

Statement of Intent 2023-2025

Focused on the future



TAB



“We are positioned towards growth, with an even stronger focus on our customer experience and investments in the technology, products and services that will keep TAB NZ relevant into the future.” — Mike Tod CEO

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Chair summary



Mark Stewart MNZM
TAB NZ Chair

TAB NZ is on the cusp of a challenging yet exciting chapter in its long history. The past 12 months have seen the business performing strongly despite the impact of Covid-19 on our operations and the lives of our customers and staff.

In total, the amount TAB NZ passed on to racing, sport and New Zealand communities increased 14% to \$205 million.

TAB NZ is at a crossroads today as it faces stiff competition from international behemoths that are unconstrained in the range of products and services they offer New Zealanders. This sees more than \$1 billion being bet offshore by New Zealanders annually.

We are in active discussion with the Government to see the legislative settings changed so that we can compete fairly and in turn accelerate the growth in distributions which ultimately support tens of thousands of Kiwi livelihoods.

As a Board that has been together almost a year, we are deeply energised by the opportunities an even playing field would mean for our business and the nation. A more profitable TAB NZ also means a deeper investment can be made in minimising the risks of problem and underage gambling.

The Board's significant experience across wagering, racing, sport, commerce, regulatory affairs and governance combined with the global experience of Chief Executive Officer Mike Tod and his Executive Leadership Team sees us well placed to maximise the opportunities ahead.

A new growth strategy, which is reflective of the legislative and macro economic constraints the business currently operates under, will be completed in the coming months. Printing, consultation and legislative deadlines prevent the full strategy being shared in this document, but I am excited about the work that has gone into this strategy, as it provides a solid foundation for TAB NZ to expand and deliver on its objectives.

Ngā mihi,

Mark

Chief Executive Officer summary



Mike Tod
CEO

TAB NZ has weathered the storm of a retail downturn caused by multiple COVID-19-related lockdowns during the past two years, delivering on its projected distributions, while also seeing the positive effects of reform that introduced new revenue streams for the racing and sporting sector.

Through that, the 2021/22 financial year was the most profitable in the TAB's 70-year history, and subject to legislative and macro economic conditions, forecasts point to continued growth in distributions and payments flowing through to racing and sports in New Zealand.

I would like to recognise the outstanding contribution of the TAB NZ team during the most extraordinary of years. The level of commitment and innovation to keep the business running profitably against some extremely challenging conditions was superb.

As we turn our focus to the future, the TAB NZ Executive Leadership Team is now positioned towards growth, expanding our share of the wagering market which is highly competitive in the digital space.

To do this will require an even stronger focus on our customer experience and investments in the technology, products and services that will keep TAB NZ relevant into the future.

We will transition to being a more modern and relevant company, so that we become the first choice betting and wagering provider for all Kiwis.

Ngā mihi,

Mike

Overview

TAB NZ is a statutory body established through the Racing Industry Act 2020 (the Act). For the purposes of this document, ‘TAB NZ’ and ‘TAB’ are used interchangeably.

The TAB is the sole entity legally able to operate wagering services from within New Zealand. The TAB is also regulated by the Gambling Act 2003, particularly with regard to its Class 4 gaming operation.

As an organisation, TAB NZ operates to the three underlying principles of gambling regulation in New Zealand: being a trusted and transparent operator; having adequate protections for its customers; and ensuring a return to the community from the proceeds of gambling.

The commencement of the Act in August 2020 gave TAB NZ clear statutory objectives, providing the organisation with a mandate to focus purely on the commercial drivers of the business (subject to the appropriate risks being minimised).

As outlined in Section 57 of the Act, the objectives of TAB NZ are:

- to facilitate and promote betting; and,
- subject to ensuring that risks of problem gambling and underage gambling are minimised, to maximise:
 - its profits for the long-term benefit of New Zealand racing;
 - and returns to New Zealand sports.

TAB NZ currently employs approximately 430 staff, operates in around 500 outlets (standalone TABs, and in pubs and clubs), and has a significant digital offering. More than \$2 billion in bets are placed with the TAB every year on racing and sporting events from New Zealand and right across the world.

It also operates the largest outside broadcasting operation in New Zealand (Trackside 1 and 2), and has Class 4 gaming machines in selected TAB stores.



\$2B

More than \$2 billion
in bets are placed with
the TAB every year

Strategic position

TAB NZ is currently in the process of finalising the details of a growth strategy that will position us to significantly increase distributions to both the racing and sporting codes who are direct beneficiaries of our organisational performance.

These stakeholders depend on us, as do those employed in those industries and indirectly associated with these codes.

TAB NZ is keenly aware of the link between our performance and the fortunes of these stakeholders, and it is with that in mind that the Executive Leadership Team (ELT) and the Board embarked on a strategy sprint. This began in April 2022 in order to ensure the pathway for growth could be completed by 1 August 2022 — the beginning of the new financial year for TAB NZ.

The first step was to reach alignment on the critical questions that TAB NZ faces as a business competing on the global stage. From there, the focus was to design a strategic plan which set out not only the critical areas of focus needed to ensure TAB NZ's full potential is unlocked for its stakeholders, but also laid out the key sub-strategies, values, resourcing, and investment plan that will be required.

The end of that strategy sprint coincides with the publishing of this document by 31 July as required under legislation, and so while the timing does not allow for TAB NZ to provide a full update on the outcomes of that process in this statement, stakeholders are encouraged to take a watching brief over the upcoming period as we look to finalise this critical work and share it with stakeholders and New Zealanders.

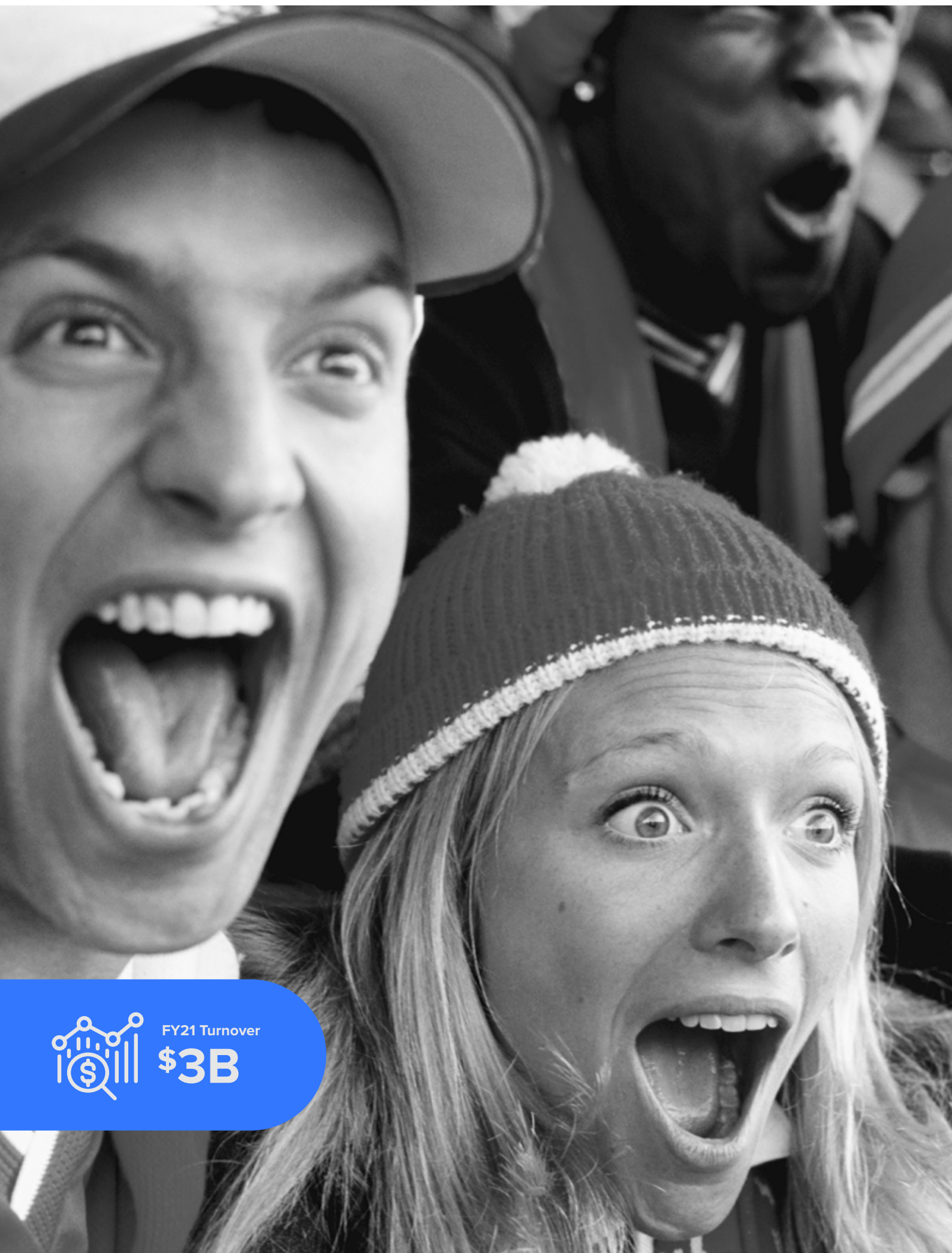
The TAB NZ ELT and Board are energised by this upcoming growth phase where a relentless focus will be put on:

- **Providing a world-class customer value proposition** that gives customers what they want, when they want it, and ensures every New Zealander has a clear and compelling reason to choose TAB NZ over any other operator;
- **Utilising global expertise and capabilities** to accelerate the delivery of a world class customer experience;
- **Pursuing opportunities that level the playing field**, and put our business and stakeholders in a position to grow into the future; and
- **Contributing further to gambling harm minimisation.**



430

TAB NZ currently
employs approximately
430 staff



FY21 Turnover
\$3B

Business Financial commentary

This Statement of Intent (SOI) is prepared under a business-as-usual basis which excludes the impact of any initiatives or activities that may arise from TAB's growth strategy and represents the financial performance, position and cash flows across three years (FY23-FY25) under TAB NZ's current operating model. It also assumes no major changes to our underlying regulatory framework.

Performance

Revenue in FY23 improves compared to prior year (Forecast FY22) due to growth in sports betting and a return to full operation of retail sites. Revenue performance through to FY25 reflects continued growth in sports betting whilst other revenue items remain broadly stable.

Operating expenses are relatively stable across the three-year period covered in this SOI which is a return to prior years, being comparable to actuals of the year before. Underpinning this is TAB's continued focus on controlling costs.

Net profit before distribution continues to report a stable and strong positive result for the periods FY23-FY25.

Distribution and other payments

Total distributions and other payments for FY23 is budgeted at \$197 million (up \$5 million from prior year) which includes distributions from betting net profit of \$140 million (consistent with prior year); other payments of \$39 million (representing Betting Duty relief and Offshore Corporate Bookmaker); and gaming distributions of \$18 million.

Distributions and Other payments for FY24 and FY25 represent continued performance levels.

Financial position and cash flows

Budgeted closing Net assets for FY23 is \$100 million – slightly higher than the prior year (Forecast FY22) and is expected to remain stable in the following two years.

The levels of assets and liabilities across the three-year period are broadly stable. Working capital from FY23-FY25 is reported at a stable positive position (i.e. current assets being higher than current liabilities).

This positive working capital, combined with no planned debt, strong cash and net asset position, and stable level of distributions, (before any potential initiatives are implemented) demonstrates a balanced approach in reinvesting in the business and further supporting the racing and sporting communities.

Financial tables

Condensed statement of profit or loss

	Actual Restated*	Forecast	Budget	Estimate	Estimate
(\$m)	FY21	FY22	FY23	FY24	FY25
Betting and gaming turnover	3,076	2,971	3,151	3,280	3,385
Net Betting Revenue	316	319	330	333	339
Other Revenue	28	18	17	17	17
Net Gaming Revenue	29	22	27	30	32
Total Revenue	373	359	374	380	388
Turnover Related Expenses	(74)	(81)	(88)	(89)	(91)
Profit Contribution	299	278	286	291	297
Operating Expenses*	(122)	(119)	(123)	(128)	(131)
Net Profit before distributions	177	159	163	163	166
Made up of:					
Betting Net Profit	163	145	145	142	144
Gaming Net Profit	21	14	18	21	22
RIU costs	(7)	-	-	-	-

Distributions

	Actual	Forecast	Budget	Estimate	Estimate
(\$m)	FY21	FY22	FY23	FY24	FY25
Distributions from:					
Betting Net Profit	124	140	140	142	144
Total Distributions from Betting Operations	124	140	140	142	144
Gaming					
Distributions applied to the racing industry	18	13	14	17	18
Distributions to sporting external bodies	3	1	4	4	4
Total Distributions from Gaming Net Profit	21	14	18	21	22
Gaming distributions applied to RIU costs	(7)	-	-	-	-
Net Distributions	138	154	158	163	166
Betting Duty Relief	11	15	16	16	16
Offshore Corporate Bookmaker	18	23	23	24	24
Total Other Payments	29	38	39	40	40
Net Distributions and Other Payments	167	192	197	203	206

*Adjustments have been made to comparative figures, refer to accounting policies for further information.

Statement of financial position

	Actual Restated*	Forecast	Budget	Estimate	Estimate
(\$m)	FY21	FY22	FY23	FY24	FY25
Cash and cash equivalents	63	66	73	77	83
Trade and other receivables	9	13	13	13	13
Other financial assets – current	45	34	34	34	34
Other current assets	5	4	4	4	4
Current Assets	122	117	124	128	134
Property, plant & equipment	62	55	49	42	34
Intangibles*	59	53	50	46	41
Other financial assets – non-current	4	5	4	4	3
Non-current Assets	125	113	103	92	78
Total Assets	247	230	227	220	212
Trade and other payables*	28	39	39	39	39
Customer betting account balances	24	26	26	26	26
Other financial liabilities	4	4	5	5	5
Taxes payable	5	8	8	8	8
Provisions	10	4	4	4	4
Leases	7	7	6	6	6
Current Liabilities	78	88	88	88	88
Leases – non-current	35	31	25	21	16
Other financial liabilities – non-current	19	16	14	11	8
Borrowings	25	-	-	-	-
Non-current Liabilities	79	47	39	32	24
Total Liabilities	157	135	127	120	112
Net Assets	90	95	100	100	100

*Adjustments have been made to comparative figures, refer to accounting policies for further information.

Accounting Standards

Accounting Policies

In preparing its annual consolidated financial statements, TAB NZ has adopted accounting policies in accordance with generally accepted accounting practice in New Zealand, as required under the Racing Industry Act 2020 and the Financial Reporting Act 2013 which comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for Tier 1 for-profit entities.

The significant accounting policies are discussed on pages 12-15. Please refer to the most recent audited financial statements and recently published financial statements for details of all accounting policies in place.



Basis Of Preparation

Reporting entity and statutory base

TAB New Zealand (TAB NZ) is a statutory body established by the Racing Industry Act 2020. The consolidated financial statements are for TAB NZ and its subsidiaries, Racing Integrity Unit (until FY21 only) and the Betting Accounts and Betting Vouchers Trust, (together the Group).

Statement of compliance

TAB NZ is required to comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for Tier 1 for-profit entities, and with International Financial Reporting Standards.

Basis of measurement

The 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 TAB NZ's functional currency.

Changes in accounting policies impacting FY21 restated balances and following years

New IFRIC Guidance on Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing TAB NZ with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received where these would have been previously accounted for as capital items.

TAB NZ assessed the impact of the change in accounting policy as at 31 July 2021 and reassessed other software licence arrangements. Consequently, the impact of the change and subsequent restatement of affected balance sheet and profit or loss accounts have been reflected in the Restated values for the FY21 year as shown in this Statement of Intent. For full details, please refer to the most recently published full financial statements.

Key Accounting Policies

Distributions

Distributions are made in accordance with the Racing Industry Act 2020 (for betting net profit) and the Gambling (Class 4 Net Proceeds) Regulations 2004 (for gaming net profit).

Betting net profit distributions are made to the racing industry directly through Racing New Zealand or the racing codes; Gaming net profit distributions are made to to amateur sports organisations and applied to TAB NZ costs to cover specific industry expenditures which are for racing authorised purposes; all distributions from Gaming net profit are approved by TAB NZ's Net Proceeds Committee under a grants policy that ensures that the authorised purpose is consistent with the purpose specified in TAB NZ's Class 4 Gaming licence.

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.

Revenue from contracts with customers

TAB NZ's main revenue from contracts with customers relates to its betting and gaming operations; net Betting and Gaming revenue represent the net win or loss to TAB NZ which consists of turnover less dividends paid or payable, less duties and GST. Revenue is recognised once the turnover and associated dividends, duties and taxes are determined representing the point in time TAB NZ's performance obligation is satisfied.

In general, revenue is measured at the fair value of the consideration given and is recognised when TAB NZ has satisfied its performance obligation under the contract which entitles it to the consideration from the customer.

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. They are measured at amortised cost, using the effective interest method.

Other financial assets

Other financial assets comprise trade receivables, terms deposits and funds held in trust; these are initially recognised at their fair value when TAB NZ becomes a party to the contractual provisions of a financial instrument. Initial fair value is considered to be the transaction price of the instrument plus or minus directly attributable transaction costs, except for industry loans. Subsequent to initial measurement, all debt instrument financial assets are measured at amortised cost, using the effective interest method. Financial assets are assessed for impairment and a corresponding impairment loss is reported in profit or loss if the carrying value exceeds their recoverable amount.

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. Refer to the last published Annual Report for the estimated useful life of each asset class.

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.

Intangible assets

Broadcasting licences, software and other intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. 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 are reviewed annually. Refer to the last published Annual Report for the estimated useful life of each asset class.

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 profit or loss.

Financial liabilities

Financial liabilities include borrowings and leases (see below). TAB NZ 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).

Accounting Standards – continued

Leases

TAB NZ accounts for its lease arrangements in accordance with NZ IFRS 16, Leases which requires the recognition of the right of use assets and lease liability in the statement of financial position at the inception of the lease; a corresponding depreciation of the right of use asset and amortisation of the finance lease liability are made over the term of lease and are recognised in the statement of profit or loss by way of depreciation and interest expense. Low value and short term leases are excluded from these balances and are accounted for as rental expense when incurred.

Directory

(as at 31 July 2022)

Board members

Mark Stewart (Chair)
MNZM

Anna Stove (Deputy Chair)

Bill Birnie
CNZM

Raewyn Lovett
ONZM

Wendie Harvey

Jason Fleming

Paul Bittar

Leadership team

Mike Tod
Chief Executive Officer

Edward Rennell
General Manager Broadcasting
and Operations

Jodi Williams
General Manager Marketing
and Customer Experience

Sam Moncur
General Manager Finance

Simon Thomas
General Manager Customer
and Betting

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