial guarantee.

16. BUDGET INFORMATION

The budget presented in the NZ Racing Board 2013-2016 Statement of Intent did not include the impact of consolidating the RIU. The budget information presented below is for the six month period to 31 January and is consistent on the budget presented in the 2013-2016 Statement of Intent.

	UNAUDITED		
	ACTUAL 2014 Six Months Parent NZ\$000	BUDGET 2014 Six Months Parent NZ\$000	VARIANCE Six Months Parent NZ\$000
INCOME			
Net betting revenue	131,354	127,758	3,596
Net gaming revenue	7,007	7,536	(529)
Other income	21,592	24,974	(3,382)
TOTAL INCOME	159,953	160,268	(315)
TURNOVER RELATED EXPENSES	23,355	23,350	(5)
OPERATING EXPENSES			
Premises and Equipment Expenses	13,652	13,592	(60)
Staff expenses	29,181	27,383	(1,798)
Other expenses	18,393	18,983	590
TOTAL EXPENSES	61,226	59,958	(1,268)
NET PROFIT BEFORE DISTRIBUTIONS	75,372	76,960	(1,588)
RIU Net Profit	53		
Less RIU intercompany transactions	(2,856)		
NET PROFIT BEFORE DISTRIBUTIONS	72,569		

Budget comparative information (unaudited)

Net betting revenue was \$3.6 million ahead of budget as turnover from both racing and sports fixed odds betting products continued to track favourably to budget. Racing fixed odds benefitted from increased product offerings while sports customers' interest continues to grow on all major sports offered. A shift in customer choice from totalisator betting towards fixed odds betting remains evident this season and as a result totalisator net betting revenue was below budget.

Net gaming revenue turnover was \$0.5 million behind budget largely due to the Courtenay Place, Wellington site remaining closed since the August 2013 earthquake.

Other income was \$3.4 million behind budget mainly due to revenue from NZ racing shown overseas, which is denominated in Australian dollars, being directly impacted by the strong NZ dollar.

Staff expenses were higher than budget by \$1.8 million. Staff expenses were impacted by a \$1.2 million restructuring provision, related to the relocation of Broadcasting operations to Auckland.

17. SUBSEQUENT EVENTS

Subsequent to 31 January 2014, the Petone Head Office building has been advertised for sale. A sale transaction will only take place if satisfactory terms are agreed. This transaction is not expected to result in an impairment of the carrying amount.



Independent Auditors' Report to the Members of the New Zealand Racing Board

Report on the Interim Financial Statements

We have reviewed the interim condensed financial statements (“financial statements”) of the New Zealand Racing Board (the “NZRB”) and the entities it controlled at 31 January 2014 or from time to time during the period (the “Group”) on pages 3 to 16, which comprise the statement of financial position as at 31 January 2014, the statement of profit or loss and comprehensive income, statement of changes in equity and cash flow statement for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Board Members' Responsibility for the Financial Statements

The Board Members are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 31 January 2014, and its financial performance and cash flows for the period ended on that date.

Auditors' Responsibility

We are responsible for reviewing the financial statements presented by the Board Members in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

A review is limited primarily to enquiries of the Group personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Group for the period ended 31 January 2014 in accordance with the Review Engagement Standards issued in New Zealand.

We have no relationship with, or interest in, the NZRB other than in our capacities as accountants conducting this review and providers of other assurance and advisory services. These services have not impaired our independence as accountants of the Group.



Independent Auditors' Report

New Zealand Racing Board

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Group as at 31 January 2014 and its financial performance and cash flows for the period ended on that date.

Restriction on Distribution or Use

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

PricewaterhouseCoopers

Chartered Accountants
24 March 2014

Wellington