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ABOUT RACING INDUSTRY TRANSITION AGENCY (RITA)

On 1 July 2019, the New Zealand Racing Board (NZRB) was reconstituted as the Racing Industry Transition Agency (RITA) to lead and deliver a programme of change to transition the New Zealand racing industry to a financially sustainable future. The creation of RITA included the formation of a new governing body, appointed by the Minister for Racing. RITA retains the existing functions of the NZRB, including TAB Trackside, the largest live sports broadcaster in the country and the ongoing operation of the TAB, New Zealand's only licensed betting agency.

The TAB is a major entertainment business with more than 220,000 active TAB account-holders and a retail network consisting of almost 580 outlets. Every bet placed with the TAB makes an integral contribution to the growth of racing and sport in New Zealand and the livelihoods of the many thousands of Kiwis involved in racing and sport.

We support betting on more than 90,000 domestic and imported thoroughbred, harness and greyhound races each season, as well as on an expanding number of domestic and international sporting events.

As one of the major gambling providers in New Zealand, RITA strives to exhibit a sense of social responsibility by having regard to the communities in which we operate. We believe that the ongoing expansion and development of our responsible gambling programme is an integral part of our operation and long term success and we strive to ensure that all of our customers are equipped with information and tools that allow them to make good, informed decisions about how they gamble.

RITA directly employs 666 personnel (full-time, part-time and casual), with the majority of these people involved in the various facets that make up the TAB operation scheduling daily racing for customers in New Zealand, selling racing and sports bets through our retail network, online and telephony channels, or the broadcast of racing on our national television channels Trackside 1 and 2, and on Trackside Radio.

RITA continues to develop its Gaming operation, having held a Class 4 Operator's Licence since 2011. Currently 44 of our 67 TAB Board Venues host RITA gaming machines. It is estimated that RITA operates around 4.0% of the total number of Class 4 venues and around 3.3% of the total number of Class 4 gaming machines in the New Zealand market. Net proceeds from our gaming operation are split with at least 80% funding Racing Authorised Purposes (racing integrity measures such as the Racing Integrity Unit, Judicial Control Authority and NZ Racing Laboratory Services; racing promotional costs such as race form, race calendar and contribution to The Races costs; and racing enhancement costs for youth retention, infrastructure and stakes), and up to 20% distributed to communities across

After operating costs and expenses and distributions from Gaming, RITA's surplus is available for distribution to the three New Zealand racing codes – New Zealand Thoroughbred Racing, Harness Racing New Zealand and Greyhound Racing New Zealand – in accordance with an agreed funding model.

RITA makes a significant contribution to the development of sports in New Zealand through the commissions we pay to national sporting organisations for sports on which we take bets. In the 2018/19 year, RITA paid commissions totalling \$10 million.

CHIEF EXECUTIVE OFFICER STATEMENT

The 2018/19 year marked a turning point for the racing industry in New Zealand with the Racing Reform Act 2019 (the Act) coming into force. The Act formed the government's first legislative response to the recommendations of the John Messara Review of the New Zealand Racing Industry and included the reconstitution of the New Zealand Racing Board (NZRB) as the Racing Industry Transition Agency (RITA).

The Act, which came into force on 1 July included the introduction of two offshore charges, an information use charge and a point of consumption charge. These charges ensure that overseas betting operators that don't already have agreements in place with RITA start to contribute to New Zealand, including to the racing codes and sport organisations from which they benefit.

Furthermore, the totalisator duty (betting levy), which is paid to the Crown, is being phased out over three years and these funds are being reinvested with the racing and sport sectors. The Act also allows betting on sports not currently represented by a qualifying domestic national sporting organisation and places the formula for calculating payments to racing codes and sporting organisations into regulations.

Collectively these outcomes will annually deliver tens of millions of extra dollars to racing and sport when fully realised.

The introduction of this major programme of racing reform came at the end of a financial year which did not meet budget or forecast projections. There were a number of reasons for this: reduced turnover in the first half of the year with lower betting activity from Elite punters; lower margins in the second half, particularly in sport; and customer disruption in January as we launched our new betting platform.

Despite this, we are optimistic the investments in the Fixed Odds Betting platform introduced during the year, as well as technology and broadcast enhancement, will deliver significant benefits over time.

FY18/19 RESULTS

Net profit before distributions was \$136.7 million, down \$9.2 million (6.3%) on last year and \$36.8 million below the budget of \$173.5 million. In spite of this, distributions to the Codes were held at the \$151.5 million.

A further \$3.6 million was allocated from gaming to the industry enhancement funds to improve stakes, infrastructure and youth development and \$0.9 million was distributed to The Races Limited Partnership. Gaming activities delivered \$11.4 million in funding applied to the racing industry and \$4.1 million in grants to community sporting organisations, up 21.3% on last year.

Commission payments of \$10.0 million were made to 34 national sporting organisations.

We are optimistic this result will be a one-off and we will deliver on our forecasted net profit in 2019/20 of \$165.8 million.

The 2019 year saw significant investment that will set the business up for the future. We invested heavily to ensure our betting and broadcasting businesses provide customers with a world-class experience and as a result, increase funding for New Zealand racing and sport.

It was always going to be a challenge to ensure that the investment required to deliver growth had minimal impact on our profitability in the short-term. The delay in the launch of the Fixed Odds Betting platform including reduced turnover due to customer disruption and anticipated revenue from offshore charges along with lower betting activity from elite customers and lower sports margins adversely impacted our overall profit result.

CHIEF EXECUTIVE OFFICER STATEMENT (CONT'D)

TRANSFORMATION OF THE TAR

While the ambitious financial targets for the year were not met, over the past twelve months we have delivered the biggest technology upgrade in the history of the TAB - a world-class Fixed Odds Betting platform, made giant strides in the presentation of racing, invested in racing infrastructure and made good progress in acquiring customers.

The Vision Capture Project, which has been looking at the way we capture live footage from race tracks was completed on time and under budget. The entire solution, aimed to make us more efficient and adaptable to the future needs of our organisation and the wider industry, has been designed and delivered in partnership with Sony, with no adverse impact on our ability to service more than 1000 race meetings across the country. Greyhound racing moved to a centralised production model with a purpose-built fixed control room and also began broadcasting in high definition (HD). Two new HD outside broadcast vehicles have been introduced and rolled out. All domestic racing on Trackside will be broadcast in HD before the end of 2019.

A new, non-exclusive agreement with SKY TV is now in place with racing fans continuing to be served by Trackside 1 and 2, but providing RITA and the Codes with greater control of content and the ability to present racing to customers on new digital platforms while allowing us the opportunity to explore partnerships with new media providers.

The new Fixed Odds Betting platform is more than just an app and website upgrade, it is a fundamental change in how the TAB operates. We are now offering customers thousands more options to bet on and new features such as cashout, meaning that we are now more competitive with overseas bookmakers.

These investments and new features are designed to ensure we are meeting the demands of our current customers, attracting new ones and ensuring that we can create a sustainable future for the racing industry.

LOOKING FORWARD

Much of the focus for 2019/20 will be implementing the Government's legislative agenda. This requires a suite of regulations to give effect to new revenue streams established for the benefit of the industry under the Racing Reform Act and the preparation and introduction of a further Bill which will progress other reforms recommended by the Messara review. Getting this in place is critical to revitalising the industry and providing participants the encouragement required to invest with renewed confidence but success depends on everyone in the industry getting behind the change that is necessary to deliver the future.

As the organisation prepares for its next phase under a new CEO I look forward to watching the TAB grow and prosper. I am confident it is on track to make racing one of New Zealand's great success stories again.

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John Allen
Chief Executive Officer,
Racing Industry Transition Agency

RESPONSIBLE GAMBLING

RESPONSIBLE GAMBLING

Although most New Zealanders gamble without experiencing any harm, a small minority who participate do suffer some degree of harm and for them the impacts of this can be significant. As one of the major gambling providers in New Zealand, RITA has a responsibility to minimise that harm.

This responsibility extends beyond the requirements set out under the Racing Act 2003 and the Gambling Act 2003. In conducting its business RITA strives to exhibit a sense of social responsibility by having regard to the communities in which it operates.

RITA believes that the ongoing expansion and development of its responsible gambling programme is an integral part of its operation and long term success. RITA strives to ensure that all of its customers are equipped with information and tools that allow them to make good, informed decisions about how they gamble.

With the launch of the new betting platform, customers now have immediate access to self-service tools such as Set Your Limits and Take a Break, which allow more control than ever before over gambling and gambling spend.

Details of these, and some of the other tools currently made available to customers during FY19 are outlined below:

- SET YOUR LIMITS Accessible at all times through the account dashboard - account customers are able to set specific spending limits across a defined period. A mandatory 'cool down' period applies before these limits can be increased or removed.
- INCREASING/DECREASING LIMITS Limits set cannot be increased without triggering a mandatory stand down period.

 These periods are designed to ensure customers cannot act on an impulsive decision to increase or remove a set limit. Daily limits trigger a mandatory 24 hour stand down. Limits greater than a day will trigger a mandatory 7 day stand down period. Conversely, limits placed on an account can be lowered at any time.
- TAKE A BREAK Also accessible at all times through the account
 dashboard account customers are able to elect to 'take a break'
 from their TAB account for a specified period. Where a customer
 elects to take a break, they will not be able to access their account
 for the break period or place any bets through their account.
- REMOVAL FROM PROMOTIONAL EMAILS When a customer
 elects to take a break, their TAB Account will automatically be
 converted to 'No Promotion Material' for the duration of that break
 period meaning they will not receive any promotional content
 from the TAB for the duration of your break period. Additionally,
 customers can (at any time) elect to unsubscribe from receiving
 TAB promotional material (without needing utilising the Take a
 Break feature).

- TAB ACCOUNT ONLY EXCLUSION A customer may elect to exclude them self from being able to access and operate their own TAB Account.
- MULTI VENUE SELF EXCLUSION PROGRAMME RITA runs a
 retail exclusion programme for both its Class 4 (Pokie Machine) and
 TAB wagering sites. The exclusion programme allows customers to
 block themselves from entering and gambling at any TAB venues in
 the country.

Additionally, RITA provided significant input into the development of the new Gambling Advertising Code (consultation concluded on 4 April 2019), and endorses its final provisions. In accordance with the new code, RITA ensures that its advertisements do not:

- Promote betting as a means of relieving or improving a person's financial, professional, or personal difficulties;
- State or imply a promise of winning or portraying unrealistic outcomes from winning;
- · Misrepresent the level of financial risk associated with betting;
- Encourage consumers to bet excessively or beyond their means;
- Create a false sense of urgency such that consumers may be misled into thinking they must act quickly in order to participate or win;
- State or imply that there is a link between gambling and sexual or relationship success, or enhanced attractiveness;
- Portray, condone or encourage peer pressure to gamble;
- Exaggerate the connection between the gambling activity and the use (individual / family / whanau / community) to which the profits may be put;
- Target vulnerable people for example, by playing on fear or their superstitions (e.g. through inappropriate use of cultural symbols or references).

RITA considers that its responsible gambling programme must continue to evolve in tandem with research evidence, population needs, and the development of new tools and technology. As part of this process, the RITA is committed to continuing to:

- Work in partnership with health and help service providers to ensure new responsible gambling initiatives achieve the best possible harm minimisation outcomes;
- Trial and implement new and emerging technology that is aimed at making the gambling environment safer for customers;
- Review processes, procedures, and commitments to identify areas where its responsible gambling programme can be further expanded.

CLASS 4 GAMING DISTRIBUTIONS

In 2018/19, RITA returned more than \$19 million to the community through our sports and racing authorised purposes; \$15.0 million was distributed to racing authorised purposes, and \$4.1 million was distributed under sports authorised purposes, with 560 grants made to community sporting groups.

RITA is a licensed Class 4 Gaming operator, with 44 of our 67 TAB Board venues hosting gaming machines. It is estimated RITA operates around 4.0% of the total number of Class 4 venues and around 3.3% of the total number of gaming machines in the New Zealand market.

Net proceeds from the gaming operation are split with at least 80% funding racing authorised purposes and up to 20% distributed to communities across New Zealand through amateur sporting organisations.

\$

RACING AUTHORISED PURPOSE	2018/19	2017/18
Racing Integrity Unit	6,685,000	6,280,000
Racing Laboratory Services	1,892,614	1,877,871
Judicial Control Authority	1,380,000	1,380,000
The Races Limited partnership	909,000	909,000
Other gaming distribution to the racing industry	4,113,051	2,323,269
Broadcasting Grant	500,000	-
Clubs C4 Audit Grant	12,901	-
Infrastructure Grant	447,469	587,587
Race Form and Racing Calendar publications	1,142,656	1,283,623
Stakes Enhancement Grant	1,558,095	325,500
Synthetic Track Grant	194,182	-
Youth Retention Grant	257,748	126,559
TOTAL NET DISTRIBUTIONS TO RACING AUTHORISED PURPOSE (racing industry)	14,979,665	12,770,140
SPORTS AUTHORISED PURPOSE	2018/19	2017/18
Distributions to sports authorised purpose	4,214,194	3,464,249
Sports authorised purpose grants returned	-101,298	-74,226
NET GRANTS TO SPORTS AUTHORISED PURPOSE	4,112,896	3,390,023

BOARD MEMBERS

NZRB BOARD MEMBERS

(as at 30 June 2019) (as at 31 July 2019)

Mauro Barsi (Greyhound Racing NZ Nominee)

Bill Birnie CNZM (Independent Director)*

Graham Cooney (Independent Director)

Rod Croon (Harness Racing NZ Nominee)

Glenda Hughes (Chair)

Greg McCarthy (NZ Thoroughbred Racing Nominee)

RITA BOARD MEMBERS

Bill Birnie CNZM

Liz Dawson MNZM

Kristy McDonald ONZM QC

Dean McKenzie

Anna Stove

Sir Peter Vela KNZM

Meeting attendance and remuneration for the Board of the NZRB and for RITA's governing body for the year ended 31 July 2019 are outlined below:

CURRENT BOARD MEMBERS OF RITA	MEMBER'S REMUNERATION \$	BOARD MEETINGS	AUDIT & RISK COMMITTEE	DATES COMMITTEE	COMPENSATION & DEVELOPMENT COMMITTEE	NET PROCEEDS COMMITTEE	TECHNOLOGY COMMITTEE
Bill Birnie CNZM	2,833	2	-	-	-	-	-
Liz Dawson MNZM	2,833	2	-	-	-	-	-
Kristy McDonald ONZM QC	2,833	2	-	-	-	-	-
Dean McKenzie	5,667	2	-	-	-	-	-
Anna Stove	2,833	2	-	-	-	-	-
Sir Peter Vela KNZM	2,833	2	-	-	-	-	-
PAST BOARD MEMBERS OF NZRB							
Mauro Barsi	38,250	11	-	4	2	-	3
Bill Birnie CNZM	15,833	4	2	-	-	2	-
Graham Cooney	44,917	12	2	4	-	3	-
Rod Croon	40,333	12	-	4	2	-	1
Glenda Hughes	64,167	11	-	-	-	2	-
Greg McCarthy	40,333	12	2	4	-	-	3
TOTAL	263,667	14	2	4	2	3	3

^{*} Bill Birnie was appointed as a member of the Ministerial Advisory Committe (MAC) in December 2018; the details of remuneration and number of meetings in this section only relate to his tenure as a Board Member of NZRB prior to his appointment to MAC.

NEW GOALS FOR BLIND SPORT NZ

RITA's funding provided a major boost for Paralympic sport initiatives such as the purchase of cutting edge portable goalball goals for Blind Sport New Zealand.

Goalball is popular among blind and low vision athletes. Teams of three players try to roll or bounce a 1.25kg ball with bells inside across an indoor court and a goal at the other end, while opposing players try to block the ball from entering their net by diving. The nine-meter-wide goals have only just started being used internationally and feature an inflatable, yet highly stable design that is more portable and easier to store than traditional goalball goals made of steel or aluminium

Blind Sport NZ National Manager Casey Flint said the \$18,000 grant would contribute to the growth of Goalball in New Zealand.

"There aren't many goalball facilities in New Zealand and we've been limited in our ability to introduce the sport to new locations. The purchase of portable goals will allow us to support regional clubs and take the game on the road to communities and athletes that haven't been exposed to the sport or had the chance to participate in the past," said Flint.



GOVERNANCE STATEMENT

Under the Racing Act 2003, the New Zealand Racing Board (NZRB) was renamed as the Racing Industry Transition Agency (RITA) (effective from 1 July 2019). The Racing Act 2003 sets out the authority, functions, membership and operation of RITA.

GOVERNING BODY STRUCTURE AND COMPOSITION

The management of the business and affairs of RITA takes place under the direction of its governing body. Under Section 11 of the Racing Act 2003, the Minister for Racing appoints a governing body of up to seven members (with the Act specifying the skills required of those members).

Each of the members of the governing body hold office during the transition period (commencing on 1 July 2019 and ending on 30 June 2020 or later, as specified by Order in Council).

The members of RITA's governing body are as follows (1 July 2019 - 30 June 2020):

Bill Birnie CNZM
Liz Dawson MNZM
Kristy McDonald ONZM QC
Dean McKenzie (Chair)
Anna Stove
Sir Peter Vela KNZM

The Minister issued a letter of expectation to RITA on 25 July 2019, which sets out the work programme for RITA over the transition period.

GOVERNING BODY RESPONSIBILITIES

The governing body meets regularly. The Chief Executive Officer, whose responsibility is the day-to-day operations of RITA, also attends all meetings. Every meeting is subject to a formal agenda and reporting procedures. Agendas are prepared by RITA's Secretary, in conjunction with the Chief Executive Officer and the Chair.

RITA maintains an Interests Register, in which the interests of its members are recorded. Governing body members are expected to manage any conflicts of interest in accordance with the provisions of the Racing Act 2003.

GOVERNING BODY COMMITTEES

The RITA governing body has formally constituted four committees: the Dates Committee, the Audit and Risk Committee, the Compensation and Development Committee and the Net Proceeds Committee.

These committees support the governing body by considering relevant issues at a detailed level and reporting back to the governing body. This reporting will generally include the making of recommendations to the governing body, except where specific decision-making authority has been delegated to the committee by the governing body.

SUPER SIXES MAKE HISTORY FOR THE TAB

While heartbreaking for New Zealanders after England's win due to a tie-break rule, the silver lining of the 2019 Cricket World Cup was the TAB's performance thanks to the 'Super Sixes' promotion. Customers who placed a \$50 prematch head to head bet on any Cricket World Cup match received a \$6 Bonus Bet for every six their team hit.

Over 26,000 punters placed a bet on the final match - the most of any individual match or race this year and twice the average All Blacks' test. We also had 15,000 customers place a \$50 (or higher) pre-match head to head bet - and then receive a Super Sixes bonus bet. This meant there were three times as many customers placing a \$50 or higher head to head bet than at the Cricket World Cup 2015, a significant change in customer behaviour.

More than 53,000 customers placed a bet on the tournament contributing to almost \$26 million in turnover, meaning the 2019 Cricket World Cup now sits in the top five sporting events in our organisation's history.



GOVERNANCE STATEMENT (CONT'D)

EXECUTIVE LEADERSHIP TEAM

As at 31 July 2019, the Executive Leadership Team comprised:

John Allen, Chief Executive Officer

Shaun Brooks, General Manager Finance

Stephen Henry, Chief Operating Officer

Andy Kydd, General Manager Media and International

Lou McCrorie, Head of People

Simon Mackay, General Manager Technology

Glen Saville, General Manager Betting and Product

Gary Woodham, General Manager Customer and Channels

EMPLOYEE REMUNERATION BANDING EQUAL TO OR OVER \$100K

The table below shows the number of employees employed as at 31 July 2019 of the RITA Group (including Racing Integrity Unit), not being directors, who, in their capacity as employees, received remuneration and other benefits during 2018/19 of at least NZ\$100,000.

The remuneration figures shown include all monetary payments actually made during the year, including incentives and allowances, but excluding redundancies.

NZ\$000	2018/19	2017/ 18
100-110	25	35
110-120	21	18
120-130	20	18
130-140	20	20
140-150	10	8
150-160	5	9
160-170	8	7
170-180	6	7
180-190	3	3
190-200	6	3
210-220	2	1
220-230	0	2
230-240	0	1

NZ\$000	2018/ 19	2017/ 18
240-250	0	1
250-260	1	2
260-270	2	0
270-280	1	1
300-310	0	3
310-320	1	0
320-330	1	0
350-360	0	1
360-370	1	1
370-380	0	1
380-390	2	0
670-680	0	1
690-700	1	0
	136	143

FIVE YEAR TRENDS

FULL YEAR (\$M)	2018/19	2017/18	2016/17	2015/16	2014/15 (1)
		State	ment of Prof	it or Loss	
Total turnover	2,771.2	2,738.4	2,680.9	2,673.4	2,389.7
Net betting margin	12.1%	12.7%	12.4%	12.4%	12.9%
Total revenue	348.0	359.2	348.7	351.9	336.4
Turnover related expenses (1)	69.1	68.9	68.4	66.4	64.6
Operating expenses (2)	142.2	144.4	136.3	138.8	127.8
Operating expenses/total income	40.8%	40.2%	39.1%	39.4%	38.0%
Net profit before distributions	136.7	145.9	144.0	146.7	144.0
Distributions to racing industry (including Racing Integrity Unit) (3)	166.5	163.6	149.8	147.0	144.8
Group distributions to racing industry (excluding Racing Integrity Unit) (4)	159.8	157.3	143.8	141.1	139.0
Distributions to sporting community organisations	4.1	3.4	3.2	3.0	2.7
Returns to national sporting organisations	10.0	10.2	9.3	8.0	6.1
		Stateme	ent of Financ	ial Position	
Total assets	136.5	130.1	136.7	139.9	131.9
Current assets	49.0	61.1	77.8	74.9	64.7
Current liabilities	71.2	63.4	63.6	62.1	56.7
Current assets to current liabilities ratio	0.7	1.0	1.2	1.2	1.1
Equity	24.9	53.5	69.3	73.8	70.8

^{(1) 2014/15} figures have been restated to reflect financial reporting changes made in the 2015/16 financial year. The changes include the reclassification of advertising & promotions and race form publications from Operating Expenses to Turnover Relates Expenses. As a result the operating expenses/total income ratio for 2014/15 has decreased from 41.4% to 38.0%. 2013/14 has not been restated.

FIVE YEAR RACE SUMMARY

	2018/19	2017/18	2016/17	2015/16	2014/15
Greyhound	5,907	5,903	5,624	5,573	5,353
Harness	2,469	2,483	2,492	2,595	2,654
Thoroughbred	2,582	2,568	2,564	2,790	2,848
TOTAL	10,958	10,954	10,680	10,958	10,855
Imported	88,340	73,169	69,083	67,165	65,612
Exported	10,582	10,515	10,300	10,612	10,133

⁽²⁾ 2018/19 operating expenses include planned investments in strategic initiatives and other projects of \$15.7 million (2017/18: \$9.9 million); excluding the impact of these projects, the underlying operating expenses have decreased by 5.9% year on year. See Note 3 of the Financial Statements on page 32.

 $^{^{(3)}}$ Note 5 of the Financial Statements on page 36 shows the distribution information in more detail.

⁽⁴⁾ Group distributions reflect the distributions of the RITA Group. The Group includes the RIU results and therefore, the distributions to RIU are eliminated (excluded) from the Group distributions. The total distributions to RIU in 2018/19 were \$6.7 million (2017/18: \$6.3 million).

FINANCIAL COMMENTARY

For the year ended 31 July 2019

The following financial commentary compares RITA's (formerly NZRB) actual results in FY19 against last year's actuals and FY19 Budget as presented in NZRB's Statement of Intent 2019-2021 approved by the Board on 27 June 2018.

The Racing Industry Transition Agency (RITA) achieved a reported net profit before distributions for the year ended 31 July 2019 of \$136.7 million, \$9.2 million (6.3%) below last year and \$36.8 million below budget. Excluding the investment in our strategic initiatives, underlying operating profit was \$144.1 million, behind last year by \$10.8 million (6.9%).

Compared to budget, these results were impacted by the absence of anticipated Racefield's legislation, lower betting activity from some high value Elite customers, unfavourable results impacting margins and a delay in launching the new Fixed Odds Betting platform. This was partly mitigated by ongoing growth in customers and gaming combined with disciplined cost control.

UNAUDITED

	NOTE	ACTUAL 31 JULY 2019 \$M	ACTUAL 31 JULY 2018 \$M	BUDGET 31 JULY 2019 \$M
Betting and gaming turnover	6b	2,771.2	2,738.4	3,221.8
Total revenue	6a	348.0	359.2	422.6
Net profit before distributions	4	136.7	145.9	173.5
Underlying net profit before distributions	3	144.1	154.9	159.3
Total group distributions	5	162.0	159.1	162.3

The comparison to last year is found in the Statement of Profit or Loss and Other Comprehensive Income found on page 20 of the Annual Report and the comparison to Budget is found in the Supplementary Information section found on page 59.

TURNOVER

Total turnover was \$32.8 million (1.2%) ahead of last year with limited betting activity from some of our high value elite customers in the first half of the year being offset by the launch of the new Fixed Odds Betting platform (FOB) in January 2019, which has lifted the overall competitiveness of our offering, combined with a strong gaming performance during the same period (\$37.0 million or 7.8% ahead of last year).

REVENUE

Total revenue was \$11.2 million (-3.1%) below last year driven by unfavourable results impacting betting margins, particularly in sport, and some customer disruption in January as we launched the FOB platform. Net betting revenue was \$14.2 million (-5.0%) below last year. Revenue was also adversely impacted by changes to our domestic broadcasting resulting from a new non-exclusive agreement offset by an increase in export income. In contrast, gaming revenue performed strongly during the year, \$2.0 million (7.5%) ahead of last year, driven by successful TAB refurbishments and electronic gaming machine (EGM) conversions representing continued investment in existing venues and improvements in the performance of gaming machines.

EXPENSES

Total reported turnover related expenses of \$69.1 million were slightly higher than last year by \$0.1 million (0.2%) driven by higher overseas racing rights resulting from increased turnover on imported racing and revenue share fees associated with the FOB platform. This was offset by lower marketing and sponsorship spend, National Sporting Organisations (NSO) levies (FY18 reported the impact of Football World Cup) and retail fees resulting from ongoing optimisation of the TAB retail network. Excluding the impact of key strategic initiatives, underlying turnover related expenses declined by \$0.3 million (-0.5%). The variance to Budget largely relates to lower than anticipated Sports Turnover impacting NSO levies, product mix of overseas racing and lower betting revenue share payment.

Total reported operating expenses of \$142.2 million were \$2.1 million (-1.5%) lower than last year. Ongoing focus on effective and disciplined cost management remains the key driver to the significant savings realised in operating expenses during the year including staff costs (\$1.3 million), broadcasting (\$0.3 million), premises and equipment (\$0.7 million), depreciation and amortisation (\$3.3 million) and other expenses (\$2.1 million), offset in part by increases in communications and technology (\$5.3 million largely due to costs associated with the new FOB platform). Excluding the impact of key strategic initiatives and Anti Money Laundering costs of \$15.7 million (up \$5.8 million on last year), the savings realised in underlying operating expenses were \$8.0 million (-5.9%) compared to last year.

FINANCIAL COMMENTARY (CONT'D)

DISTRIBUTIONS

Total distributions to both the racing industry and sporting community organisations increased by \$2.9 million (1.8%) on last year and were slightly below Budget at \$162.0 million. Total distributions

to the Racing Codes from Betting in 2018/19 was \$151.5 million, \$0.7 million (0.5%) ahead of last year which includes \$2.6 million of funding to The Races Limited Partnership.

BALANCE SHEET

RITA's balance sheet as at 31 July 2019 reflects the impact of the planned investment in strategic initiatives funded from available cash (equity) and borrowings.

	ACTUAL 31 JULY 2019 \$M	ACTUAL 31 JULY 2018 \$M	UNAUDITED BUDGET 31 JULY 2019 \$M
Current assets	49.0	61.1	54.6
Non-current assets	87.5	69.0	94.9
TOTAL ASSETS	136.5	130.1	149.5
Current liabilities	71.2	63.4	64.2
Non-current liabilities	40.4	13.2	25.0
TOTAL LIABILITIES	111.6	76.6	89.2
TOTAL EQUITY	24.9	53.5	60.3
TOTAL LIABILITIES AND EQUITY	136.5	130.1	149.5

The comparison of last year's Statement of Financial Position to the current year is located on page 22 of the Annual Report. The comparison to the Budget is found in the Supplementary information section found on page 61.

WORKING CAPITAL

RITA's negative working capital position (current liabilities being more than current assets) is mainly driven by higher payables to suppliers relative to the level of cash and receivables from customers. The working capital management strategy involves optimising the timing of generating cash from trade receivables which have quicker settlement dates than trade payables which ensures that cash reserves are made available to support capital investments while minimising the level of debt.

While year on year, cash reserves declined by \$7.2 million, RITA generated a positive net operating cash flows (\$161.8 million) that was utilised to fund planned capital investments (\$30.4 million) and net financing outflows (\$138.3 million) that includes distributions of \$162.3 million offset by debt funding drawn during the year of \$25.0 million. Refer to note 22b.1 of the financial statements for a more detailed outline of RITA's working capital strategy including how these are reflected in budget performance for the ensuing year.

FINANCIAL COMMENTARY (CONT'D)

NON-CURRENT ASSETS

Non current assets have increased from last year by \$18.5 million (26.8%) due to the significant investment in property, plant and equipment (PP&E) and intangible assets (\$19.7 million) relating to the strategic initiatives and other projects (\$36.9 million). This was offset in part by annual depreciation and amortisation charges (\$16.5 million) and disposals (\$0.7 million).

NON-CURRENT LIABILITIES

Non-current liabilities are higher than last year by \$27.2 million due to a debt drawdown of \$25.0 million during the year which was planned to fund strategic investments, and an increase in non-current provisions (\$2.6 million) associated mainly with the accumulated gaming funds for investment in synthetic track developments.

EQUITY

Total Equity is \$24.9 million as at 31 July 2019, decreasing by \$28.6 million (-53.5%) on last year. This was impacted by the reported net loss after distribution of \$28.3 million and a further \$0.3 million movement in fair value of hedges incurred during the year.

Compared to budget, equity is \$35.4 million (-58.8%) lower as a result of the lower operating performance for the year, the higher level of distributions to both the racing industry and sporting community organisations, and the impact of expected revenue from Racefield's legislation which was not received in the current year.



FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2019

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STATEMENTS OF CHANGES IN EQUITY	21
STATEMENTS OF FINANCIAL POSITION	22
STATEMENTS OF CASH FLOWS	23
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Independent auditor's report

To the directors of the Racing Industry Transition Agency

We have audited the financial statements which comprise:

- the statements of financial position as at 31 July 2019;
- · the statements of profit or loss and other comprehensive income for the year then ended;
- · the statements of changes in equity for the year then ended;
- · the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the accompanying financial statements of the Racing Industry Transition Agency (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 July 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Company in the areas of advisory related services. The provision of these other services has not impaired our independence as auditor of the Group.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.



Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's directors, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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 Company and the Company's directors, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Kevin Brown. For and on behalf of:

Chartered Accountants 30 October 2019

Pricewalerhouse Coopers

Wellington

FINANCIAL STATEMENTS (CONT'D)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2019

REVENUE REVENUE Net betting revenue 6c 273,294 287,572 Net gaming revenue 6c 29,004 26,970 NZ reging revenue shown overseas 6e 21,833 20,529 Other revenue 7 2,889 24,178 TOTAL REVENUE 348,022 359,249 TURNOVER RELATED EXPENSES 8 69,076 68,933 OPERATING EXPENSES 9 20,119 9,495 Communication and technology expenses 9 26,089 30,808 Experication and amortisation 18,19 16,534 19,800 Experication and amortisation and amortisation 18,19 16,534 19,800 Foreign exchange loss 9 40,089 4,322 4,382 Staff expenses 9c 61,533 1,432 14,482 Staff expenses 9c 14,352 16,475 16,475 Other expenses 9c 14,352 16,475 16,475 16,475 TOTAL EXPENSES 142,246 144,375		NOTE	2019 \$000	2018 \$000
Net betting revenue 6c 273,294 287,572 Net gaming revenue 6d 29,004 26,970 NZ racing revenue shown overseas 6e 21,833 20,259 Other revenue 7 23,891 24,178 TOTAL REVENUE 348,022 359,249 TURNOVER RELATED EXPENSES 8 69,076 68,933 OPERATING EXPENSES 8 69,076 68,933 OPERATING EXPENSES 9 2,219 9,495 Communication and technology expenses 9a 26,089 20,836 Depreciation and amortistation 18,19 16,534 19,800 Eoreign exchange loss 9a 26,089 20,836 Permises and equipment expenses 9b 14,323 14,982 Staff expenses 9c 61,503 62,758 Other expenses 9c 61,503 62,758 Other expenses 9c 61,503 62,758 Other expenses 9c 143,232 11,502 Other expenses <t< td=""><td>Betting and gaming turnover</td><td>6b</td><td>2,771,211</td><td>2,738,422</td></t<>	Betting and gaming turnover	6b	2,771,211	2,738,422
Net betting revenue 6c 273,294 287,572 Net gaming revenue 6d 29,004 26,970 NZ racing revenue shown overseas 6e 21,833 20,259 Other revenue 7 23,891 24,178 TOTAL REVENUE 348,022 359,249 TURNOVER RELATED EXPENSES 8 69,076 68,933 OPERATING EXPENSES 8 69,076 68,933 OPERATING EXPENSES 9 2,219 9,495 Communication and technology expenses 9a 26,089 20,836 Depreciation and amortistation 18,19 16,534 19,800 Eoreign exchange loss 9a 26,089 20,836 Permises and equipment expenses 9b 14,323 14,982 Staff expenses 9c 61,503 62,758 Other expenses 9c 61,503 62,758 Other expenses 9c 61,503 62,758 Other expenses 9c 143,232 11,502 Other expenses <t< td=""><td></td><td></td><td></td><td>_</td></t<>				_
Net gaming revenue 6d 29,004 26,970 NZ racing revenue shown overseas 6e 21,833 20,529 Other revenue 7 2,891 24,178 TOTAL REVENUE 348,022 359,249 TURNOVER RELATED EXPENSES 8 69,076 68,933 OPERATING EXPENSES 9 20,089 20,836 Communication and technology expenses 9a 26,089 20,836 Communication and amortisation 18,19 16,534 19,800 Foreign exchange loss 20 29 Staff expenses 9c 61,503 62,758 Other expenses 9c 142,246 144,352 TOTAL OPERATING EXPENSES 3 36,700 145,941 NET PROFIT BEFORE DISTRIBUTIONS 5 151,	REVENUE			
NZ racing revenue shown overseas 6e 21,833 20,529 Other revenue 7 23,891 24,178 TOTAL REVENUE 348,022 359,249 TURNOVER RELATED EXPENSES 8 69,076 68,933 OPERATING EXPENSES Broadcasting expenses 9,219 9,495 Communication and etchology expenses 92 20,836 20,836 Depreciation and amortisation 18,19 16,534 19,800 Foreign exchange loss 226 29 Premises and equipment expenses 9b 14,323 14,982 Staff expenses 9c 61,503 62,758 Other expenses 9d 142,2246 144,335 TOTAL OPERATING EXPENSES 142,246 144,375 TOTAL EXPENSES 113,500 145,941 Distributions from betting 5 151,540 150,800 Distributions from gaming 5 10,458 8,311 Provision for undistributed gaming net profit 2,963 3,256 OTH	Net betting revenue	6с	273,294	287,572
Other revenue 7 23,891 24,178 TOTAL REVENUE 348,022 359,249 TURNOVER RELATED EXPENSES 8 69,076 68,933 OPERATING EXPENSES Broadcasting expenses 9 9,219 9,495 Communication and technology expenses 9a 20,093 20,893 Depreciation and amortisation 18,19 16,534 19,800 Coreign exchange loss 9b 14,323 14,982 Premises and equipment expenses 9b 14,323 14,982 Staff expenses 9c 61,503 62,758 Other expenses 9c 61,503 62,758 Other expenses 9c 61,503 62,758 Other expenses 9c 14,2246 144,375 TOTAL OPERATING EXPENSES 142,246 144,375 TOTAL EXPENSES 3 136,700 150,800 Distributions from betting 5 10,458 8,311 Provision for undistributed garming net profit 2,963 3,256	Net gaming revenue	6d	29,004	26,970
TOTAL REVENUE 348,022 359,249 TURNOVER RELATED EXPENSES 8 69,076 68,933 OPERATING EXPENSES Broadcasting expenses 9,219 9,495 Communication and technology expenses 9a 26,089 20,836 Depreciation and amortisation 18,19 16,534 19,800 Foreign exchange loss 226 29 Premises and equipment expenses 9b 14,323 14,982 Staff expenses 9c 61,503 62,758 Other expenses 9d 14,352 16,475 TOTAL OPERATING EXPENSES 142,246 144,375 TOTAL EXPENSES 211,322 213,308 NET PROFIT BEFORE DISTRIBUTIONS* 3 136,700 145,941 Distributions from betting 5 151,540 150,800 Distributions from gaming 5 10,458 8,311 Provision for undistributed gaming net profit 2,963 3,256 OTHER COMPREHENSIVE INCOME/LOSS Movement in fair value of cash flow hedges **	NZ racing revenue shown overseas	бе	21,833	20,529
TURNOVER RELATED EXPENSES 8 69,076 68,933 OPERATING EXPENSES Broadcasting expenses 9,219 9,495 Communication and technology expenses 9a 26,089 20,836 Depreciation and amortisation 18,19 16,534 19,800 Foreign exchange loss 226 29 Premises and equipment expenses 9b 14,323 14,982 Staff expenses 9c 61,503 62,758 Other expenses 9d 14,325 16,475 TOTAL OPERATING EXPENSES 142,246 144,375 TOTAL EXPENSES 211,322 213,308 NET PROFIT BEFORE DISTRIBUTIONS * 3 136,700 145,941 Distributions from betting 5 151,540 150,800 Distributions from gaming 5 10,458 8,311 Provision for undistributed gaming net profit 2,963 3,256 OTHER COMPREHENSIVE INCOME/LOSS (333) 575 TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR (28,594) (15,845)	Other revenue	7	23,891	24,178
OPERATING EXPENSES Broadcasting expenses 9,219 9,495 Communication and technology expenses 9a 26,089 20,836 Depreciation and amortisation 18,19 16,534 19,800 Foreign exchangeloss 226 29 Premises and equipment expenses 9b 14,232 14,982 Staff expenses 9c 61,503 62,758 Other expenses 9d 14,352 16,475 TOTAL OPERATING EXPENSES 142,246 144,375 TOTAL EXPENSES 211,322 213,308 NET PROFIT BEFORE DISTRIBUTIONS* 3 136,700 145,941 Distributions from betting 5 151,540 150,800 Distributions from gaming 5 10,458 8,311 Provision for undistributed gaming net profit 2,963 3,256 NET LOSS AFTER DISTRIBUTIONS 4 (28,261) (16,426) OTHER COMPREHENSIVE LOSS FORTHE YEAR (333) 575 TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: (28,594) (15,851	TOTAL REVENUE		348,022	359,249
OPERATING EXPENSES Broadcasting expenses 9,219 9,495 Communication and technology expenses 9a 26,089 20,836 Depreciation and amortisation 18,19 16,534 19,800 Foreign exchangeloss 226 29 Premises and equipment expenses 9b 14,232 14,982 Staff expenses 9c 61,503 62,758 Other expenses 9d 14,352 16,475 TOTAL OPERATING EXPENSES 142,246 144,375 TOTAL EXPENSES 211,322 213,308 NET PROFIT BEFORE DISTRIBUTIONS* 3 136,700 145,941 Distributions from betting 5 151,540 150,800 Distributions from gaming 5 10,458 8,311 Provision for undistributed gaming net profit 2,963 3,256 NET LOSS AFTER DISTRIBUTIONS 4 (28,261) (16,426) OTHER COMPREHENSIVE LOSS FORTHE YEAR (333) 575 TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: (28,594) (15,851				
Broadcasting expenses 9,219 9,495 Communication and technology expenses 9a 26,089 20,836 Depreciation and amortisation 18,19 16,534 19,800 Foreign exchange loss 226 29 Premises and equipment expenses 9b 14,323 14,982 Staff expenses 9c 61,503 62,758 Other expenses 9d 14,352 16,475 TOTAL OPERATING EXPENSES 142,246 144,375 TOTAL EXPENSES 211,322 213,308 NET PROFIT BEFORE DISTRIBUTIONS* 3 136,700 145,941 Distributions from betting 5 151,540 150,800 Distributions from gaming 5 10,458 8,311 Provision for undistributed gaming net profit 2,963 3,256 OTHER COMPREHENSIVE INCOME/LOSS Movement in fair value of cash flow hedges ** (333) 575 TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: (28,594) (15,851) TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO:	TURNOVER RELATED EXPENSES	8	69,076	68,933
Broadcasting expenses 9,219 9,495 Communication and technology expenses 9a 26,089 20,836 Depreciation and amortisation 18,19 16,534 19,800 Foreign exchange loss 226 29 Premises and equipment expenses 9b 14,323 14,982 Staff expenses 9c 61,503 62,758 Other expenses 9d 14,352 16,475 TOTAL OPERATING EXPENSES 142,246 144,375 TOTAL EXPENSES 211,322 213,308 NET PROFIT BEFORE DISTRIBUTIONS* 3 136,700 145,941 Distributions from betting 5 151,540 150,800 Distributions from gaming 5 10,458 8,311 Provision for undistributed gaming net profit 2,963 3,256 OTHER COMPREHENSIVE INCOME/LOSS Movement in fair value of cash flow hedges ** (333) 575 TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: (28,594) (15,851) TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
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Depreciation and amortisation 18, 19 16,534 19,800 Foreign exchange loss 226 29 Premises and equipment expenses 9b 14,323 14,982 Staff expenses 9c 61,503 62,758 Other expenses 9d 14,352 16,475 TOTAL OPERATING EXPENSES 142,246 144,375 TOTAL EXPENSES 211,322 213,308 NET PROFIT BEFORE DISTRIBUTIONS* 3 136,700 145,941 Distributions from betting 5 151,540 150,800 Distributions from gaming 5 10,458 8,311 Provision for undistributed gaming net profit 2,963 3,256 NET LOSS AFTER DISTRIBUTIONS 4 (28,261) (16,426) OTHER COMPREHENSIVE INCOME/LOSS Movement in fair value of cash flow hedges ** (333) 575 TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: (28,594) (15,851) TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: (28,521) (15,845) Non-controlling interests in Racing Integrity Un				
Foreign exchange loss 226 29 Premises and equipment expenses 9b 14,323 14,982 Staff expenses 9c 61,503 62,758 Other expenses 9d 14,352 16,475 TOTAL OPERATING EXPENSES 142,246 144,375 TOTAL EXPENSES 211,322 213,308 NET PROFIT BEFORE DISTRIBUTIONS* 3 136,700 145,941 Distributions from betting 5 151,540 150,800 Distributions from gaming 5 10,458 8,311 Provision for undistributed gaming net profit 2,963 3,256 NET LOSS AFTER DISTRIBUTIONS 4 (28,261) (16,426) OTHER COMPREHENSIVE INCOME/LOSS (28,594) (15,851) Movement in fair value of cash flow hedges ** (333) 575 TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: (28,594) (15,851) TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: (28,521) (15,845) Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)				
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Staff expenses 9c 61,503 62,758 Other expenses 9d 14,352 16,475 TOTAL OPERATING EXPENSES 142,246 144,375 TOTAL EXPENSES 211,322 213,308 NET PROFIT BEFORE DISTRIBUTIONS* 3 136,700 145,941 Distributions from betting 5 151,540 150,800 Distributions from gaming 5 10,458 8,311 Provision for undistributed gaming net profit 2,963 3,256 NET LOSS AFTER DISTRIBUTIONS 4 (28,261) (16,426) OTHER COMPREHENSIVE INCOME/LOSS (333) 575 TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR (333) 575 TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: (28,594) (15,845) Racing Industry Transition Agency (RITA) reserves (28,521) (15,845) Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)				
Other expenses 9d 14,352 16,475 TOTAL OPERATING EXPENSES 142,246 144,375 TOTAL EXPENSES 211,322 213,308 NET PROFIT BEFORE DISTRIBUTIONS* 3 136,700 145,941 Distributions from betting 5 151,540 150,800 Distributions from gaming 5 10,458 8,311 Provision for undistributed gaming net profit 2,963 3,256 NET LOSS AFTER DISTRIBUTIONS 4 (28,261) (16,426) OTHER COMPREHENSIVE INCOME/LOSS Movement in fair value of cash flow hedges ** (333) 575 TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR (333) 575 TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: Racing Industry Transition Agency (RITA) reserves (28,521) (15,845) Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)				
TOTAL OPERATING EXPENSES 142,246 144,375 TOTAL EXPENSES 211,322 213,308 NET PROFIT BEFORE DISTRIBUTIONS* 3 136,700 145,941 Distributions from betting 5 151,540 150,800 Distributions from gaming 5 10,458 8,311 Provision for undistributed gaming net profit 2,963 3,256 NET LOSS AFTER DISTRIBUTIONS 4 (28,261) (16,426) OTHER COMPREHENSIVE INCOME/LOSS Movement in fair value of cash flow hedges ** (333) 575 TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR (28,594) (15,851) TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: Racing Industry Transition Agency (RITA) reserves (28,521) (15,845) Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)				
TOTAL EXPENSES 211,322 213,308 NET PROFIT BEFORE DISTRIBUTIONS* 3 136,700 145,941 Distributions from betting 5 151,540 150,800 Distributions from gaming 5 10,458 8,311 Provision for undistributed gaming net profit 2,963 3,256 NET LOSS AFTER DISTRIBUTIONS 4 (28,261) (16,426) OTHER COMPREHENSIVE INCOME/LOSS Movement in fair value of cash flow hedges ** (333) 575 TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR (28,594) (15,851) TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: Racing Industry Transition Agency (RITA) reserves (28,521) (15,845) Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)		9d		
NET PROFIT BEFORE DISTRIBUTIONS* 3 136,700 145,941 Distributions from betting 5 151,540 150,800 Distributions from gaming 5 10,458 8,311 Provision for undistributed gaming net profit 2,963 3,256 NET LOSS AFTER DISTRIBUTIONS 4 (28,261) (16,426) OTHER COMPREHENSIVE INCOME/LOSS Movement in fair value of cash flow hedges ** (333) 575 TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR (28,594) (15,851) TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: Racing Industry Transition Agency (RITA) reserves (28,521) (15,845) Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)	TOTAL OPERATING EXPENSES			
Distributions from betting Distributions from betting Distributions from gaming 5 151,540 150,800 5 10,458 8,311 Provision for undistributed gaming net profit 2,963 3,256 NET LOSS AFTER DISTRIBUTIONS 4 (28,261) (16,426) OTHER COMPREHENSIVE INCOME/LOSS Movement in fair value of cash flow hedges ** TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR (28,594) (15,851) TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: Racing Industry Transition Agency (RITA) reserves Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)	TOTAL EXPENSES		211,322	213,308
Distributions from betting Distributions from betting Distributions from gaming 5 151,540 150,800 5 10,458 8,311 Provision for undistributed gaming net profit 2,963 3,256 NET LOSS AFTER DISTRIBUTIONS 4 (28,261) (16,426) OTHER COMPREHENSIVE INCOME/LOSS Movement in fair value of cash flow hedges ** TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR (28,594) (15,851) TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: Racing Industry Transition Agency (RITA) reserves Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)	NET DDOELT DEFODE DISTRIBUTIONS *	2	126 700	145 041
Distributions from gaming Provision for undistributed gaming net profit Distributions from gaming Provision for undistributed gaming net profit Distributions from gaming 2,963 3,256 NET LOSS AFTER DISTRIBUTIONS 4 (28,261) (16,426) OTHER COMPREHENSIVE INCOME/LOSS Movement in fair value of cash flow hedges ** TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR DISTRIBUTABLE TO: Racing Industry Transition Agency (RITA) reserves Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)	NET PROFIT BEFORE DISTRIBUTIONS	3	136,700	145,941
Distributions from gaming Provision for undistributed gaming net profit Distributions from gaming Provision for undistributed gaming net profit Distributions from gaming 2,963 3,256 NET LOSS AFTER DISTRIBUTIONS 4 (28,261) (16,426) OTHER COMPREHENSIVE INCOME/LOSS Movement in fair value of cash flow hedges ** TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR DISTRIBUTABLE TO: Racing Industry Transition Agency (RITA) reserves Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)	Distributions from betting	5	151.540	150.800
Provision for undistributed gaming net profit 2,963 3,256 NET LOSS AFTER DISTRIBUTIONS 4 (28,261) (16,426) OTHER COMPREHENSIVE INCOME/LOSS Movement in fair value of cash flow hedges ** (333) 575 TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR (28,594) (15,851) TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: Racing Industry Transition Agency (RITA) reserves Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)				
NET LOSS AFTER DISTRIBUTIONS OTHER COMPREHENSIVE INCOME/LOSS Movement in fair value of cash flow hedges ** TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: Racing Industry Transition Agency (RITA) reserves Non-controlling interests in Racing Integrity Unit Limited (RIU) (16,426) (333) 575 (28,594) (15,851) (15,845)		_		
OTHER COMPREHENSIVE INCOME/LOSS Movement in fair value of cash flow hedges ** TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR (28,594) (15,851) TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: Racing Industry Transition Agency (RITA) reserves (28,521) (15,845) Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)	gp		_,,,,	3,233
Movement in fair value of cash flow hedges ** TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR (28,594) (15,851) TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: Racing Industry Transition Agency (RITA) reserves (28,521) (15,845) Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)	NET LOSS AFTER DISTRIBUTIONS	4	(28,261)	(16,426)
Movement in fair value of cash flow hedges ** TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR (28,594) (15,851) TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: Racing Industry Transition Agency (RITA) reserves (28,521) (15,845) Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)				
TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR (28,594) (15,851) TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: Racing Industry Transition Agency (RITA) reserves (28,521) (15,845) Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)	OTHER COMPREHENSIVE INCOME/LOSS			
TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO: Racing Industry Transition Agency (RITA) reserves (28,521) (15,845) Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)	Movement in fair value of cash flow hedges **		(333)	575
Racing Industry Transition Agency (RITA) reserves (28,521) (15,845) Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)	TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR		(28,594)	(15,851)
Racing Industry Transition Agency (RITA) reserves (28,521) (15,845) Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)				
Non-controlling interests in Racing Integrity Unit Limited (RIU) (73) (6)	TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
	Racing Industry Transition Agency (RITA) reserves		(28,521)	(15,845)
(28,594) (15,851)	Non-controlling interests in Racing Integrity Unit Limited (RIU)		(73)	(6)
			(28,594)	(15,851)

^{*} For a reconciliation between the reported net profit before distributions and the underlying operating profit before distributions refer to Note 3.

^{**} Items of other comprehensive income may be reclassified to profit or loss.

FINANCIAL STATEMENTS (CONT'D)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2019

	Attributable to RITA Attributable to				TOTAL GROUP
	General reserve	Hedging reserve	non-controlling interest in RIU	EQUITY	
	\$000	\$000	\$000	\$000	
	40.004	(2.2)		40.000	
Balance as at 1 August 2017	69,306	(218)	220	69,308	
Net loss after distributions	(16,420)	-	(6)	(16,426)	
Other comprehensive loss	-	575	-	575	
Balance as at 31 July 2018	52,886	357	214	53,457	
Net loss after distributions	(28,188)	-	(73)	(28,261)	
Other comprehensive income	-	(333)	-	(333)	
Balance as at 31 July 2019	24,698	24	141	24,863	

FINANCIAL STATEMENTS (CONT'D)

STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2019

CURRENT ASSETS 11 10,487 17,00 Cash and cash equivalents 11 10,487 17,00 Trade and other receivables 12 7,664 6,563 Other financial assets 13 25,000 27,756 Derivative assets 14 5,866 8,707 TOTAL CURRENT ASSETS 49,017 61,074 NON-CURRENT ASSETS 8 39,947 36,497 Property, plant and equipment 18 39,947 36,497 Intangible assets (including software assets) 19 45,727 29,433 Other financial assets 14 866 1,732 TOTAL NON-CURRENT ASSETS 87,477 68,995 TOTAL ASSETS 87,477 68,995 TOTAL ASSETS 136,694 130,069 CURRENT LIABILITIES 5 36,506 28,638 CURRENT LIABILITIES 15 36,506 28,638 Derivative liabilities from contracts with customers 17 3,068 3,174 Total LURRENT LIABILITIES 2,965		NOTE	2019 \$000	2018 \$000
Trade and other receivables 12 7,664 6,563 Other financial assets 13 25,000 27,756 Derivative assets 1 5,866 8,707 TOTAL CURRENT ASSETS 14 5,866 8,707 NON-CURRENT ASSETS 8 39,947 61,074 NON-CURRENT ASSETS 18 39,947 36,497 Intangible assets (including software assets) 19 45,727 29,433 Other financial assets 13 937 1,333 Other non-current assets 14 866 1,732 TOTAL NON-CURRENT ASSETS 87,477 68,995 TOTAL ASSETS 136,494 130,069 CURRENT LIABILITIES 15 36,506 28,638 Customer betting account deposits and vouchers 16 23,374 23,666 Customer betting account deposits and vouchers 17 3,068 3,174 Provisions 21 2,838 4,075 Total Liabilities from contracts with customers 17 3,068 3,174 <tr< td=""><td>CURRENT ASSETS</td><td></td><td></td><td></td></tr<>	CURRENT ASSETS			
Other financial assets 13 25,000 27,756 Derivative assets - 347 Other current assets 14 5,866 8,707 TOTAL CURRENT ASSETS 49,017 61,074 NON-CURRENT ASSETS - 36,497 Property, plant and equipment 18 39,947 36,497 Intangible assets (including software assets) 19 45,727 29,433 Other financial assets 13 937 1,333 Other non-current assets 14 866 1,732 TOTAL NON-CURRENT ASSETS 87,477 68,995 Total and other payables 136,494 130,069 Cursener betting account deposits and vouchers 16 23,374 23,366 Derivative liabilities 46 - Liabilities from contracts with customers 17 3,068 3,174 Provisions 21 2,838 4,075 Taxation payable 4,969 3,785 Other financial liabilities 20a 35,000 10,000 <tr< td=""><td>Cash and cash equivalents</td><td>11</td><td>10,487</td><td>17,701</td></tr<>	Cash and cash equivalents	11	10,487	17,701
Derivative assets	Trade and other receivables	12	7,664	6,563
14 5,866 8,707 10 10 10 10 10 10 10	Other financial assets	13	25,000	27,756
TOTAL CURRENT ASSETS NON-CURRENT ASSETS 49,017 61,074 Property, plant and equipment 18 39,947 36,497 Intangible assets (including software assets) 19 45,727 29,433 Other financial assets 13 937 1,333 Other non-current assets 14 866 1,732 TOTAL NON-CURRENT ASSETS 87,477 68,995 TOTAL ASSETS 136,494 130,069 CURRENT LIABILITIES 15 36,506 28,638 Cust omer betting account deposits and vouchers 16 23,374 23,666 Cust omer betting account deposits and vouchers 16 23,374 23,668 Cust omer betting account deposits and vouchers 17 3,068 3,174 Provisions 21 2,838 4,075 Total inabilities from contracts with customers 17 3,068 3,174 Provisions 21 2,938 4,075 Total CURRENT LIABILITIES 71,187 63,389 NON-CURRENT LIABILITIES 20 <td>Derivative assets</td> <td></td> <td>-</td> <td>347</td>	Derivative assets		-	347
NON-CURRENT ASSETS Property, plant and equipment 18 39,947 36,497 Intangible assets (including software assets) 19 45,727 29,433 Other financial assets 13 937 1,333 Other non-current assets 14 866 1,732 TOTAL NON-CURRENT ASSETS 87,477 68,995 TOTAL ASSETS 136,494 130,069 CURRENT LIABILITIES Trade and other payables 15 36,506 28,638 Customer betting account deposits and vouchers 16 23,374 23,366 Derivative liabilities 46 - Liabilities from contracts with customers 17 3,068 3,174 Provisions 21 2,838 4,075 Taxation payable 4,969 3,785 Other financial liabilities 20b 386 351 TOTAL CURRENT LIABILITIES 71,187 63,389 NON-CURRENT LIABILITIES 20 3,000 10,000 Provisions 21 3,	Other current assets	14	5,866	8,707
Property, plant and equipment 18 39,947 36,497 Intangible assets (including software assets) 19 45,727 29,433 Other financial assets 13 937 1,333 Other non-current assets 14 866 1,732 TOTAL NON-CURRENT ASSETS 87,477 68,995 CURRENT LIABILITIES 36,506 28,638 Customer betting account deposits and vouchers 16 23,374 23,366 Derivative liabilities 46 - Provisions 21 2,838 4,075 Taxation payable 4,969 3,785 Other financial liabilities 20b 386 351 TOTAL CURRENT LIABILITIES 71,187 63,389 NON-CURRENT LIABILITIES 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20 35,000 10,000 Provisions 21 3,471 863 TOTAL NON-CURRENT LIABILITIES 40,444 13,223	TOTAL CURRENT ASSETS		49,017	61,074
Property, plant and equipment 18 39,947 36,497 Intangible assets (including software assets) 19 45,727 29,433 Other financial assets 13 937 1,333 Other non-current assets 14 866 1,732 TOTAL NON-CURRENT ASSETS 87,477 68,995 CURRENT LIABILITIES 36,506 28,638 Customer betting account deposits and vouchers 16 23,374 23,366 Derivative liabilities 46 - Provisions 21 2,838 4,075 Taxation payable 4,969 3,785 Other financial liabilities 20b 386 351 TOTAL CURRENT LIABILITIES 71,187 63,389 NON-CURRENT LIABILITIES 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 3,471 863 TOTAL CURRENT LIABILITIES 20 35,000 10,000 Provisions 21 3,471 863				
Intangible assets (including software assets) 19 45,727 29,433 29,433 29,37 1,333 20,47 20,433 20,47 20,433 20,47 20,433 20,47 20,433 20,47 20,433 20,47 20,433 20,47 20,433 20,47 20,433 20,45 20,4	NON-CURRENT ASSETS			
Other financial assets 13 937 1,333 Other non-current assets 14 866 1,732 TOTAL NON-CURRENT ASSETS 87,477 68,995 TOTAL ASSETS 136,494 130,069 CURRENT LIABILITIES Trade and other payables 15 36,506 28,638 Customer betting account deposits and vouchers 16 23,374 23,366 Derivative liabilities 46 - Derivative liabilities 46 - Provisions 21 2,838 4,075 Taxation payable 20 3,785 Other financial liabilities 20b 386 351 TOTAL CURRENT LIABILITIES 71,187 63,389 NON-CURRENT LIABILITIES 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,2	Property, plant and equipment	18	39,947	36,497
Other non-current assets 14 866 1,732 TOTAL NON-CURRENT ASSETS 87,477 68,995 TOTAL ASSETS 136,494 130,069 CURRENT LIABILITIES Trade and other payables 15 36,506 28,638 Customer betting account deposits and vouchers 16 23,374 23,366 Derivative liabilities 46 - Liabilities from contracts with customers 17 3,068 3,174 Provisions 21 2,838 4,075 Taxation payable 4,969 3,785 Other financial liabilities 20b 386 351 TOTAL CURRENT LIABILITIES 71,187 63,389 NON-CURRENT LIABILITIES 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 20 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631	Intangible assets (including software assets)	19	45,727	29,433
TOTAL NON-CURRENT ASSETS 87,477 68,995 TOTAL ASSETS 136,494 130,069 CURRENT LIABILITIES Trade and other payables 15 36,506 28,638 Customer betting account deposits and vouchers 16 23,374 23,366 Derivative liabilities 46 - Liabilities from contracts with customers 17 3,068 3,174 Provisions 21 2,838 4,075 Taxation payable 4,969 3,785 Other financial liabilities 20b 386 351 TOTAL CURRENT LIABILITIES 71,187 63,389 NON-CURRENT LIABILITIES 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL NON-CURRENT LIABILITIES 111,631 76,612 TOTAL LIABILITIES 24,863 53,457	Other financial assets	13	937	
TOTAL ASSETS 136,494 130,069 CURRENT LIABILITIES Trade and other payables 15 36,506 28,638 Customer betting account deposits and vouchers 16 23,374 23,366 Derivative liabilities 46 - Liabilities from contracts with customers 17 3,068 3,174 Provisions 21 2,838 4,075 Taxation payable 4,969 3,785 Other financial liabilities 20b 386 351 TOTAL CURRENT LIABILITIES 71,187 63,389 NON-CURRENT LIABILITIES 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631 76,612 TOTAL LIABILITIES 24,863 53,457	Other non-current assets	14	866	1,732
CURRENT LIABILITIES Trade and other payables 15 36,506 28,638 Customer betting account deposits and vouchers 16 23,374 23,366 Derivative liabilities 46 - Liabilities from contracts with customers 17 3,068 3,174 Provisions 21 2,838 4,075 Taxation payable 4,969 3,785 Other financial liabilities 20b 386 351 TOTAL CURRENT LIABILITIES 71,187 63,389 NON-CURRENT LIABILITIES 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631 76,612 TOTAL LIABILITIES 24,863 53,457	TOTAL NON-CURRENT ASSETS		87,477	68,995
CURRENT LIABILITIES Trade and other payables 15 36,506 28,638 Customer betting account deposits and vouchers 16 23,374 23,366 Derivative liabilities 46 - Liabilities from contracts with customers 17 3,068 3,174 Provisions 21 2,838 4,075 Taxation payable 4,969 3,785 Other financial liabilities 20b 386 351 TOTAL CURRENT LIABILITIES 71,187 63,389 NON-CURRENT LIABILITIES 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631 76,612 TOTAL LIABILITIES 24,863 53,457			454.464	122.010
Trade and other payables 15 36,506 28,638 Customer betting account deposits and vouchers 16 23,374 23,366 Derivative liabilities 46 - Liabilities from contracts with customers 17 3,068 3,174 Provisions 21 2,838 4,075 Taxation payable 4,969 3,785 Other financial liabilities 20b 386 351 TOTAL CURRENT LIABILITIES 71,187 63,389 NON-CURRENT LIABILITIES 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631 76,612 TOTAL EQUITY 24,863 53,457	TOTAL ASSETS		136,494	130,069
Customer betting account deposits and vouchers 16 23,374 23,366 Derivative liabilities 46 - Liabilities from contracts with customers 17 3,068 3,174 Provisions 21 2,838 4,075 Taxation payable 4,969 3,785 Other financial liabilities 20b 386 351 TOTAL CURRENT LIABILITIES 71,187 63,389 NON-CURRENT LIABILITIES 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631 76,612 TOTAL LIABILITIES 24,863 53,457	CURRENT LIABILITIES			
Derivative liabilities 46 - Liabilities from contracts with customers 17 3,068 3,174 Provisions 21 2,838 4,075 Taxation payable 4,969 3,785 Other financial liabilities 20b 386 351 TOTAL CURRENT LIABILITIES 71,187 63,389 NON-CURRENT LIABILITIES 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631 76,612 TOTAL EQUITY 24,863 53,457	Trade and other payables	15	36,506	28,638
Liabilities from contracts with customers 17 3,068 3,174 Provisions 21 2,838 4,075 Taxation payable 4,969 3,785 Other financial liabilities 20b 386 351 TOTAL CURRENT LIABILITIES Borrowings 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631 76,612 TOTAL EQUITY 24,863 53,457	Customer betting account deposits and vouchers	16	23,374	23,366
Provisions 21 2,838 4,075 Taxation payable 4,969 3,785 Other financial liabilities 20b 386 351 TOTAL CURRENT LIABILITIES Borrowings 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631 76,612 TOTAL EQUITY 24,863 53,457	Derivative liabilities		46	-
Taxation payable 4,969 3,785 Other financial liabilities 20b 386 351 TOTAL CURRENT LIABILITIES 71,187 63,389 NON-CURRENT LIABILITIES 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631 76,612 TOTAL EQUITY 24,863 53,457	Liabilities from contracts with customers	17	3,068	3,174
Other financial liabilities 20b 386 351 TOTAL CURRENT LIABILITIES 71,187 63,389 NON-CURRENT LIABILITIES 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631 76,612 TOTAL EQUITY 24,863 53,457	Provisions	21	2,838	4,075
NON-CURRENT LIABILITIES 71,187 63,389 Borrowings 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631 76,612 TOTAL EQUITY 24,863 53,457	Taxation payable		4,969	3,785
NON-CURRENT LIABILITIES Borrowings 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631 76,612 TOTAL EQUITY 24,863 53,457	Other financial liabilities	20b	386	351
Borrowings 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631 76,612 TOTAL EQUITY 24,863 53,457	TOTAL CURRENT LIABILITIES		71,187	63,389
Borrowings 20a 35,000 10,000 Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631 76,612 TOTAL EQUITY 24,863 53,457				
Provisions 21 3,471 863 Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631 76,612 TOTAL EQUITY 24,863 53,457				
Other financial liabilities 20b 1,973 2,360 TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631 76,612 TOTAL EQUITY 24,863 53,457	-		•	•
TOTAL NON-CURRENT LIABILITIES 40,444 13,223 TOTAL LIABILITIES 111,631 76,612 TOTAL EQUITY 24,863 53,457				
TOTAL LIABILITIES 111,631 76,612 TOTAL EQUITY 24,863 53,457		20b		
TOTAL EQUITY 24,863 53,457	TOTAL NON-CURRENT LIABILITIES		40,444	13,223
	TOTALLIABILITIES		111,631	76,612
TOTAL LIABILITIES AND EQUITY 130,069	TOTAL EQUITY		24,863	53,457
	TOTAL LIABILITIES AND EQUITY		136,494	130,069

 $The \ Board\ members\ of\ the\ Racing\ Industry\ Transition\ Agency\ authorised\ these\ financial\ statements\ for\ issue\ on\ 23\ October\ 2019.$

Dean McKenzie

Chair, Racing Industry Transition Agency **Kristy McDonald**

Member of the Audit and Risk Committee, Racing Industry Transition Agency

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FINANCIAL STATEMENTS (CONT'D)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2019

	2019 \$000	2018 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
INFLOWS Potting and gaming turnover	2,766,212	2,737,099
Betting and gaming turnover International racing fees and other income	36,204	35,343
Racing services income	14,217	13,747
Jackpot retentions and account deposits (net)	2,161	(1,865)
TOTAL INFLOWS FROM OPERATING ACTIVITIES	2,818,794	2,784,324
OUTFLOWS		
Betting and gaming dividends paid	(2,394,794)	(2,347,368)
Betting and gaming GST paid	(48,875)	(52,632)
Betting and gaming duty paid and problem gambling levy	(23,600)	(24,171)
National sporting organisations grants	(10,572)	(10,245)
Payments to suppliers	(117,713)	(123,846)
Payments for employee benefits including termination payments and contractors	(61,450)	(61,260)
TOTAL OUTFLOWS FROM OPERATING ACTIVITIES	(2,657,004)	(2,619,522)
NET CASH PROVIDED BY OPERATING FACILITIES	161,790	164,802
CASH FLOWS FROM INVESTING ACTIVITIES		
INFLOWS		
Interest received	1,130	1,330
Repayment of industry loans	3,168	248
Repayment of short-term deposits	-	15,000
TOTAL INFLOWS FROM INVESTING ACTIVITIES	4,298	16,578
OUTFLOWS		
Investment of short-term deposits	-	(3,000)
Drawdown of industry loans	-	(1,248)
Purchases of property, plant and equipment	(11,946)	(24,080)
Purchases of intangible assets	(22,754)	(13,031)
TOTAL OUTFLOWS FROM INVESTING ACTIVITIES	(34,700)	(41,359)
NET CASH USED IN INVESTING ACTIVITIES	(30,402)	(24,781)
CASH FLOWS FROM FINANCING ACTIVITIES		
INFLOWS		
Drawdown of borrowings	25,000	10,000
TOTAL INFLOWS FROM FINANCING ACTIVITIES	25,000	10,000
OUTFLOWS	()	()
Interest paid	(637)	(245)
Repayment of finance lease	(351)	(318)
Distributions to the racing codes	(149,573)	(147,272)
Distributions to the racing industry	(2,927)	(2,600)
Gaming distributions for racing industry costs	(5,701)	(7,871)
Gaming distribution to external bodies TOTAL OUTFLOWS FROM FINANCING ACTIVITIES	(4,113)	(3,390)
TOTAL GOTFLOWS FROM FINANCING ACTIVITIES	(163,302)	(161,696)
NET CASH USED IN FINANCING ACTIVITIES	(138,302)	(151,696)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,914)	(11,675)
Cash and cash equivalents as at the beginning of the year	17,701	29,017
For eign exchange gain / (loss) on cash and cash equivalents	(300)	359
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	10,487	17,701

FINANCIAL STATEMENTS (CONT'D)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2019 (CONTINUED)

RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2019 \$000	2018 \$000
NET LOSS AFTER DISTRIBUTIONS	(28,261)	(16,426)
NON-CASH ITEMS		
Depreciation and amortisation expense	16,534	19,800
Increase in provision for doubtful debts	(407)	285
Impairment	56	100
Other non-cash items	(86)	276
TOTAL NON-CASH ITEMS	16,097	20,461
ITEMS CLASSIFIED AS INVESTING/FINANCING ACTIVITIES		
Net gain / (loss) on sale of property, plant and equipment	(5)	54
Net interest received	(480)	(1,121)
Distributions	164,961	162,515
TOTAL ITEMS CLASSIFIED AS INVESTING/FINANCING ACTIVITIES	164,476	161,448
MOVEMENT IN CURRENT ASSETS		
Movement in trade and other receivables	(694)	(2,771)
Movement in other assets	2,841	6,356
TOTAL MOVEMENT IN CURRENT ASSETS	2,147	3,585
MOVEMENT IN LIABILITIES		
Movement in trade and other payables	6,500	(5,123)
Movement in customer betting account deposits	(2,045)	1,413
Movement in contracts with customers and other financial liabilities	321	543
Movement in taxes payable	1,184	415
Movement in provisions	1,371	(1,514)
TOTAL MOVEMENT IN LIABILITIES	7,331	(4,266)
NET CASH PROVIDED BY OPERATING ACTIVITIES	161,790	164,802
NET CASH FROM DED OF CRAHING ACTIVITIES	101,790	104,002

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019

The notes to the financial statements include information which is required to understand the financial statements and information that is material and relevant to the financial performance, financial position and operations of RITA.

The notes to the financial statements are organised into the following sections:

Basis of preparation: sets out the accounting policies that relate to the financial statements as a whole.

Group structure: provides information about how the key numbers of RITA are reported internally and explains aspects of the wider group structure.

Key numbers: provides a breakdown of RITA's financial performance. This section highlights the link between the income derived and the return provided to RITA's stakeholders.

Operating assets and liabilities:

provides information about the assets used to generate RITA's key numbers and the liabilities incurred as a result.

Risk management: discusses
RITA's exposure to various
financial risks, explains how these
affect the financial position and
performance and what RITA does
to manage these risks. This section
also provides information on any
items that are not recognised
in the financial statements but
could potentially have an impact
on RITA's financial position and
performance.

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

Who is RITA and what was the basis of financial statement preparation?

This section sets out the accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

1. BASIS OF PREPARATION

REPORTING ENTITY AND STATUTORY BASE

The Racing Industry Transition Agency (RITA) is a statutory body established by the Racing Reform Act 2019 to replace the New Zealand Racing Board as at 1 July 2019. The Act requires that RITA prepare financial statements that comply with generally accepted accounting practice (GAAP) in New Zealand (as defined under the Financial Reporting Act 2013).

RITA is domiciled in New Zealand.

The principal objectives of RITA as outlined in the Racing Reform Act 2019 are:

- (a) to reform New Zealand racing in a manner that supports effective governance and improves industry sustainability;
- (b) to promote the racing industry;
- (c) to facilitate and promote racing betting and sports betting; and
- (d) to maximise its profits for the long-term benefit of New Zealand racing.

The financial statements presented are for RITA and its subsidiaries, the Racing Integrity Unit (RIU) and the Betting Accounts and Betting Vouchers Trust (collectively, the Group).

STATEMENT OF COMPLIANCE

These financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS as appropriate for Tier 1 for-profit entities, which has been opted into by RITA.

BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis which is based on the fair value of the consideration given in exchange; these are presented in New Zealand dollars (\$) which is RITA's functional currency.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the year ended 31 July 2019, except for the adoption of new standards effective as of 1 August 2018 discussed below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. All other accounting policies have been applied consistently throughout the period and are the same as those used in the financial statements for the year ended 31 July 2018.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

RITA has determined that there are no critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements, except the ones identified below. The preparation of the financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

BASIS OF PREPARATION

These financial statements are prepared on a going concern basis which assumes that RITA will operate sustainably within the foreseeable future; refer to note 22.b.1 for further discussion on this item.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

1. BASIS OF PREPARATION (CONT'D)

TAXES, DUTIES AND LEVIES

RITA is exempt from New Zealand income tax pursuant to section CW 47 of the Income Tax Act 2007.

The following taxes, duties, levies and similar charges are paid by RITA:

- Betting duty of 4 cents in the dollar on Gross Betting Revenue, reduced to 2.67 cents in the dollar from 1 July 2019
- Gaming machine duty of 20 cents in the dollar on Gross Gaming Revenue
- Problem Gambling levy of 0.52 cents in the dollar on Gross Betting Revenue; and 1.30 cents in the dollar on Gross Gaming Revenue, reduced to 0.78 cents from 1 July 2019
- GST charged on GST-inclusive Gross Betting Revenue and Gross Gaming Revenue
- Broadcasting levy of 0.00051 cents in the dollar of revenue from broadcasting in New Zealand
- Fringe benefit tax (FBT)
- Accident Compensation Commission (ACC) levies
- Compulsory KiwiSaver employer contributions
- Property taxes including local body rates

RITA may be subject to foreign income tax on certain income earned overseas.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED

The financial statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the comparative accounting period.

NEW STANDARDS ADOPTED

The Group applied, for the first time, NZ IFRS 15 Revenue from Contracts with Customers and NZ IFRS 9 Financial Instruments. As required by NZ IAS 34, changes in the nature and effect of any material changes arising from the initial adoption of these standards are disclosed in the following sections. All practical expedients available in the initial adoption of these standards have been used.

NZ IFRS 9 FINANCIAL INSTRUMENTS

IMPACT OF ADOPTION

NZ IFRS 9 Financial Instruments replaces NZ IAS 39 Financial Instruments for annual periods beginning on or after 1 August 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied NZ IFRS 9 retrospectively. The Group has assessed, however, that there are no material recognition and measurement changes arising from the initial adoption of NZ IFRS 9; therefore, comparatives have not had to be restated. The new standard, however, requires certain presentational and disclosure changes which have been incorporated in these financial statements for the current and comparative periods reported. Details of the impact of NZ IFRS 9 are discussed in the following section.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

CLASSIFICATION AND MEASUREMENT

NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on NZRB's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. There are no changes in respect of financial liabilities.

Under NZ IFRS 9, RITA classifies and measures its financial assets as follows:

- <u>Financial assets at amortised costs</u> which relate to debt instruments that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows and meet the 'sole payment of principal and interest' (SPPI) criterion. This category includes the Group's cash and term deposits, trade receivables and industry loans.
- <u>Financial assets at 'fair value through profit or loss' (FVPL)</u> comprise RITAs derivative instruments; these are currently designated as hedging instruments and hedge accounting is applied; cumulative hedging gains and losses are recognised within equity (OCI) during the hedging period, to the extent these are effective hedges, and subsequently reported to profit or loss.

Financial assets are now presented within the notes to the financial statements based on the above categories; refer to Note 22a. The following table shows the comparative presentation changes arising from the adoption of NZ IFRS 9.

	NZ IAS 39 CLASSIFICATION	NZ IFRS 9 CLASSIFICATION
Cash and cash equivalents	Loans & receivables	Financial asset at amortised cost
Derivative assets	Fair value through profit or loss	Fair value through profit or loss
Trade and other receivables	Loans & receivables	Financial asset at amortised cost
Other financial assets (Term deposits)	Held to maturity	Financial asset at amortised cost
Other financial assets (Industry loans)	Loans & receivables	Financial asset at amortised cost

NZ IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS IMPACT OF ADOPTION

RITA has adopted NZ IFRS 15 from 1 August 2018 using the modified retrospective approach. This adoption resulted in changes in accounting policies relating to the recognition, measurement, presentation and disclosure of revenue arising from contracts with customers, unless those contracts are within the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under NZ IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Following a detailed review of RITA's portfolio of contracts with customers, management concluded that NZ IFRS 15 has no material impact on the way in which RITA recognises revenue. However, additional disclosure and presentation requirements have been considered to ensure comparability of financial information.

PROCESS AND POLICY

To assess the impact of NZ IFRS 15 on RITA, contracts within each segment were aggregated to create portfolios of contracts. An individual contract from each portfolio was selected as being representative of each unique contract type. For each contract type, the five-step model was applied to assess the impact on revenue recognition.

The five-step model for recognising revenue from contracts with customers involves:

- 1. Identifying the contract with the customer
- 2. Identifying the performance obligation(s)
- 3. Determining the transaction price
- 4. Allocating the transaction price to each distinct performance obligation
- 5. Recognising revenue at a point in time or over time.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

1. BASIS OF PREPARATION (CONT'D)

The table below provides further information on the application of the revenue guidance under NZ IFRS 15 across the major segments of RITA Group.

	Revenue Type	Description	Key Judgments	Outcome	Timing of revenue recognition
ıt	Wagering	Wagering activity on NZ and overseas races and sporting events. This includes major betting types of fixed odds and tote betting.	* Determine the distinct performance obligations and timing of revenue recognition for each bet type. * Assess impact of rebates, incentives and similar arrangements to transaction price. * Determining the agent versus principal relationship and how it affects revenue reporting.	* The wagering activity gives rise to one performance obligation and revenue is recognised when the performance obligation is satisfied. * The transaction price is adjusted to include dividends paid, rebates and incentives provided to customers. * RITA is the principal for all revenue transactions including wagering on overseas races.	Point in time In general, revenue is recognised when the race or sporting event is resulted.
Betting Segment	NZ racing shown overseas	Wagering activity with overseas customers. Revenue includes commission from overseas betting agencies.	* Determining the agent versus principal relationship and how it affects revenue reporting.	* RITA is the agent of overseas betting agencies in relation to overseas customers betting into NZ pools.	Point in time Commission recognised as revenue when the race or sporting event is resulted.
	Other revenue	This includes racing services, merchant fees, broadcast services, advertising and sale of publications.	* Determining the agent versus principal relationship and how it affects revenue reporting. * Assess the impact of variable and non-cash consideration received.	* RITA is the principal in respect of all contracts in this category.	Point in time RITA's revenue under this category is predominantly recognised at a point in time, except for one broadcasting related contract which is recognised over time (i.e. over a period of one month for services rendered by RITA in that particular month, applicable only until January 2019).
Gaming Segment	Gaming	Revenue received in exchange for gaming products sold.	* Determine the distinct performance obligation and the relevant transaction price.	* The gaming activity gives rise to one performance obligation. * The transaction price is adjusted to reflect the jackpot retentions from each transaction.	Point in time Recognised when the round is resulted and a win/loss determined.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

1. BASIS OF PREPARATION (CONT'D)

PRESENTATION AND DISCLOSURE

The adoption of NZ IFRS 15 impacts RITA's presentation and disclosure requirements in terms of its revenues as follows: *Presentation changes*

The standard requires that contract assets and contract liabilities arising from contracts with customers be presented as separate line items in the face of the statement of financial position. As at the end of the period being reported, RITA has no contract assets outstanding; receivables are accounted for and presented in the usual manner (except for the impact of NZ IFRS 9 as discussed previously).

As of the end of the reporting period, RITA identified contract liabilities which relate to consideration received by RITA from customers and for which RITA is yet to satisfy underlying performance obligations as of the end of each reporting period. These include Unresulted turnover, Unpaid dividends and Jackpot retentions. In the previous periods, the above items were included under "Other financial liabilities"; however, consistent with NZ IFRS 15, these are now presented separately on the face of the statement of financial position under "Liabilities from contracts with customers"; the comparative financial information has been reclassified to reflect this new presentation requirements.

Disclosure changes

The significant disclosure changes that applies to RITA resulting from the adoption of NZ IFRS 15 include the following:

Disclosure of key judgements used that impact the recognition of revenue from contract with customers consistent with the five step model of NZ IFRS 15; this includes areas on timing, variable consideration and manner in which performance obligations are satisfied.

Disclosure of revenues where those arising from contract with customers are shown separately from revenues from other sources; refer to Note 6.

Disclosure of disaggregation of revenue from contract customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors; in management's view, disaggregation by nature and geographical area are the relevant categorisation to satisfy this disclosure objective; refer to Note 6e for further details.

NEW STANDARDS YET TO BE ADOPTED

At the date of authorisation, the following new standards, amendments to or interpretations of existing standards were in issue but not yet effective.

NZ IFRS 16 Leases replaces NZ IAS 17 Leases. NZ IFRS 16 eliminates the classification of leases as either operating or finance for lessees and, instead, introduces a single lessee accounting model. This model requires lessees to account for all of their leases in a manner similar to how finance leases were treated applying NZ IAS 17. This will result in:

- (a) the recognition of a lease asset and lease liability in the statement of financial position;
- (b) depreciation of lease assets and financing costs on the lease liability in profit or loss; and
- (c) present the amount of cash paid for the principal portion of the lease liability within financing activities.

Lessor accounting is broadly unchanged compared to NZ IAS 17, however, it does impact subleases to a certain extenct. NZ IFRS 16 is effective for reporting periods beginning on or after 1 January 2019 and RITA will adopt this standard from 1 August 2019. The standard will be applied using the simplified transition method, meaning comparative balances will not be restated. Furthermore, RITA has elected to utilise the expedience available under this method and transition only the contracts identified to contain a lease under NZ IAS 17, which are identified under Operating Lease Commitments in Note 23a.

RITA's assessment of NZ IFRS 16's full impact has been completed and concluded that approximately \$42.2 million of Right Of Use (ROU) assets, \$3.6 million of Lease Receivables and \$45.8 million of Lease Liabilities will be recognised in its Statement of Financial Position on 1 August 2019 as a result of its lease commitments.

During the first year of adoption, RITA will recognise approximately \$7.0 million of lease-related expenses (\$1.5 million finance costs and \$5.5 million of depreciation of ROU assets) and de-recognise \$6.3 million of rent income and expenses; this net result is \$0.7 million higher than total lease-related expense and revenue under the current accounting standard and is expected to be recovered over time during the term of the lease. This is mainly driven by finance costs being higher during the initial years of the lease term.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

What is the structure of the group?

This section explains aspects of the wider group structure and how changes may have affected the financial position and performance of the Group and provides information about how the key numbers of the business are reported internally.

2. GROUP ENTITIES

The financial statements incorporate the assets and liabilities of all entities controlled by RITA as at 31 July 2019 and the results of the operations of such entities for the year. RITA and such entities are together referred to in these financial statements as RITA or the Group.

RITA controls an entity when RITA is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Controlled entities are consolidated from the date on which control is transferred to RITA. Subsidiaries are deconsolidated from the date that control ceases. Balances between controlled entities, including inter-entity transactions, are eliminated.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Non-controlling interests are allocated their share of net profit in the statement of profit or loss and other comprehensive income and are presented within equity in the statement of financial position, separately from the equity attributable to RITA; transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions in the equity holders' capacity as owners.

INTEREST IN SUBSIDIARIES

The Group includes the following subsidiary and controlled entity:

Betting Accounts and Vouchers Trust Racing Integrity Unit Limited

Principal place of business	Reporting date	Interest 2019 (%)	Interest 2018 (%)
New Zealand	31 July	100	100
New Zealand	31 July	25	25

Consolidation of Betting Accounts and Vouchers Trust

The Betting Accounts and Vouchers Trust (the Trust) was established by RITA in 2004 to set aside funds for the purpose of covering amounts owed to customers on TAB betting accounts and unpresented vouchers. RITA is the Trustee of the Trust. The deposits and cash balance held in trust are not available for use by RITA in the ordinary course of business, up to the value of the betting account deposits and vouchers liability. RITA controls the Trust which is therefore consolidated with these financial statements. The carrying amounts of the assets and liabilities in the financial statements reflect the restrictions that apply.

Consolidation of Racing Integrity Unit Limited

"RIU manages integrity services to the racing industry and is responsible for investigating and prosecuting breaches of the Rules of Racing. RITA has consolidated Racing Integrity Unit Limited (RIU). RITA provides all the funding income and financial support for the RIU company. As such, despite only holding a 25% interest, RITA is deemed to control RIU and, consequently, consolidates RIU. The remaining 75% interest in RIU (non-controlling interest) is owned equally by the three racing Codes.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

How are the results of RITA reported internally?

3. UNDERLYING OPERATING PROFIT RECONCILIATION

This note reconciles RITA's GAAP-based reported net profit to its underlying operating profit by separately showing the financial impact of the strategic initiatives and other items for each year reported in order to better demonstrate RITA's operating performance in a meaningful and transparent manner to users of these financial statements including those who use non-GAAP financial information.

The **strategic initiatives** undertaken in 2019 included:

Fixed Odds Betting - This initiative involves the development of a new fixed odds betting (FOB) platform intended to deliver and improve the betting experience for the TAB customers. The software was implemented in January 2019.

Racefields legislation - relates to the introduction of an offshore bookmaker fee for bets taken by offshore bookmakers from people in New Zealand and bets taken on domestic racing and sport.

Customer & Channel programme - its objective is to grow customer numbers, deliver world class channels and lower the cost to deliver services to our customers. Positive results have been realised from this initiative during the 2018/19 year.

Optimise the Calendar - is set up to develop a racing calendar that promotes higher returns to the industry, as well as future-proof the venue footprint to enable more targeted, strategic investment. From 2018/19 benefits arising from this initiative are treated as part of monthly results.

The **Other costs** reported in 2019 relate to the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML) legislation which involves implementing new and upgrading existing systems and operational environment (i.e. customer due diligence, ID verification, systems controls changes, etc). The project was implemented in August 2019.

2019	Note	Reported Net Profit	Strategic Initiatives	Other Costs	Underlying Operating Profit
		\$000	\$000	\$000	\$000
REVENUE					
Net betting revenue	6с	273,294	9,249	_	264,045
Net gaming revenue	6d	29,004	-,_ :-	_	29,004
NZ racing revenue shown overseas	6e	21,833	2,997	_	18,836
Other revenue	7	23,891		_	23,891
TOTAL REVENUE	ĺ	348,022	12,246		335,776
		5 10,022	12,210		333,770
TURNOVER RELATED EXPENSES	8	69,076	(3,910)	_	65,166
		57,2. 2	(=,= :=,		55,155
OPERATING EXPENSES					
Broadcasting expenses		9,219	-	-	9,219
Communication and technology expenses	9a	26,089	(7,177)	(204)	18,708
Depreciation and amortisation		16,534	(3,707)	-	12,827
Foreign exchange (gain)/loss		226	_	-	226
Premises and equipment expenses	9b	14,323	(54)	(28)	14,241
Staff expenses	9с	61,503	(2,226)	(1,537)	57,740
Other expenses	9d	14,352	(665)	(104)	13,583
TOTAL OPERATING EXPENSES		142,246	(13,829)	(1,873)	126,544
TOTAL EXPENSES		211,322	(17,739)	(1,873)	191,710
UNDERLYING OPERATING PROFIT BEFORE DISTRIBUTIONS		136,700	(5,493)	(1,873)	144,066

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

2018	Note	Reported Net Profit	Strategic Initiatives	Other Costs	Underlying Operating Profit
		\$000	\$000	\$000	\$000
REVENUE					
Net betting revenue	6c	287,572	3,618	-	283,954
Net gaming revenue	6d	26,970	· · · · · · · · · · · · · · · · · · ·	-	26,970
NZ racing revenue shown overseas	6e	20,529	693	-	19,836
Other revenue	7	24,178	-	-	24,178
TOTAL REVENUE		359,249	4,311	-	354,938
TURNOVER RELATED EXPENSES	8	68,933	(3,439)		65,494
OPERATING EXPENSES					
Broadcasting expenses		9,495	-	-	9,495
Communication and technology expenses	9a	20,836	(1,709)	-	19,127
Depreciation and amortisation		19,800	(4,008)	-	15,792
Foreign exchange (gain)/loss		29	-	-	29
Premises and equipment expenses	9b	14,982	(316)	-	14,666
Staff expenses	9c	62,758	(2,754)	(638)	59,366
Other expenses	9d	16,475	(389)	(59)	16,027
TOTAL OPERATING EXPENSES		144,375	(9,176)	(697)	134,502
TOTAL EXPENSES		213,308	(12,615)	(697)	199,996
UNDERLYING OPERATING PROFIT BEFORE DISTRIBUTIONS		145,941	(8,304)	(697)	154,942

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

4. OPERATING SEGMENTS

RITA reports its operating segments on the basis of its distinct business operations in which specific strategies and decisions are made based on the nature, type of products and other factors (e.g. regulatory requirements) appropriate to each. These distinct business operations include the following:

- Gaming operations Operations relating to the provision of gaming activities. Costs specifically associated with gaming have been allocated to the gaming operating segment
- Betting operations Operations relating to providing totalisator and fixed odds betting for racing and sports. Betting operations include broadcasting, racing services provided to the racing Codes, retail and Head Office functions of RITA. This segment includes all other RITA functions and costs other than those specifically associated with gaming. The Betting Account and Betting Vouchers Trust operations, which are fully eliminated on consolidation, are included within the betting operations.

In addition to the two operating segments, the RIU operations, including the impact of consolidation adjustments, are presented separately under 'RIU'. The RIU funding disclosed in Distributions is intended to cover its operating and capital expenditure. Consequently, the net profit after distributions represents the net of funding and operating and capital expenditure.

RITA's Chief Executive has been identified as RITA's chief decision maker for the purpose of applying segment reporting. The segment results disclosed are based on those segments reported to the Chief Executive and used by RITA to analyse its business. The RIU operations are not considered an operating segment as financial information is not reported to the Chief Executive.

The following is an analysis of the Group's profit, assets and liabilities by reportable segments.

Betting	Gaming	RIU	Total
\$000	\$000	\$000	\$000
123,376	20,106	(6,782)	136,700
(151,540)	(17,143)	6,685	(161,998)
-	(2,963)	-	(2,963)
(28,164)	-	(97)	(28,261)
2,258,181	513,030	-	2,771,211
(14,432)	(2,019)	(83)	(16,534)
35,981	790	129	36,900
131,082	7,159	(1,747)	136,494
106,316	7,159	(1,844)	111,631
	\$000 123,376 (151,540) - (28,164) 2,258,181 (14,432) 35,981 131,082	\$000 \$000 123,376 20,106 (151,540) (17,143) - (2,963) (28,164) - 2,258,181 513,030 (14,432) (2,019) 35,981 790 131,082 7,159	\$000 \$000 \$000 123,376 20,106 (6,782) (151,540) (17,143) 6,685 - (2,963) - (28,164) - (97) 2,258,181 513,030 - (14,432) (2,019) (83) 35,981 790 129 131,082 7,159 (1,747)

	Betting	Gaming	RIU	Total
	\$000	\$000	\$000	\$000
2018				
NET PROFIT/(LOSS) BEFORE DISTRIBUTIONS	134,382	17,847	(6,288)	145,941
Less distributions	(150,800)	(14,591)	6,280	(159,111)
Less provision for undistributed gaming net profit	-	(3,256)	-	(3,256)
NET PROFIT AFTER DISTRIBUTIONS	(16,418)	-	(8)	(16,426)
KEY SEGMENT INFORMATION				
Total turnover	2,262,382	476,040	-	2,738,422
Depreciation and amortisation	(17,568)	(2,164)	(68)	(19,800)
Additions to non-current assests	15,833	1,506	142	17,481
Total assets	120,247	11,457	(1,635)	130,069
Total liabilities	66,504	11,457	(1,349)	76,612

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

KEY NUMBERS

RITA typically distributes most of its net profit to the racing industry and sporting community organisations. This section focuses on the net profit result of RITA that enabled this return to its stakeholders. Starting with a breakdown of total distributions, on the following pages you will find a breakdown of individual line items in the Statements of Profit or Loss and Other Comprehensive Income and disclosures relating to the accounting policies, judgements and estimates relevant to understanding these line items.

What was the return to RITA's stakeholders?

5. DISTRIBUTIONS

RITA's net profit from its betting operations is distributed to the racing industry (directly through the racing Codes) in accordance with the Racing Act 2003.

Distribution payments include a funding component which is made directly to the Racing Codes, based on funding agreements with the Codes. Any additional distributions become payable upon approval by the RITA Board.

Distributions of gaming net profit are determined separately from distributions from betting net profit. Under the RITA's Class 4 gaming licence, RITA distributes funds to amateur sports organisations and applies funds to RITA costs to cover specific industry costs which are considered to be for racing authorised purposes. All distributions from gaming net profit are approved by RITA's Net Proceeds Committee (NPC) under a grants policy that ensures that the authorised purpose is consistent with the purpose specified in RITA's Class 4 gaming licence. The application of funds under racing authorised purpose include Judicial Control Authority (JCA), RIU, Racing Laboratory Services, The Races Limited Partnership (TRLP) and costs incurred by RITA in relation to the publication of race form, racing calendar, and broadcasting operations in 2018/19. During the year, the NPC approved further initiatives under the racing authorised purpose, which included infrastructure development, stakes enhancements, and youth recruitment and retention.

Undistributed gaming net profit from prior year represents the payments made to the Racing Industry and Sports Authorised Purposes from the prior year provision for undistributed gaming net profit. As these amounts were undistributed in the prior year, they are considered to be distributions in the current year.

The Gambling (Class 4 Net Proceeds) Regulations 2004 requires gaming surplus to be distributed for authorised purposes and cannot be retained by the business. Consequently, any undistributed surplus at year end is recorded as a provision in the Statements of Financial Position.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

DISTRIBUTIONS (CONT'D)

	Betting	Gaming	Undistributed Gaming net profit from previous year	TOTAL
	\$000	\$000	\$000	\$000
31 JULY 2019				
DISTRIBUTIONS TO THE RACING INDUSTRY				
Code funding	148,940	-	-	148,940
Judicial Control Authority	-	1,150	230	1,380
Racing Integrity Unit	-	5,579	1,106	6,685
Racing Laboratory Services	-	1,733	160	1,893
The Races Limited Partnership	2,600	833	76	3,509
Other distributions to racing industry				
Broadcasting	-	500	-	500
Club audits	-	13	-	13
Infrastructure development	-	415	33	448
Infrastructure synthetic track		-	194	194
Race form publications	-	1,023	120	1,143
Stakes enhancement	-	1,558	-	1,558
Youth recruitment & retention	-	247	11	258
TOTAL DISTRIBUTIONS TO RACING INDUSTRY	151,540	13,050	1,930	166,519
Distributions to sporting community organisations				
Sports authorised purposes (paid and payable)	-	4,093	20	4,113
TOTAL DISTRIBUTIONS TO SPORTING COMMUNITY ORGANISATIONS	-	4,093	20	4,113
Reversal of prior year provision for undistributed net profit	-	-	(1,756)	(1,756)
Reversal of prior year accumulated gaming net profit			(194)	(194)
TOTAL DISTRIBUTIONS FROM RITA PARENT	151,540	17,143	-	168,683
Distributions to RIU - eliminated on consolidation	-	(6,685)	-	(6,685)
TOTAL DISTRIBUTIONS FROM GROUP	151,540	10,458	-	161,998

^{*} The undistributed gaming surplus from 2017/18 of \$3,256k consists of \$1,756k allocated to 2018/19 gaming distributions as detailed above, \$194k allocated to the synthetic track development project and a remaining \$1,306k accumulated for future infrastructure synthetic track development projects reported under non-current provisions in the Statement of Financial Position.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

DISTRIBUTIONS (CONT'D)			Undistributed	
	Betting	Gaming	Gaming net profit	TOTAL
			from previous year	
	\$000	\$000	\$000	\$000
31 JULY 2018				
DISTRIBUTIONS TO THE RACING INDUSTRY				
Code funding	148,200	-	-	148,200
RIU	-	5,757	523	6,280
Racing Laboratory Services	-	1,574	304	1,878
JCA	-	1,035	345	1,380
The Races Limited Partnership *	2,600	909	-	3,509
Other distributions to racing industry				
Race form publications	-	1,137	147	1,284
Infrastructure development	-	480	107	587
Stakes enhancement	-	214	111	325
Youth recruitment & retention	-	105	21	126
TOTAL DISTRIBUTIONS TO RACING INDUSTRY	150,800	11,211	1,558	163,569
Distributions to sporting community organisations Sports authorised purposes (paid and payable)	-	3,380	10	3,390
TOTAL DISTRIBUTIONS TO SPORTING COMMUNITY ORGANISATIONS	-	3,380	10	3,390
Reversal of prior year provision for undistributed net profit	-	-	(1,568)	(1,568)
TOTAL DISTRIBUTIONS FROM RITA PARENT	150,800	14,591	-	165,391
Distributions to RIU - eliminated on consolidation	-	(6,280)		(6,280)
TOTAL DISTRIBUTIONS FROM GROUP	150,800	8,311	-	159,111

^{*} The Races Limited Partnership (TRLP), a limited liability partnership between NZTR, HRNZ and The Races Limited, has taken over the Event Marketing θ Logistics activity from RITA on 1 August 2017.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

Where did RITA's income come from?

6. REVENUE

RITA's total revenue shown in the Statement of Profit or Loss and Other Comprehensive Income arise from contracts with customers covered under NZ IFRS 15 and from other sources covered under various other standards as follows:

Note	2019 \$000	2018 \$000
6a. REVENUE		
Revenue from contracts with customers		
Net Betting Revenue 6c	273,294	287,572
Net Gaming Revenue 6d	29,004	26,970
NZ racing shown overseas revenue	21,833	20,529
Other revenue	21,879	21,985
Total revenue from contracts with customers	346,010	357,056
Revenue / Income from other sources		
Finance income	1,117	1,366
Rental income	891	882
Gain / (Loss) on disposal of PPE & intangibles	4	(55)
Total revenue/income from other sources 7	2,012	2,193
TOTAL REVENUE	348,022	359,249

6b. TURNOVER

Betting turnover comprises turnover from totalisator and fixed odds betting:

- Totalisator turnover is recognised once the outcome of the betting event is confirmed.
- Fixed odds turnover is recognised on those bets that are placed with a fixed return, once the outcome of the betting event is known and the result confirmed. For multi fixed odds bets, turnover is only recognised when the last leg is resulted.

Gaming turnover is recognised when the proceeds are received into the gaming machines. RITA holds a licence issued by the Department of Internal Affairs under the Gambling (Class 4 Net Proceeds) Regulations 2004 to operate gaming machines.

Betting and gaming turnover is measured at the fair value of the consideration received, net of any refunds and rebates, and inclusive of GST.

Dividends payable on betting and gaming operations are recognised once the event has resulted, at the fair value of the consideration to be paid. Any unclaimed dividends on totalisator and fixed odds turnover are recognised as unpaid dividends within other financial liabilities. Dividends paid on gaming turnover represents payouts to customers from the gaming machines, including jackpot payouts.

Net betting and gaming revenue represent the net win or loss to RITA. Net betting and gaming revenue is comprised of turnover less dividends paid or payable, less duties and GST. Problem gambling levies and betting and gaming machine duties are considered sales taxes, and are therefore included within net betting and gaming revenue, consistent with GST.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

6. REVENUE (CONT'D)	2019 \$000	2018 \$000
6b. TURNOVER (including GST)	,,,,,	****
Betting turnover - racing totalisator	885,695	951,164
Betting turnover - racing fixed odds	739,914	702,648
Total betting turnover - racing	1,625,609	1,653,812
Betting turnover - sports fixed odds	632,572	608,570
Total betting turnover - sports	632,572	608,570
Total betting turnover	2,258,181	2,262,382
Gaming turnover	513,030	476,040
TOTAL BETTING AND GAMING TURNOVER	2,771,211	2,738,422
6c. NET BETTING REVENUE		
Total betting turnover	2,258,181	2,262,382
Less: dividends payable	(1,926,413)	(1,912,514)
Gross betting revenue	331,768	349,868
Datting duty.	(12.502)	(12.726)
Betting duty Section 17A duty savings	(12,502) (327)	(13,736)
GST GST	(43,951)	- (46,751)
Problem gambling levy	(43,931)	(1,809)
NET BETTING REVENUE	273,294	287,572
NET DET THIS NET ENDE	2/3/234	207,572
6d. NET GAMING REVENUE		
Gaming turnover	513,030	476,041
Less: dividends paid	(468,855)	(434,964)
Gross gaming revenue	44,175	41,077
Gaming machine duty	(8,835)	(8,215)
GST	(5,762)	(5,358)
Problem gambling levy	(574)	(534)
NET GAMING REVENUE	29,004	26,970

6e. DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table discloses RITA's contracts with customers disaggregated based on their nature and sources that appropriately depict how those revenues and their associated cash flows are impacted by economic factors; these categories of disaggregation broadly reflect how RITA evaluates its performance and resource allocation decisions.

Income earned on racing shown overseas represents fees received from international betting agencies on the export of New Zealand racing events. This income is recognised based on the turnover taken by the international betting agencies on exported racing events and is recognised at the time that the racing event takes place. Included within NZ racing shown overseas was \$3.0 million of strategic initiative related revenue (2018: \$0.4 million). Refer to note 3.

Geographical area and nature

31 July 2019	BETTING \$000	GAMING \$000	OTHER (sale of services) \$000	TOTAL \$000
New Zealand	273,294	29,004	21,879	324,177
Overseas	21,833	-	-	21,833
	295,127	29,004	21,879	346,010
31 July 2018	BETTING \$000	GAMING \$000	OTHER (sale of services) \$000	TOTAL \$000
New Zealand	287,572	26,970	21,985	336,527
Overseas	20,529	-	-	20,529
	308,101	26,970	21,985	357,056

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

7. OTHER REVENUE

RITA's other revenue comprises of the following:

Merchant fee revenue is income derived from credit card transaction fees charged to customers which is recognised as revenue following a completed customer deposit transaction.

Racing services income represents income earned by RITA from providing on-course race day services to racing clubs. Racing services income is recognised at the time that the racing event takes place.

Revenue from Broadcasting within New Zealand is advertising income earned on RITA's Trackside TV channels and Radio Trackside and is subject to levies under the Broadcasting Act 1989; this is recognised when the advertising service is rendered.

All other revenue comprises mainly of telecommunications, TAB licences and publications revenue. It is measured at the fair value of the consideration received and is recognised when RITA satisfies the performance obligation.

	2019 \$000	2018 \$000
Merchant fee recovery	4,576	4,520
Racing services	14,217	13,747
Revenue from broadcasting within New Zealand	839	839
Otherrevenue	2,247	2,878
Total other revenue from contracts with customers	21,879	21,984
Total revenue/income from other sources 6a	2,012	2,194
TOTAL OTHER REVENUE	23,891	24,178

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

What costs were incurred in deriving this income?

8. TURNOVER RELATED EXPENSES

Commingling fees are fees paid to overseas betting agencies on commingled pools. The fees are based on a percentage of the commingled turnover.

National sporting organisation grants are paid to New Zealand sporting bodies based on a combination of a percentage of turnover and betting margin earned on betting on the specific sport.

Outlet and agency fees are commissions paid to non-RITA owned outlets for providing TAB services. A portion of the fees are fixed and the remaining is based on a percentage of the turnover earned by the outlet.

Overseas racing rights are fees paid to overseas broadcasters and betting agencies for taking bets on import racing. These fees are based on a percentage of turnover earned from each individual import race.

	\$000	\$000
Advertising and promotions *	7,713	8,597
Commingling	1,598	1,701
National sporting organisations	9,978	10,227
Overseas racing rights	28,386	27,600
Racing form publications **	2,155	2,273
Less race form publications recovered from gaming	(1,100)	(1,284)
Retail fees	15,630	15,811
Other turnover related expenses	4,716	4,008
TOTAL TURNOVER RELATED EXPENSES	69,076	68,933

^{*} Included within the advertising and promotions expenses was \$1.2 million in relation to the Customer θ Channel strategic initiative (2018: \$2.9 million). Refer to note 3.

9. OPERATING EXPENSES

9a. COMMUNICATIONS AND TECHNOLOGY EXPENSES

	\$000	\$000
Managed services	17,184	12,782
Software licence fees	2,674	1,979
Telephone rental and tolls	2,211	2,199
Repairs and maintenance (technology)	2,016	1,677
Other communication and technology expenses	2,004	2,199
TOTAL COMMUNICATION AND TECHNOLOGY EXPENSES	26,089	20,836

Managed Services include infrastructure as a service (IaaS) and IT managed services (ITMS) costs which support RITA's technology operating requirements. Included within communication and technology costs was \$7.2 million in relation to the Customer θ Channel and FOB strategic initiatives (2018: \$1.7 million). Refer to note 3.

9b. PREMISES AND EQUIPMENT EXPENSES

	\$000	\$000
Rent	7,195	7,504
Repairs and maintenance	2,492	2,752
Other premises and equipment expenses	4,636	4,726
TOTAL PREMISES AND EQUIPMENT EXPENSES	14,323	14,982

Included within the premises and equipment expenses was 0.1 million in relation to the Customer θ Channel strategic initiative (2018: 0.3 million). Refer to note 0.3

^{**} Race form publications costs recovered from gaming relates to the application of funds from gaming to reimburse certain race form publication expenses under the RITA's Racing Authorised Purpose, defined under the RITA Class 4 Licence. Refer to note 5.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

9c. STAFF EXPENSES

	\$000	\$000
Salaries and wages (including contractors) *	56,556	57,537
Termination expenses	655	662
Other staff expenses	4,292	4,559
TOTAL STAFF EXPENSES	61,503	62,758

^{*} Included within the total staff expenses was \$2.2 million of expenses relating to strategic initiatives (2018: \$2.8 million). Refer to note 3.

Compensation of key management personnel

RITA considers key management personnel as the Board members, the Chief Executive and the Leadership team of RITA. The salaries and other short-term employee benefits and termination expenses are included within 'Staff Expenses'. The Board members' fees are included within 'Other Expenses'. Refer to note 9d.

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

	2019 \$000	2018 \$000
Chief Executive and leadership team remuneration		
Salaries and other short-term employee benefits	2,916	2,845
Total Chief Executive and leadership team remuneration	2,916	2,845
Board members' fees	326	373
TOTAL KEY MANAGMENT PERSONNEL	3,242	3,218

As at 31 July 2019, the RITA leadership team included eight members (2018: eight members).

9d. OTHER EXPENSES

	2019 \$000	2018 \$000
Auditors remuneration		
- Audit and review services ¹	226	190
- AML review services ²	47	-
- Taxation compliance services	12	12
- Treasury advisory services	-	24
- Other services ³	5	5
Board members ⁴	326	373
Consultancy ⁵	1,171	2,543
Impairment	56	100
Interest	637	245
Legal	364	282
Merchant	4,953	4,532
Printing and stationery	245	322
RIU swabbing	1,458	1,408
Travel and accommodation	2,805	3,053
Other operating expenses	2,047	3,386
TOTAL OTHER EXPENSES	14,352	16,475

¹ Audit and review services includes fees for the annual audit of the financial statements and review of the half-year financial statements as well as one off charges relating to the transiton to new accounting standards review (i.e. NZ IFRS 9, NZ IFRS 15 and NZ IFRS 16).

 $^{^{2}}$ AML review services relates to the review of the compliance with the new AML legislation.

³ Other services relates to the review of the gaming financial statements and forecast information for Class 4 relicensing purposes.

⁴ Board fees for the Group include fees paid to the Board members of RIU of \$62,000 (2018: \$60,000).

 $^{^{5}}$ Consultancy expenses include \$0.1 million relating to the strategic initiatives (2018: \$0.4 million).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

10. TRANSACTIONS WITH RELATED PARTIES

The related parties identified by RITA include racing codes and racing clubs and entities in which key management personnel have an interest. To enable users of the financial statements to form a view about the effects of related party relationships on RITA we have disclosed the material transactions with those related parties during the year and any balances outstanding at year-end.

TRANSACTIONS WITH RELA	RELATED PARTIES Transaction v		tion value	Balance outstanding		Relationship with Key Management Personnel
ENTITY	TRANSACTION	2019 \$000	2018 \$000	2019 \$000	2018 \$000	
New Zealand Greyhound Association Incorporated	Distributions paid and payable On-course venue services, trackside operations and radio services Other services provided by RITA Other charges to / funding and transfers from RITA	(25,275) 2,719 1,197 (68)	(24,826) 2,994 989 (101)	(257) - 4 -	(330) - 101 -	Mauro Barsi, a Board member of RITA until June 2019, was also the Chief Executive Officer of the New Zealand Greyhound Racing Association Incorporated.
Harness Racing New Zealand Incorporated	Distributions paid and payable On-course venue services, trackside operations and radio services Other services provided by RITA	(44,918) 3,964 367	(44,196) 4,077 486	(196) - 20	(695) - 29	
New Zealand Thoroughbred Racing Incorporated	Distributions paid and payable On-course venue services, trackside operations and radio services Other services provided by RITA Other charges to / funding and transfers from RITA	(80,710) 7,064 346 (118)	(80,009) 6,654 373 (124)	(461) 532 28 (107)	(359) 466 31 (122)	
Racing Integrity Unit Limited *	Funding Other services provided by RITA	(6,685)	(6,280)	(643)	(602)	Glenda Hughes, Chair of RITA until June 2019, was also Chair of the Racing Integrity Unit Limited.
Auckland Trotting Club	Retail services provided to RITA	(619)	(983)	-	-	Rod Croon, a Board member of RITA until June 2019, is the Vice-president of Auckland Trotting Club.

- * Refer to note 2 for further information regarding RIU. The balance outstanding with RIU relates to certain payments made to RIU employees, for which RIU will reimburse RITA. All related party transactions between RIU and RITA are eliminated on consolidation into RITA Group.
- ** In addition to the above related party transactions, RITA has provided a loan to Racing at Awapuni, Otaki and Trentham Combined Enterprise Incorporated (RACE Inc) and The Races Limited Partnership. Details relating to these loans are disclosed in note 13.
- *** RITA recognised a provision (see note 21) to distribute savings in betting duties of \$0.3 million to the relevant Codes pursuant to the Racing Reform Act 2019; as the mechanism of distribution is yet to be finalised by regulations as at year end, this provision has not been split between the Codes and is therefore, not included in the above balances.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

OPERATING ASSETS AND LIABILITIES

This section provides information about the assets used to generate the results of RITA and the liabilities incurred as a result.

What was the working capital position of RITA?

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, cash at bank and call deposits with an original maturity of three months or less.

The carrying values of cash and cash equivalents approximate their fair values. The maximum credit exposure is limited to the carrying value of cash and call deposits.

Cash denominated in foreign currencies is translated into New Zealand dollars at the spot rate at the reporting date. All differences arising on settlement or translation of monetary items are taken to profit or loss.

	\$000	\$000
Cash and cash equivalents - NZ currency	7,603	15,533
Cash and cash equivalents - Betting Accounts and Vouchers Trust	2,003	1,007
Cash and cash equivalents - foreign currencies	881	1,161
TOTAL CASH AND CASH EQUIVALENTS	10,487	17,701

2019

2019

2018

2018

The Betting Accounts and Vouchers Trust account balance is not available for operational use by RITA. RIU cash and cash equivalents balance at year end was \$0.3 million (2018: \$0.3 million).

12. TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at the fair value of the amounts to be received. They are subsequently measured at amortised cost, using the effective interest method, less any provision for impairment loss due to doubtful debts under the expected credit loss (ECL) model; refer to note 22.a.

Included within trade and other receivables are the amounts owed to RITA from non-RITA owned retail outlets. The retail outlets are required to settle on a weekly basis. RITA's practice is to require either bank guarantees or cash bonds from non-RITA owned retail outlets of a value generally greater than a week's settlement; these cash bonds are included in trade and other payables.

Trade and other receivables are non-interest bearing and are generally on terms of 30 days or less; the carrying value of trade and other receivables approximates the fair value.

	\$000	\$000
Trade and other receivables	7,696	7,054
Provision for doubtful debts	(31)	(491)
TOTAL TRADE AND OTHER RECEIVABLES	7,664	6,563

As at 31 July 2019, \$0.2 million of the total trade and other receivables were past due but not impaired (2018: \$0.7 million).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

13. OTHER FINANCIAL ASSETS

RITA's other financial assets include industry loans and term deposits held in Trust; refer to Note 22.a for the relevant accounting policies for these instruments.

	2019 \$000	2018 \$000
Industry loans	848	4,004
Term deposits - Betting Accounts and Vouchers Trust	25,000	25,000
Other	89	85
TOTAL OTHER FINANCIAL ASSETS	25,937	29,089
Disclosed as:		
Current	25,000	27,756
Non-current	937	1,333
TOTAL OTHER FINANCIAL ASSETS	25,937	29,089

Industry Loans

Industry loans is comprised of a loan to The Races Limited Partnership (TRLP) of \$0.8 million (2018: \$1.2 million). This is an unsecured interest-free loan repayable in full on 31 July 2020.

Last year's balance also included the outstansding balance of the Race Inc Loan of \$2.8 million. This loan has been fully repaid in February 2019.

	Manager	Intere	st rate	Data toma
	Maturity		2018	Rate type
RACE Inc	February 2019, or earlier if called by RITA	2.75%	2.75%	Variable
TRLP	July 2020	-	-	Interest free loan

Betting Accounts and Betting Vouchers Trust Term Deposits

Betting Accounts and Betting Vouchers Trust short-term deposits are funds held in trust to cover the balances of the customer betting account deposits and vouchers liability. The term deposit and cash balance (refer to note 11) of \$27.0 million at 31 July 2019 (2018: \$26.0 million) is held to cover the total owed to customers of betting account deposits and vouchers liability of \$23.5 million (2018: \$23.4 million). Refer to note 16 for further information regarding RITA's obligation for these amounts. The deposits and cash balance held in trust are not available for use by RITA in the ordinary course of business, up to the value of the betting account deposits and vouchers liability (refer to note 2).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

14. OTHER ASSETS

Other asset balances include prepaid transition costs associated with the Optimus Programme of \$0.9 million (2018: \$1.7\$ million) which are recognised as an expense over the term of agreement of 5 years, the prepayments made relating to the acquisition of new OB vans and trailers under the Vision Capture project of \$1.4\$ million (2018: \$4.4\$ million) which will be reclassified to property, plant $$\theta$$ equipment when control over these assets is transferred to RITA in 2019/20, and prepaid licence support costs related to the development and subsequent operations of TAB's new fixed odds betting platform of \$1.6\$ million (2018: \$2.2\$ million).

Disclosed as:	\$000	\$000
Other current assets	5,866	8,707
Other non-current assets	866	1,732
TOTAL OTHER ASSETS	6,732	10,439

15. TRADE AND OTHER PAYABLES

Trade and other payables are recognised when RITA becomes obliged to make future payments resulting from the purchase of goods and services and are accounted for as a liability at amoritsed cost (refer to Note 22a). All trade and other payables are non-interest bearing other than the racing Code distributions payable. The carrying value of trade and other payables approximates their fair value.

Employee entitlement liabilities for annual leave and other contractual payments expected to be settled within 12 months of the reporting date are recognised in other payables, in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

TOTAL TRADE AND OTHER PAYABLES	36,506	28,638
Trade payables	22,694	13,544
Racing code distributions payable	626	1,259
Employee entitlements	4,868	5,046
Amounts payable to Board members	22	18
Accruals	8,296	8,771
	\$000	\$000

2010

2010

16. CUSTOMER BETTING ACCOUNT DEPOSITS AND VOUCHERS

The customer betting account deposits and vouchers balance represents the amount held in customers' TAB betting accounts and outstanding betting vouchers. A betting voucher is a voucher (including gift vouchers) purchased by customers that can be used to place a bet or can be exchanged for cash. A liability is recognised when a customer deposits cash into their betting accounts or when a betting voucher is purchased. The resulting liability is accounted for as a financial liability at amortised cost (refer to Note 22a).

The customer betting account deposits and vouchers liability is non-interest bearing. The liability is derecognised when either a deposit or voucher is redeemed or used to place a bet, or in accordance with the Betting Rules, the betting account or voucher is deemed inactive. In the 2018/2019 year RITA deemed \$0.6 million of betting vouchers and \$1.4 million of betting accounts to be inactive and have been released from the liability consistent with accounting for breakages under NZ IFRS 15.

The balance of the customer betting accounts deposit and vouchers liabilities as at 31 July 2019 was \$23.4 million (2018: \$23.4 million). Short-term deposits and cash totalling \$27.0 million (2018: \$26.0 million) is held in trust to cover this liability in the Betting Accounts and Vouchers Trust.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

17. LIABILITIES FROM CONTRACTS WITH CUSTOMERS

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

Finance leases, which effectively transfer to RITA substantially all the risks and benefits of ownership of the leased assets, are capitalised at the lower of the asset's fair value or the present value of the minimum lease payments at inception of the lease. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term financial liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Unclaimed dividends represent the liability to winning customers on betting activities that have yet to be claimed. Unclaimed dividends are recognised at the time the related revenue is recognised which is when the outcome of the betting event is known. This liability includes unclaimed dividends that are less than six months old. Unclaimed dividends equal to or greater than six months are derecognised and recorded as a reduction in dividends in profit or loss. In the 2017/18 year, RITA released \$1.8 million of aged dividends unlikely to be settled. Breakages, as defined by NZ IFRS 15, meaning an estimation of dividends that remain unclaimed past the six month expiry date, are also recognised at the time of revenue recognition.

Unresulted turnover represents open totalisator and fixed odds betting positions. Open betting positions are those where customers have placed bets and where at balance date the event to which the bet relates has not occurred. These open betting positions are considered to be derivative financial instruments for financial reporting purposes. Unresulted turnover is initially measured at fair value on the date the bet is placed. Fair value is the amount placed on the bet. Subsequently, derivative financial instruments are re-valued to their fair value at each reporting date. RITA has determined that the value of the balance upon initial recognition approximates fair value at 31 July 2018.

TOTAL LIABILITIES FROM CONTRACTS WITH CUSTOMERS
Unresulted turnover
Unclaimed dividends
Jackpot retentions

2019 \$000	2018 \$000
955	482
854	736
1,259	1,956
3,068	3,174

What property, plant, equipment and intangibles were used by RITA for its operations?

18. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis so as to allocate the cost of each asset over its expected useful life (reviewed annually) to its estimated residual value. Depreciation is recognised within 'Depreciation and amortisation' in profit or loss.

ESTIMATED USEFUL LIFE	
Leasehold improvements (shorter of lease period or estimated useful life)	6-7 years
Computer hardware	2-7 years
Motor vehicles	4-7 years
Operations and trackside equipment	5-15 years
Gaming machines	5 years
Other (mainly consists of laboratory equipment, furniture and office equipment)	5-10 years

Finance lease assets are depreciated over the lease term of 10 years.

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent, if any, of the impairment loss recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

18. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP	Leasehold improvements	Computer hardware	Motor vehicles	Operations and trackside equipment	Gaming machines	Other	Work in progress	Total property, plant and equipment
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
AS AT 1 AUGUST 2017								
At cost	36,903	48,282	8,302	42,030	8,756	6,527	5,111	155,911
Accumulated depreciation	(24,114)	(42,539)	(5,449)	(35,262)	(4,980)	(4,283)	-	(116,627)
CARRYING AMOUNT	12,789	5,743	2,853	6,768	3,776	2,244	5,111	39,284
Additions	3,038	622	817	1,572	465	298	2,000	8,812
Disposals	(62)	-	(378)	-	(12)	(4)	-	(456)
Net transfers between asset classes	-	-	-	-	(20)	-	-	(20)
Transferred from work in progress	1,331	709	958	1,656	270	46	(4,970)	-
Depreciation for the year	(3,185)	(3,462)	(574)	(1,683)	(1,558)	(564)	-	(11,026)
Impairment losses	(50)	(8)	(27)	(12)	-	-	-	(97)
CARRYING AMOUNT AT 31 JULY 2018	13,861	3,604	3,649	8,301	2,921	2,020	2,141	36,497
At cost	38,568	47,147	8,572	44,488	9,369	6,824	2,141	157,109
Accumulated depreciation	(24,707)	(43,543)	(4,923)	(36,187)	(6,448)	(4,804)	-	(120,612)
CARRYING AMOUNT	13,861	3,604	3,649	8,301	2,921	2,020	2,141	36,497
Additions	676	689	2,746	4,482	749	1,015	3,935	14,292
Disposals	-	(1)	(567)	-	-	-	-	(568)
Net transfers between asset classes	-	3	-	-	(3)	-	-	-
Transferred from work in progress	110	403	160	941	-	383	(1,997)	-
Depreciation for the year	(3,115)	(2,202)	(769)	(2,076)	(1,426)	(630)	-	(10,218)
Impairment losses	(52)	-	-	(6)	2	-	-	(56)
CARRYING AMOUNT AT 31 JULY 2019	11,480	2,496	5,219	11,642	2,243	2,788	4,079	39,947
At cost	38,908	47,943	9,173	49,854	9,887	8,199	4,079	168,043
Accumulated depreciation	(27,428)	(45,447)	(3,954)	(38,212)	(7,644)	(5,411)	-	(128,096)
CARRYING AMOUNT	11,480	2,496	5,219	11,642	2,243	2,788	4,079	39,947

At 31 July 2019 the contractual commitment for acquisition of property, plant and equipment for the Group was \$1.4 million (2018: \$2.1 million). The NEP Group (formerly NZ Live) finance lease of \$2.0 million as at 31 July 2019 (2018: \$2.3 million) is included in Operations and Trackside Equipment. There are no restrictions on property, plant and equipment assets or any assets pledged as securities for liabilities.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

19. INTANGIBLE ASSETS

Broadcasting licences, software and other intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

RITA develops specialised software for its own use in the business. The cost of internally generated software comprises all directly attributable costs necessary to create and prepare the asset to be capable of operating in the manner intended by management, including direct labour costs and an appropriate portion of relevant overheads incurred to actually design, develop, test and implement the asset. Other costs incurred pre-development and post-implementation are recognised as an expense when incurred.

Amortisation is charged on a straight-line basis over the estimated useful lives of the asset and is recognised within 'Depreciation and amortisation' in the profit or loss. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of the fair value less cost of disposal and value in use. Impairment assessment is done on the lowest level in which assets are separately identifiable in terms of their respective cash flow (cash generating unit). Impairment is reviewed at least at the end of each reporting period.

ESTIMATED USEFUL LIFE	
Software	3-7 years
Broadcasting licences	14-20 years
Lease intangibles (Term of lease)	2-6 years

The carrying amounts of intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent, if any, of the impairment loss recognised in the profit or loss.

	Software	Broadcasting licences	Other intangible assets	Work in progress	Total intangible assets
	\$000	\$000	\$000	\$000	\$000
AS AT 1 AUGUST 2017					
At cost	61,331	2,925	1,326	1,527	67,109
Accumulated amortisation	(51,025)	(1,614)	(487)	-	(53,126)
CARRYING AMOUNT	10,306	1,311	839	1,527	13,983
Additions	5,135	-	-	19,072	24,207
Net transfers between asset classes	20	-	-	-	20
Transferred from work in progress	743	-	-	(743)	-
Amortisation for the year	(8,708)	(125)	(369)	428	(8,774)
Impairment losses	(3)	-	-	-	(3)
CARRYING AMOUNT AT 31 JULY 2018	7,473	1,186	470	20,284	29,433
At cost	67,230	2,925	1,326	20,284	91,765
Accumulated amortisation	(59,737)	(1,739)	(856)	-	(62,332)
CARRYING AMOUNT	7,493	1,186	470	20,284	29,433
Additions	18,233	-	-	4,377	22,610
Transferred from work in progress	20,248	-	-	(20,248)	-
Amortisation for the year	(5,828)	(123)	(365)	-	(6,316)
CARRYING AMOUNT AT 31 JULY 2019	40,146	1,063	105	4,413	45,727
At cost	90,115	2,925	1,326	4,413	98,779
Accumulated amortisation	(49,969)	(1,862)	(1,221)	-	(53,052)
CARRYING AMOUNT	40,146	1,063	105	4,413	45,727

At 31 July 2019, work in progress relates mainly to software (2018: software).

 $At 31 \ July \ 2019 \ the \ were \ no \ contractual \ commitment \ for \ acquisition \ of \ software \ and \ other \ intangibles \ (2018: \$5.5 \ million).$

There are no restrictions on intangible assets or any assets pledged as securities for liabilities.

During the year \$0.4 million of interest costs were capitalised as part of software (2018: \$0.1 million).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

Other liabilities incurred by RITA

20. OTHER FINANCIAL LIABILITIES

20a Borrowings

RITA has an unsecured revolving credit facility of \$45 million with a full contractual term ending April 2021. Interest is payable based on prevailing market rate plus a margin; there are no guarantees or covenants attached to this facility.

As at 31 July 2019, total drawdown from the facility is \$35 million (2018: \$10 million); these have been classified as non-current liabilities as RITA has the contractual right to refinance these drawings, effectively rolling them over, within the facility's 3 year term consistent with management's expectations and strategy.

There have been no other movements in respect of RITA's borrowings during the year.

20b Finance Lease

Finance leases, which effectively transfer to RITA substantially all the risks and benefits of ownership of the leased assets, are capitalised at the lower of the asset's fair value or the present value of the minimum lease payments at inception of the lease. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term financial liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

On 1 September 2014, RITA recognised a finance lease asset and corresponding liability for a value of \$3.8 million, payable over 10 years. As at 31 July 2019, the carrying amount of the liability is \$2.4 million (2018: \$2.7 million). The finance lease relates to broadcasting equipment used by RITA in relation to the 10 year broadcast service contract between RITA and NEP Group (formerly NZ Live).

	2019 \$000	2018 \$000
Future minimum lease payments repayable as follows:		
Within one year	532	522
Later than one year but no later than five years	2,210	2,177
Later than five years	46	612
	2,788	3,311
Less future finance costs	(429)	(600)
PRESENT VALUE OF LEASE PAYMENTS	2,359	2,711
Disclosed as:		
Current	386	351
Non-current	1,973	2,360
TOTAL PRESENT VALUE OF LEASE PAYMENTS	2,359	2,711
Present value of lease payments repayable as follows:		
Within one year	386	351
Later than one year but no later than five years	1,928	1,768
Later than five years	-	544
TOTAL VALUE OF LEASE PAYMENTS	2,314	2,663

From 1 August 2019 RITA will adopt NZ IFRS 16 Leases which will result in no impact to the recognition and measurement of the finance lease.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

21. PROVISIONS

Provisions are recognised when the following three conditions are met:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources with economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount of a provision represents the best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rates used are government stock rates consistent with the term of the obligation.

	Make good	Employee benefit	Redundancy	Undistributed gaming net profit	Animal welfare	Provision for distribution of Totalisator Duty savings	Total provisions
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
BALANCE AT 31 JULY 2018	932	671	-	3,256	79	-	4,938
Additional provisions	60	-	654	2,963	50	327	4,054
Provisions released	(35)	-	-	-	-	-	(35)
Amounts used	(69)	(45)	(470)	(1,756)	(114)	-	(2,454)
Amounts used for Synthetic Track	-	-	-	(194)	-	-	(194)
BALANCE AT 31 JULY 2019	888	626	184	4,269	15	327	6,309

	2019 \$000	2018 \$000
Disclosed as:		
Current	2,838	4,075
Non-current	3,471	863
TOTAL PROVISIONS	6,309	4,938

Provision	Description of balance	Expected use
Make good	Restoring leased premises to their original condition at the end of the lease term. Costs are included within the carrying amount of Leasehold improvement assets. The actual payment dates and costs will be known once each lease reaches its expiry date and the extent of the corresponding make-good is ascertained.	Expiry dates up to 2024
Employee benefit	Long service leave entitlements and retirement gratuity entitlements on legacy employment contracts.	Expiry dates up to 2037
Undistributed gaming net profit	Class 4 gaming net profit must be distributed for authorised purposes and cannot be retained within the business. RITA is obligated to distribute this provision within 90 days.	First quarter of 2020
Animal welfare	Animal welfare fund was setup following RITA's commitment to promote and enhance the NZ Racing Industry. It accumulates at \$50,000 per annum. The Codes can apply to request funds for animal welfare initiatives.	On approval following request for funding
Provision for distribution of Totalisator Duty savings	Provision relating to the reduction in betting duty from 4% to 2.67% of Gross Betting Revenue (GBR) pursuant to the Racing Reform Act 2019.	In FY 2019/20

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

RISK MANAGEMENT

This section discusses RITA's exposure to various financial risks, explains how these affect the financial position and performance of RITA and what RITA does to manage these risks. This section also provides information on any items that are not recognised in the financial statements but could potentially have an impact on RITA's financial position and performance.

How did RITA manage its financial risks?

22. FINANCIAL INSTRUMENTS

22a CATEGORIES OF FINANCIAL INSTRUMENTS

		2019 \$000	2018 \$000
Financial assets at amortised costs			
Cash and cash equivalents	11	10,487	17,701
Trade and other receivables	12	7,664	6,563
Other financial assets	13	25,937	29,089
		44,088	53,353
Financial liabilities at amortised costs			
Trade and other payables	15	36,506	28,638
Liabilities from contracts with customers	17	3,068	3,174
Customer betting account deposits & vouchers	16	23,374	23,366
Borrowings	20a	35,000	10,000
Other financial liabilities	20b	2,359	2,711
		100,307	67,889
Derivatives designated as hedging instruments			
Derivative assets/(liabilities), foreign exchange contracts		(46)	347
		(46)	347

ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

Classification and measurement

RITA classifies its financial assets into the following categories based on its business model for managing the financial assets and the contractual terms of the cash flows:

Those measured at amortised cost

This includes debt instrument assets that are held for collection of contractual cash flows representing solely payment of principal and interest. At initial recognition, these are measured at fair value plus transaction costs that are directly attributable to the acquisition of the asset.

Subsequently, these are carried at amortised costs using the effective interest method. Any gains or losses arising on derecognition as well as any interest income realised from these financial assets are reported in profit or loss. RITA classifies its non-derivative financial assets under this category.

Those measured at fair value through other comprehensive income (FVOCI)

This includes debt instrument assets that are held for collection of contractual cash flows representing solely payment of principal and interest and for selling the asset.

Those measured at fair value through profit or loss (FVPL)

Financial assets that do not meet the criteria for amortised cost or FVOCI are classified and measured as FVPL.

RITA only changes classification when and only when the business model for managing those assets changes.

Impairment

RITA assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, RITA applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables. For debt investments carried at amortised cost, RITA has applied the general ECL model which either uses a 12-month ECL or lifetime losses depending on whether there has been a significant increase in credit risk. All of RITA's debt investments have low credit risk at both the beginning and end of the periods reported in these financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS CONT'D

FINANCIAL LIABILITIES

Classification and measurement

RITA classifies all of its non-derivative financial liabilities as 'financial liability measured at amortised cost' category. At initial recognition, these are measured at fair value less transaction costs that are directly attributable to the issue of the instrument. Subsequently, these are carried at amortised cost using the effective interest method.

Any gains or losses arising on derecognition as well as any interest expense incurred from these financial liabilities are reported in profit or loss (unless capitalised as part of the cost of borrowing to fund a qualifying asset).

Derivative financial instruments

RITA's derivative financial instruments include foreign exchange contracts used to hedge foreign currency exposures; these are designated under hedge accounting and are measured at their fair value; movements in the carrying amount of these hedging instruments are reported under OCI as part of equity to the extent the hedge is effective and are recycled to profit or loss upon maturity. Hedging gains and losses arising from payables associated with the acquisition of property, plant and equipment and intangible assets are included in the cost of that asset.

22b FINANCIAL RISK MANAGEMENT

Capital risk management

RITA manages its capital considering stakeholders' interests, in particular distributions to the racing Codes, the value of RITA assets and funding/retentions required for approved initiatives. RITA's capital mainly comprises the general reserve, consisting of accumulated balances of prior years' retained surplus net of any losses, plus the current year net profit or loss and debt balances. RITA's capital management policies are designed to ensure that agreed distributions to the racing Codes are maintained while also allowing for approved initiatives to be funded.

Financial risk management

In the normal course of business, RITA is exposed to a variety of financial risks. This section explains RITA's exposure to financial risks, how these risks could affect the Groups' financial performance and how they are managed.

Key risk management objectives

To ensure that RITA achieves its financial objectives as stipulated by both RITA and the Board and to protect/enhance stakeholder wealth and providing assurance to other stakeholders such as staff, bankers, and business partners that RITA's financial risks are identified and prudently managed, risk management is broadly operated under the formal Treasury Policy as set out below. RITA's risk management objective is to maintain a low probability of business disruption while ensuring compliance with statutory financial obligations and best practice management strategy.

RITA's financial risk exposure includes liquidity risk, foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments. RITA's risk management strategy for each risk type is discussed in detail in this secton.

Key risk management strategy

In general, RITA manages its financial risks through the Treasury function which co-ordinates the investment of cash, surplus to current operational requirements, as well as monitoring and managing all financial risks relating to the operations of RITA. Risk managent objectives are set forth under the Treasury Policy approved by the Board of RITA which broadly provides for the efficient and prudent management of financial risks related to the operating of RITA's operations, assets and other revenue-generating activities.

This policy provides written principles on various financial risks that RITA is exposed to including liquidity risk, foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments. RITA does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Additionally, RITA uses recognised bookmaking tools and strategies to appropriately manage its Betting risk and exposure. These include customer profiling, pricing management and using a spread of options to take a portfolio approach. In addition to this, the bookmakers are also able to lay off exposures with other betting agencies.

Risk	Exposure arising from	Monitoring	Management
22b.1. Liquidity risk	Liabilities and financial guarantees	Cash flow forecasting	Maintaining adequate cash reserves of liquid short-term deposits and sufficient access to committed facilities.
22b.2. Credit risk	Cash and cash equivalents, trade and other receivables, industry loans and financial	Credit ratings of banks	Ongoing review of balances and contractual arrangements involving bank guarantees or cash bonds.
	guarantees, derivative contracts		Ongoing review of business plans and financial viability of TRLP.
22b.3. Foreign exchange rate risk	For eign currency denominated transactions, For eign currency denominated monetary held assets and liabilities	Forecasting of foreign currency transactions	Use of foreign exchange hedges.
22b.4. Interest rate risk	Cash and cash equivalents, short-term deposits and industry loans	Sensitivity analysis	Ongoing review by management.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

22b FINANCIAL RISK MANAGEMENT (CONT'D)

22b.1. Liquidity risk management

Liquidity risk relates to RITA's ability to meet its financial obligations when they fall due.

As RITA's revenues are principally transactions involving immediate cash receipts, short-term liquidity is covered by trading receipts and highly liquid bank deposits. RITA manages longer dated liquidity risk by maintaining adequate cash reserves of liquid short-term deposits to satisfy anticipated capital expenditure and distribution requirements. In addition, RITA manages this risk by ensuring sufficient access to committed facilities, continuous cash flow and working capital monitoring and maintaining prudent levels of short-term debt levels and maturities consistent with its written Treasury policies.

As at balance date, RITA's working capital (net current liabilities) position is -\$22.2 million. The liquidity risk arising from this position is consistent with management expectations for the period and relates to RITA's ongoing investments in its strategic initiatives, committed level of distributions and performance for the period. As the timing of settlements of current liabilities, in general, have longer dated expected due dates than current assets, RITA is able to settle its debts when they mature. However, in order to more effectively manage its liquidity risk, RITA has the following key strategies:

- · Proactive cash management, including:
 - alignment and prioritisation of capital expenditure with cash receipts from operating activities; and
 - the ongoing management of working capital positions, including the active management and collection of trade receivables.
- Ensuring RITA has sufficient access to financing sources including its current rolling credit bank facility (refer to note 20); as at balance date, RITA has available (undrawn) \$10 million balance (2018: \$15 million);
- · Optimising available assets and resources to generate sufficient cash flows to augment any working capital requirements as they arise; and
- · Improving trading performance driven mostly by its strategic initiatives (including the new fixed odds betting platform and customer & channel programme).

The above strategies are planned to deliver improved financial performance for RITA as indicated in RITA's statement of intent. RITA's Board will continue to use its discretion and judgement to balance the needs of the Racing Industries with those of RITA.

The following table outlines RITA's remaining contractual maturities for its financial liabilities at their respective notional undiscounted cash flows (i.e., including both principal and interest where applicable) based on the earliest date on which RITA can be required to pay.

FINANCIAL LIABILITIES		Carrying amount	Total contractual cash flows	On demand	Less than 3 months	3 months to 1 year	1-5 years	+5 years
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
2019								
Trade and other payables	15	36,506	36,506	36,506	-	-	-	-
Liabilities from contracts with customers	17	3,068	3,068	-	3,068	-	-	-
Customer betting account deposits & vouchers	16	23,374	23,374	23,374	-	-	-	-
Borrowings	20a	35,000	37,234	-	-	-	37,234	-
Other financial liabilities	20b	2,359	2,788	-	132	400	2,210	46
		100,307	102,970	59,880	3,200	400	39,443	46
Unrecognised financial liabilities								
RITA guarantee exposure	24	-	9,245	9,245	-	-	-	-
TOTAL CASHFLOWS FROM ALL FINANCIAL LIABILITIES		100,307	112,215	69,125	3,200	400	39,443	46
FINANCIAL LIABILITIES		Carrying amount	Total contractual cash flows	On demand	Less than 3 months	3 months to 1 year	1-5 years	+5 years
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
2018								
Trade and other payables	15	28,638	28,638	28,638	-	-	-	-
Liabilities from contracts with customers	17	3,174	3,174	736	2,438	-	-	-
Customer betting account deposits & vouchers	16	23,366	23,366	23,366	-	-	-	-
Borrowings	20a	10,000	10,168	-	5,082	5,086	-	-
Other financial liabilities	20b	2,711	3,311	-	130	392	2,177	612
		67,889	68,657	52,740	7,650	5,478	2,177	612
Unrecognised financial liabilities								
RITA guarantee exposure	24	-	12,017	12,017	-		-	-
TOTAL CASHFLOWS FROM ALL FINANCIAL LIABILITIES		67,889	80,674	64,757	7,650	5,478	2,177	612

As at 31 July 2019, it is not expected that the financial guarantees will be called.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2018 (CONT'D)

22b.2. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. RITA is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

RITA manages its credit exposure ensuring all borrowings, investments, cash management, interest rate risk management and any foreign transactions are undertaken with counterparties having a Standard and Poor's (S&P) credit rating for marketable debt instruments at or above the limits defined under the Treasury Policy; by limiting the level of exposure with a particular counterparty and rigorously monitoring compliance with these limits.

Additionally, in terms of its operational counterpary balances on certain receivables, RITA's practice is to require either bank guarantees or cash bonds from non-RITA owned retail outlets of a value generally greater than a week's settlement.

		\$000	\$000
		44,088	53,353
		4,462	6,153
		4,783	5,864
		9,245	12,017
		53,333	65,370
2019	2019	2018	2018
%	\$000	%	\$000
17.7%	1,363	22.7%	1,598
11.3%	866	11.0%	778
16.4%	1,263	10.7%	757
54.6%	4,203	55.6%	3,921
		100.0%	7,054
	% 17.7% 11.3% 16.4% 54.6%	% \$000 17.7% 1,363 11.3% 866 16.4% 1,263	44,088 4,462 4,783 9,245 53,333 2019 % \$000 17.7% 1,363 22.7% 11.3% 866 11.0% 16.4% 1,263 10.7% 54.6% 4,203 55.6%

All of RITA's debt investments have low credit risk at both the beginning and end of the periods reported in these financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

22b.3. Foreign currency exchange rate risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. RITA is exposed to exchange rate fluctuations from certain foreign currency denominated transactions it undertakes.

RITA manages these exposures within approved policy parameters which include the use of forward foreign exchange contracts and designated as a hedge.

When a derivative is entered into for the purpose of being a hedge, RITA negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of forecast transactions, the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency. As at 31 July 2019, RITA has total notional value of FEC hedges of \$14.1 milion with fair value of \$17.4 million (2018: \$19.0 million notional value and \$25.0 million fair value) which are held to hedge AUD and GBP exposures.

22b.4. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. RITA's exposure to the risk of changes in market interest rates relates primarily to its investments in the form of cash, term deposits and loans as well as its bank borrowings with floating interest rates.

To address the risk of adverse interest rate movements, balanced by meeting liquidity objectives, RITA invests funds to a maturity profile and mix that complies to prudent and risk spreading limits as defined within the Treasury Policy that effectively ensures a continuous and forced diversification of maturities across the portfolio of investments and thus spreads and reduces the concentration of interest rate re-pricing risk at times of re-investments.

Interest rate sensitivity

As at 31 July 2019, if the interest rates had increased/decreased by 50 basis points, with all other variables held constant, the net surplus before distributions would have been \$0.1 million (2018: \$0.2 million) higher/lower as a result of higher/lower net interest receipts and payments while there will be no increase/decrease in equity due to interest paid on borrowings being capitalised.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2019 (CONT'D)

What were RITA's unrecognised transactions?

23. COMMITMENTS

23a. Operating lease commitments

At inception of a lease, a lease classification test is performed to determine whether the lease is a finance or operating lease. An operating lease is a lease that does not transfer all the risks and rewards of ownership to RITA. Operating lease payments are recognised in profit or loss on a straight-line basis over the lease term, within premises and equipment expenses. Any sublease income is recognised as other income.

RITA leases buildings under operating leases, as a lessee, for its TAB operations, as well as certain buildings for office functions. The leases have varying terms and renewal options. Upon renewal, the terms of the leases are negotiated.

For the year ended 31 July 2019 \$7.2 million was recognised as an expense within premises and equipment expenses in profit or loss in respect of operating leases (2018: \$7.5 million).

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

	2019 \$000	2018 \$000
Within one year	6,777	6,928
Later than one year but no later than five years	15,332	16,922
Later than five years	896	1,796
TOTAL OPERATING LEASE COMMITMENTS	23,005	25,646

2019

2018

From 1 August 2019, RITA will adopt NZ IFRS 16 Leases which will result in recognition of lease liability of approximately \$45.8 million as well as right-of-use assets of approximately \$42.2 million and lease receivable of \$3.6 million in the Statement of Financial Position for the above leases.

23b. Other non-cancellable operating commitments

RITA has a number of non-cancellable operating commitments that relate to services other than the lease of land and buildings.

A contract is considered non-cancellable for any period where either no cancellation provision exists in the contract or where the requirements or costs of cancellation are so significant that cancellation of the contract is remote.

 $Non-cancel lable\ contracts\ held\ by\ RITA\ predominantly\ comprise\ technical\ services\ associated\ with\ the\ broadcasting\ of\ racing,$ telecommunication services and fixed odds betting platform. The increase in operating commitments relates to longer term contracts with external parties in relation to the strategic initiatives.

Non-cancellable operating commitments are payable as follows:

	\$000	\$000
Within one year	24,761	19,374
Later than one year but no later than five years	52,353	51,331
Later than five years	16,680	32,097
TOTAL OTHER NON-CANCELLABLE OPERATING COMMITMENTS	93,794	102,802

Foreign-currency denominated commitments (i.e., FOB strategic initiative) included above have been translated using the indicative forward rates as of balance date corresponding to the period of the associated cash flows in those projects unless these have been hedged; in which case, the contract rates were used instead.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 2018 (CONT'D)

24. CONTINGENT LIABILITIES

Where RITA enters into financial guarantee contracts to guarantee the indebtedness of third party entities, RITA considers these to be insurance arrangements under NZ IFRS 4 Insurance Contracts and accounts for them as such. A liability is recognised when it becomes probable that RITA will be required to make a payment under the guarantee. If it becomes probable, RITA will recognise an expense and corresponding liability based on estimates of future cash flows under the contract. RITA assesses at the end of each reporting period whether its recognised liability is adequate in comparison to the estimates of future cash flows under the contract. If that assessment shows that the carrying amount of the liability is inadequate, the entire deficiency shall be recognised in profit or loss.

INDUSTRY LOAN GUARANTEE

On 5 February 2009, RITA provided a guarantee to the BNZ in relation to Racing at Awapuni, Otaki and Trentham Combined Enterprises Incorporated (RACE Inc) to the value of \$4.6 million plus up to 2 years interest and the costs of collection (2018: \$5.3 million). New Zealand Thoroughbred Racing Incorporated have provided a back-to-back guarantee to RITA covering the amounts guaranteed to BNZ. Refer to note 13.

OTHER THIRD PARTY GUARANTEES

On 1 April 2014, RITA provided a guarantee to Windsor Park Leasing Limited over the payments of the NZ Live leased premises, relating to RITA broadcasting activities. As at 31 July 2019, the amount payable under this guarantee has reduced to \$2.1 million (2018: \$2.5 million).

In 2015, RITA assigned two leased properties to third parties, whereby RITA continues to be liable for any outstanding rent in the event of default. As at 31 July 2019, the total amount payable under these agreements was \$2.7 million (2018: \$3.3 million). In the event of default by the third party, the Landlord and RITA must undertake their best endeavours to secure a new tenant to mitigate losses.

25. SUBSEQUENT EVENTS

There are no subsequent events following balance date.

SUPPLEMETARY INFORMATION - REPORTING AGAINST BUDGET

FOR THE YEAR ENDED 31 JULY 2019

STATEMENT OF FINANCIAL PERFORMANCE	ACTUAL 31 JULY 2019	UNAUDITED BUDGET 31 JULY 2019	VARIANCE	
	\$000	\$000	\$000	
BETTING AND GAMING TURNOVER	2,771,211	3,221,798	(450,587)	
REVENUE				
Net betting revenue	273,294	342,775	(69,481)	
Net gaming revenue	29,004	27,948	1,056	•
NZ racing revenue shown overseas	21,833	27,417	(5,584)	
Other revenue	23,891	24,451	(560)	
TOTAL REVENUE	348,022	422,591	(74,569)	•
Turnover related expenses	69,076	88,177	(19,101)	•
PROFIT CONTRIBUTION	278,946	334,414	(55,468)	•
OPERATING EXPENSES				
Broadcasting	9,219	9,661	(442)	•
Communication and technology expenses	26,089	34,080	(7,991)	
Depreciation and amortisation	16,534	19,306	(2,772)	
Foreign exchange (gain)/loss	226	20	206	
Premises and equipment expenses	14,323	14,232	91	
Staff expenses	61,503	68,487	(6,984)	•
Other operating expenses	14,352	15,091	(739)	•
TOTAL OPERATING EXPENSES	142,246	160,877	(18,631)	•
NET PROFIT BEFORE DISTRIBUTIONS	136,700	173,537	(36,837)	•
Strategic initiatives & other items profit/(loss)	(7,366)	14,250	21,616	•
UNDERLYING NET PROFIT BEFORE DISTRIBUTIONS	144,066	159,287	(15,221)	•

Favourable =

Unfavourable =

Neutral =

SUPPLEMETARY INFORMATION - REPORTING AGAINST BUDGET (CONT'D)

FOR THE YEAR ENDED 31 JULY 2019

DISTRIBUTIONS	ACTUAL 31 JULY 2019	UNAUDITED BUDGET 31 JULY 2019	VARIANCE
	\$000	\$000	\$000
BETTING			
Distributions to racing codes	148,940	149,000	(60)
Distributions to The Races Limited Partnership (TRLP)	2,600	2,600	
TOTAL DISTRIBUTIONS FROM BETTING NET PROFIT	151,540	151,600	(60)
$(Loss)/Profit\ retained\ for\ reinvestment\ distribution$	(28,261)	9,628	(37,889)
BETTING NET PROFIT	123,279	161,228	(37,949)
GAMING			
Distributions applied to racing industry	12,928	13,000	(72)
Distributions applied to RITA race form publication expenses	1,143	1,000	143
Distributions to The Races Limited Partnership (TRLP)	909	909	-
Distributions to sporting external bodies	4,113	3,800	313
Distributions from prior year undistributed gaming surplus	(1,950)	(1,400)	(550)
TOTAL DISTRIBUTIONS FROM GAMING NET PROFIT	17,143	17,309	(166)
Provision for undistributed gaming surplus	2,963	1,600	1,363
GAMING NET PROFIT	20,106	18,909	1,197
RIU			
RIU distribution	(6,685)	(6,600)	(85)
TOTAL DISTRIBUTIONS	161,998	162,309	(311)
TOTAL NET PROFIT	136,700	173,537	(36,837)

SUPPLEMETARY INFORMATION - REPORTING AGAINST BUDGET (CONT'D)

FOR THE YEAR ENDED 31 JULY 2019

STATEMENT OF FINANCIAL POSITION	ACTUAL 31 JULY 2019	UNAUDITED BUDGET 31 JULY 2019	VARIANCE
	\$000	\$000	\$000
CURRENT ASSETS			
Cash and cash equivalents	10,487	13,000	(2,513)
Trade and other receivables	7,664	10,100	(2,436)
Other financial assets	25,000	28,800	(3,800)
Other current assets	5,866	2,700	3,166
TOTAL CURRENT ASSETS	49,017	54,600	(5,583)
NON-CURRENT ASSETS			
Property, plant and equipment	39,947	54,500	(14,553)
Intangible assets	45,727	31,200	14,527
Other financial assets	937	6,600	(5,663)
Other non-current assets	866	2,600	(1,734)
TOTAL NON-CURRENT ASSETS	87,477	94,900	(7,423)
TOTAL ASSETS	136,494	149,500	(13,006)
CURRENT LIABILITIES			
Trade and other payables	36,506	27,800	8,706
Customer betting account deposits and vouchers	23,374	26,300	(2,926)
Liabilities from contracts with customers	3,068	3,000	68
Other financial liabilities	386	300	86
Derivative liability	46	200	(154)
Taxation payable	4,969	4,200	769
Provisions	2,838	2,400	438
TOTAL CURRENT LIABILITIES	71,187	64,200	6,987
NON-CURRENT LIABILITIES			
Borrowings	35,000	22,000	13,000
Other financial liabilities	1,973	1,900	73
Provisions	3,471	1,100	2,371
TOTAL NON-CURRENT LIABILITIES	40,444	25,000	15,444
TOTAL LIABILITIES	111,631	89,200	22,431
		40.00	(2
NET ASSETS/TOTAL EQUITY	24,863	60,300	(35,437)

DIRECTORY

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Petone

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Chair

Bill Birnie CNZM

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ONZM QC

Anna Stove

Sir Peter Vela

KNZM

LEADERSHIP TEAM

John Allen

Chief Executive Officer

Shaun Brooks

General Manager, Finance

Stephen Henry

Chief Operating Officer

Andy Kydd

General Manager,

Media and International

Lou McCrorie Head of People

Simon MacKay

General Manager Technology

Glen Saville

General Manager, Betting and Product

Gary Woodham

General Manager, Customer

SOLICITORS

Minter Ellison Rudd Watts

Wellington

AUDITORS

PwC

Wellington

BANK

ANZ Limited Wellington



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