



TAB New Zealand
Annual Report
2023



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“
We believe this 25-year strategic partnering arrangement will be a gamechanger for sports betting in New Zealand and we are pleased that it will help provide significant financial benefits to the three New Zealand Racing Codes and the vast array of National Sporting Organisations.
”

The TAB NZ Board



Anna Stove (Interim Chair)

Anna was a member of the Racing Industry Transition Agency and Deputy Chair of TAB NZ between August 2021 - August 2023. From September 2023, Anna has been Interim Chair of TAB NZ.

She has a passion for horse racing and has been involved with thoroughbreds her entire life. Her parents had a successful stud farm in Karaka. She was also previously Vice Chair of Counties Racing Club.

Anna has held a number of governance roles with private and listed organisations and is currently Chair of Rua Bioscience and a Director of Pacific Edge Ltd. Her drive is to support businesses with strategic growth, best practice governance and improving outcomes.

Anna has a successful corporate track record in leading and driving transformational change within the healthcare sector. She has significant global business experience having held a variety of senior executive roles within New Zealand, Asia Pacific and Europe, most recently as New Zealand General Manager for GlaxoSmithKline.



Bill Birnie CNZM

Bill has extensive governance experience in the racing, sporting and business sectors.

With a long career in investment banking, Bill has previously served as Deputy Chair of Sport New Zealand, High Performance Sport New Zealand and the New Zealand Film Commission. He recently retired as Chair of Far North Holdings Limited but retains his Directorship of Far North Housing Limited.

He was a Founding Trustee of the Wellington Stadium Trust and previously a Director of the Warriors Rugby League Franchise, Director of the New Zealand Screen Council, Director of Equestrian Sports New Zealand from which he received an Honorary Life Membership and Chair of ENZA and the KidsCan Charitable Trust. He is currently a Trustee of the Parliamentary Education Trust, Director of Cricket New Zealand, Trustee of the Eden Park Trust and Chair of Christchurch based medical devices company, Enztec Limited.

He was awarded a Companion of the New Zealand Order of Merit for services to Governance, the Arts and Sport in the 2018 Queens New Year Honours and attained a Bachelor of Laws from the University of Auckland.



Wendie Harvey

Wendie has more than 20 years of governance experience, possessing a sound legal background with strong experience in strategy, business and culture transformation, as well as previous experience as a commissioner for the New Zealand Gambling Commission. She is a professional director with interests in strategy development, organisation change, infrastructure management and the promotion of health and safety in the workplace.

Wendie is currently a director of a number of organisations including Aurora Energy, Eastland Group, Hawke's Bay Airport and Port Taranaki. In addition, in 2023 she was appointed to the Hawke's Bay Regional Recovery Agency, which was established in response to Cyclone Gabrielle.

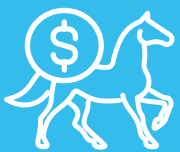


Raewyn Lovett ONZM

Raewyn has been a director at Sport New Zealand since 2018 and of High Performance Sport New Zealand Limited since 2022, and was appointed to Chair of these organisations in July 2023. She has significant experience in sports administration, as well as commercial and corporate law experience.

Raewyn has held a variety of governance roles in the sport and not-for-profit sectors.

She is currently co-chair of the International Working Group on Women and Sport and Chair of Dunedin Venues Management Limited. Her other current appointments include being Chair of CHT Healthcare. Raewyn has previously been Chair of Aktive - Auckland Sport and Recreation and Netball New Zealand and was made an Officer of the New Zealand Order of Merit (ONZM) for services to netball in 2015.



Funds to racing 2023/24

\$225M

(forecast)

From the TAB NZ Chair

A turning point in the history of the racing industry and for TAB New Zealand.

The 2022/23 financial year (FY23) marked a turning point for the racing industry in New Zealand with TAB NZ and Entain commencing a 25-year strategic partnership from 1 June 2023.

This has been the single biggest development in the New Zealand wagering industry since the introduction of sports betting in 1996.

The strategic partnership has seen Entain take on TAB NZ's betting and broadcasting operations with enhancements for the TAB brand's 250,000 customers over the short and long term as Entain brings to the table its world-class products, services and gambling harm minimisation tools.

TAB NZ's retained functions include delivering on our legislative obligations, monitoring the regulatory and commercial performance of Entain, exploring further commercial opportunities, investing in harm minimisation, and working with the Government on reforms to New Zealand's outdated gambling laws.

As a result, following entry into the partnering arrangement, we have been focused on transitioning the business and establishing a good foundation to ensure success with Entain, including a right-sized business operating model.

A crucial outcome of the strategic partnering arrangement is the monumental financial uplift to our three Racing Codes as well as our sporting partners – Sport NZ and 37 individual National Sporting Organisations.

TAB NZ's direct funding to racing for the new 2023/24 racing season is forecast to be over \$225 million through the Racing New Zealand distribution payment, betting duty savings, gaming rejuvenation fund, and the funding of the Racing Integrity Board. This is an uplift from \$150 million in FY23. Similarly, funding to sport has grown by 44% in the last two years, totaling \$22.6 million for FY23.

I would like to acknowledge and thank our Board for their tireless efforts over many months in securing the transformative Entain partnering arrangement. We owe a huge debt of gratitude to TAB NZ's former Chair Mark Stewart, MNZM who stepped down at the end of August. Mark's unparalleled business and leadership experience was pivotal during this time.

The Board would like to acknowledge the incredible work and dedication of TAB NZ's previous Chief Executive Officer Mike Tod and his Executive Leadership Team in getting TAB NZ to this point.

Nick Roberts has been our Chief Executive Officer since the commencement of the Entain partnership. Nick was a critical part of the team that worked on securing the strategic partnering arrangement so it remains fitting that he sees the organisation through this next exciting phase. Nick has a deep knowledge of the legislative settings in New Zealand and the wagering ecosystem, which will be invaluable going forward. Also, former Board member Jason Fleming has become the General Manager Commercial and Finance so we will continue to benefit from his commercial acumen and passion for this industry.

Finally, we would like to acknowledge the support from the former Minister for Racing, Hon Kieran McNulty, who approved this strategic partnering agreement under the Racing Industry Act 2020. Mr McNulty's extensive knowledge of and continued passion for the industry is greatly appreciated.

We look forward to working with the new Government, and will continue to optimise the returns to racing and sport in NZ.



A handwritten signature in black ink that reads "Anna Stove".

Anna Stove
TAB NZ Interim Chair

From the CEO of Entain Australia and New Zealand

On 1 June 2023, TAB NZ and Entain commenced their strategic partnering arrangement. We believe this 25-year strategic partnering arrangement will be a gamechanger for racing and sports betting in New Zealand and, in turn, the industries we support.

The benefits of the partnership include; bringing revenue back to the NZ ecosystem, providing the best and most engaging betting products for Kiwi punters, driving increased distributions to racing and sports and expanding Trackside Media (our broadcast and content arm) to help grow audiences for NZ racing both locally and globally.

Early on in our partnership with TAB NZ, there were tangible wins for the racing industry and customers more broadly, as a result of the partnership. For example, the stakes increase for the 2023/2024 season announced by New Zealand Thoroughbred Racing at Karaka in June brought the total stakes to \$90.8 million. These stake increases will flow through to owners, trainers, breeders, jockeys, stable-hands, farriers, feed providers and so many other Kiwis who are directly or indirectly involved in this industry.

Looking ahead to the 2023-24 financial year, we've entered new partnerships with the Wellington Racing Club, Cambridge Raceway and Auckland Thoroughbred Racing to sponsor races and provide support to key Kiwi courses, and to help promote events and work closely with the clubs to build excitement and drive on-course activity.

In an enormous coup for New Zealand, in July 2023, Entain secured the Waikato Stud son of Savabeel, I Wish I Win, to race in the Trackside Media slot in the world's richest race on turf, The Everest in October 2023. Securing a slot in The Everest on behalf of Trackside was a significant moment and was an opportunity to celebrate the New Zealand thoroughbred racing and breeding industries.

We were determined to get Kiwis excited about this incredible horse, and in The Everest as an event – and while we were pipped at the post to finish second, we couldn't be more pleased with the result.

2023-24 initiatives

In August we unveiled the TAB Racing Club. Modelled on a similar initiative in Australia, The Club will offer a tailored loyalty and rewards program and an enhanced wagering experience to TAB customers who opt into the Club.

Once the TAB Racing Club trainers are confirmed, Entain has committed to spending up to \$1.5m at the 2024 thoroughbred and standardbred yearling sales to not only support the breeding industry but to also give TAB Racing Club members the opportunity to watch their well-bred yearlings work their way towards a career as a racehorse.

Entain is a business built on innovation and being customer focused. We look forward to introducing a range of new world-class products and services and player safety tools to the loyal New Zealand customer base. We've already told customers a new app is in the works with a launch date earmarked for 2024. This will also mean the expansion of safer gambling tools and further personalisation to help customers make the most of TAB's offering.

The future

The 25-year partnership is still in its infancy, and we have big plans to come, including bringing revenue back from off-shore operators and into the NZ ecosystem, providing the best and most exciting betting products for Kiwis, driving increased distributions to racing and sports, and continuing to expand and improve Trackside Media.

2023 was a great start, but we have only just begun.



Dean Shannon
CEO Entain Australia
and New Zealand



Total Turnover

\$2.7bn



The Partnership

June 1, 2023 signalled the beginning of a strategic partnering arrangement between TAB NZ and Entain. This 25-year partnership promises a much-needed injection of funds into the future of racing and sports in New Zealand.

Entain was selected as the preferred partner based on a wide range of criteria, and the strategic arrangement with Entain provided a certain, material and immediate uplift in the funding TAB NZ was able to provide New Zealand racing and sports from day one of the partnership.

Entain NZ and TAB NZ cover different functions with different responsibilities.

Entain NZ is solely responsible for the capital investment into the broadcasting and betting business, as well as the majority of operating costs.

The TAB brand is included in Entain NZ's day-to-day functions, and is separate to the statutory body TAB NZ.

Retaining the TAB brand was an important part of the strategic partnership, to ensure a consistent customer experience and because it remains iconic in New Zealand. Entain NZ manages the TAB brand, including the TAB website, mobile app, on-course racing and betting operations and physical TAB venues. Entain NZ is committed to boosting the fortunes of racing and sport, delivering a world-class customer experience and



enhancing its responsible gambling and harm minimisation efforts.

TAB NZ is now a smaller entity focused on its legislative functions under the Racing Industry Act 2020, including monitoring the regulatory and commercial performance of Entain New Zealand and overseeing the racing calendar process. TAB NZ also continues to operate its Class 4 gaming business.

Importantly, TAB NZ distributes the proceeds received from Entain and its Class 4 gaming to racing and sports in New Zealand.

This deal marks a significant shift in operations for the TAB NZ business. However, its overarching objectives remain the same with its focus being to ensure that the strategic partnering arrangement is a success for TAB NZ, its stakeholders and all Kiwis.



Harm Minimisation

The TAB brand continued to advance its harm minimisation and safer betting approach throughout 2022/23, while laying the groundwork for further significant improvements to be delivered in 2024 through the strategic partnership with Entain.

Building on the bespoke initiatives from 2021/22, TAB NZ and Entain made significant progress with evolving harm minimisation initiatives throughout 2022/23.

In April 2023, TAB NZ rebranded customer facing harm minimisation tools, from 'Responsible Gambling' to 'Safer Betting', to remove outdated and stigmatising language. The Safer Betting programme, which sports a new design and a softening of language used in the messaging, will help to improve the accessibility of the TAB Safer Betting programme.

Leading New Zealand gambling research expert, Dr Maria Bellringer, offered feedback in late 2022 to enhance how the TAB promotes safer betting across channels, which prompted the rebrand. Research suggested that customers were more likely to interact with the tools and help available when the words didn't suggest the onus was all on them.

The Safer Betting tools are being increasingly promoted by TAB, including on Trackside, encouraging customers to continue to enjoy their wagering at sustainable levels.

The usual 'R18 Bet Responsibly' tag is still being used for general advertisements, however, trials for other taglines to assist customers in making informed decisions are ongoing. These include taglines such as, 'R18 Not Every Bet Wins'.

TAB NZ and Entain have worked hard to continue to minimise harm and increase TAB's capacity to support

customers. Trials of facial recognition technology at the TAB New Lynn retail venue proved the value of this technology over human memory recall in identifying excluded persons and preventing them from gambling. Following that successful trial, facial recognition technology has been installed into a further five retail stores. TAB NZ has committed to further installations across its Class 4 network, stand-alone betting stores and other TAB venues, investing \$4 million into the rollout.

Significant work was also undertaken to digitise the TAB excluded persons gallery so that staff in TAB betting venues could have access to a secure and real-time gallery of images to more easily identify excluded persons. This gallery became fully operational on 31 July 2023.

To complement these initiatives, new training material was developed to prepare for the commencement of new requirements in Class 4 harm minimisation when the Gambling Harm Prevention and Minimisation Amendment Regulations 2023 came into force on 1 December 2023.

TAB NZ actively promoted Gambling Harm Awareness Week (GHAW) in September 2022 with banner advertising on tab.co.nz, promotion on social channels and a dedicated GHAW email to customers. Gambling treatment counsellors were also invited to host stalls in some TAB venues with information and posters to help raise awareness. Thanks to The Salvation Army Oasis team for their assistance and collaboration in this activity. Entain replicated and enhanced these activities in September 2023.



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NEW
TOOLS

Delivery of market-leading safer betting tools

A refresh of the TAB betting platform in 2024, as part of the strategic partnership with Entain, will bring with it a world-leading suite of safer betting tools available to all customers, offering unparalleled choice to help customers tailor the way they can stay in control.

Deposit Limit

Providing flexibility in deposit limits including daily, weekly, monthly and annual options.

Bet Limit

Limiting the maximum amount of money that can be spent on each bet.

Curfew

Setting more specific time periods when the account will not be available.

Block Out

Blocking out access to the account on certain days of the week.

Take a Break

Taking a break from the account for a fixed period, up to 6 months (with no direct marketing provided during this time).

Check In

Configured check ins will send 'pop-up' messages once the thresholds are met (e.g. time logged in, or total amount bet).

Market Control

Preventing the view and ability to bet on chosen sports or racing markets.

Transaction Statements

Ability to quickly generate an annual statement containing net win/loss outcome, or request transactions for a different period.

Withdrawal options

Disabling the ability to cancel withdrawals that are still processing.

Deposit options

Enabling and disabling options from the list of deposit methods.

Harm Minimisation (continued)

Work has commenced on further improvements to be delivered throughout 2024, which includes:



Data-led approach to safer betting

Automated systems will be introduced to help identify customers displaying certain behaviours that indicate a potential risk of harm, so that those customers can be flagged at the earliest possible opportunity. These systems will be used to set parameters to ensure that risky behaviour is reviewed by the Safer Betting team, and TAB won't hesitate to stop this behaviour where it's considered necessary.



Active intervention

The experienced Safer Betting team will continue to reach out to customers who are identified as being at potential risk of harm and will also be able to interact with a broader range of customers by utilising new tools such as safer betting pop-up messages.

These in-app messages are tailored to respond to specific characteristics of the customer's behaviour, such as a change in depositing or failed deposits.



Staff engagement

Everyone at TAB has a role to play in safer betting and will be encouraged to keep that top of mind through regular training, safer betting events and with aspects of remuneration linked to safer betting projects.



Stakeholder engagement

The Safer Betting team established a treatment stakeholder group that meets regularly to share ideas and experiences in relation to the treatment of harm and addiction caused by gambling. TAB is committed to continuing this collaboration as it strives for continuous improvement in the design and delivery of its safer betting framework.



Research

Both Entain and TAB NZ look forward to using the introduction of new safer betting tools and processes as an opportunity to study the impact and effectiveness of such changes, so that it can continue to better understand gambling harm and improve its approach accordingly. TAB NZ has allocated \$1 million for a research fund to support this work.

TAB SAFER BETTING



TIME TO ADJUST
THE VOLUME?



Set Your Limits. **TAB**
SAFER BETTING

TIME TO
PRESS PAUSE?



Take A Break. **TAB**
SAFER BETTING

TIME TO
PRESS STOP?



Take A Time Out. **TAB**
SAFER BETTING



PHOTO: takethemoment.co.nz

Gaming

TAB NZ is incredibly proud to have been able to return over \$17.5m to communities throughout New Zealand through both our 'Racing' and 'Sports' Authorised Purposes.

At least 80% of Net Proceeds was applied under the 'Racing' Authorised Purposes to the New Zealand Racing Industry, for the year to 31 July 2023, for the promotion, control and conduct of race meetings under the Racing Industry Act 2020.

The remaining 20% of the Net Proceeds is allocated to Sports.

Sport plays an important role in local communities to provide opportunities and a connection to where we live. TAB NZ is dedicated to supporting local sporting communities throughout New Zealand by providing grants that enable clubs to continue playing a vital role in their communities.

The successful grant funding TAB NZ provides is used to improve the conditions of local clubs and invests in a future where grassroots sports provide opportunities and bring people together.

Whatever goals these sporting communities have and the grants they apply for, TAB NZ is committed to improving the odds of getting them where they want to be. Whether that's in providing basic equipment, transportation cost assistance or building bespoke venues, we are guided by those that know the sport and community best to provide what they need to thrive.

When you place a bet with the TAB brand, you're supporting the ongoing success of racing and sports communities throughout New Zealand.

TAB NZ is making sure these communities continue to provide opportunities for everyone, no matter who they are or what their circumstances may be.

TAB NZ provides the necessary financial support and resources to create a thriving racing and sports culture that benefits everyone in New Zealand.

Those organisations who are successful in their grant applications for funding are thrilled to be working with TAB NZ to make a difference in their communities.



More stories from other sports are available here:

<https://www.tabnz.org/news>



Stokes Valley Junior Football Club

Stokes Valley Junior Football Club

The Stokes Valley Junior Football Club received \$15,000 funding from TAB NZ for uniforms.

“Receiving grants from organisations like TAB NZ enables us to continue to strive towards providing a service to our community for as little cost as possible. This grant enabled us to grow significantly and provide the children at our club with appropriate equipment to maximise their engagement and enjoyment of the game of football.”

Laura Morrissey, Stokes Valley Football Club Co-ordinator



New uniforms

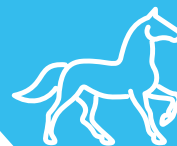
\$15,000

Equestrian Sports New Zealand Incorporated

\$20,000 for redevelopment of the upper level Cross-Country courses in Taupo.

“By receiving grant funding, we have been able to invest into the sports infrastructure without ‘taxing’ the riders through increased entry fees. This grant has enabled us to redevelop the upper level Cross-Country courses in Taupo and now provide a vital stepping stone for future NZ representation internationally for riders, horses, officials and event organisers. Providing a venue that is comparable to international venues allows the opportunity to demonstrate we can compete to an international level.”

Representative, Equestrian Sports New Zealand Inc



Course redevelopment

\$20,000



Rescue boat

\$20,000

Surf Life Saving Northern Region Incorporated

\$20,000 for a new inflatable rescue boat (IRB).

“We have now purchased an inflatable rescue boat and engine required for the delivery of our Sport Programme. Sport Event Water Safety plans are critical in ensuring our sport events can be safely delivered. Our most experienced lifeguards are engaged to operate IRBs at our events in order to allow our participants to hone their skills in the most challenging conditions. The IRB will ensure that our athletes can continue to participate in our sport events, knowing that we have on water lifeguards taking care of the safety plan requirements.”

Representative, Surf Life Saving Northern Region

Thames Tennis Club

\$15,000 for court lighting upgrades.

“The new lights have already proved to make a massive difference to night time play and are being enjoyed by all our members, from our juniors right through to our seniors. Going forward the club should also see annual savings made in electricity costs and in repairs and maintenance of the new lights. On behalf of the Thames Tennis Club and all our members and their families, please accept our sincere appreciation for the funding which enabled us to replace the court lights.”

Natasha Donnelly, Thames Tennis Club Committee Member



Court lighting upgrade

\$15,000



Thames Tennis Club



Halswell United Association Football Club

Halswell United Association Football Club

Halswell United Association Football Club received almost \$2,500 funding from TAB NZ for a defibrillator.

“The support provided by TAB NZ through grants for equipment and infrastructure has been invaluable in helping our football club to provide high-quality facilities and resources for our members. After successfully funding the defibrillator, we were able to turn our attention to promoting healthy lifestyles and social connections.”

General Manager, Halswell United AFC



Defibrillator
\$2,500

Ridge Riders Paddle Club

\$17,500 to purchase a new six-man waka and paddles.

“The goals and objectives that will be achieved when the waka is delivered are that the club paddlers will be able to train through winter and learn to paddle on either side. The club will also be able to attract new paddlers both for waka and dragon boating. It will also enable the club to be more competitive at dragon boating as paddlers will be fitter and healthier.”

Chris Sheppard, Ridge Riders Paddle Club, Treasurer



Waka and paddles
\$17,500

United North Piha Lifeguard Service

\$20,000 for a new inflatable rescue boat (IRB) and trailer.

“We now have a fresh set up for our IRB teams to practise on, in time for upcoming competition as well as for the start of the surf lifesaving season. This will give us more engaged and experienced lifeguards as well as a great outlet for our young competitive teams to commit to regular training and personal development. We are so grateful!”

Representative, United North Piha Lifeguard Service



Rescue boat
\$20,000

Financial Statements

For the year ended 31 July 2023

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Independent auditor's report



Independent Auditor's Report

To the readers of TAB New Zealand's financial statements for the year ended 31 July 2023.

The Auditor-General is the auditor of TAB New Zealand (TAB NZ). The Auditor-General has appointed me, Sarah Turner, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements of TAB NZ and the entity it controlled during the year (the Group) on his behalf.

Opinion

We have audited the financial statements of the Group on page 20 and pages 24 to 63, that comprise the statement of financial position as at 31 July 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the Group on page 20 and pages 24 to 63:

- present fairly, in all material respects:
 - its financial position as at 31 July 2023; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Our audit was completed on 25 March 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board Members and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board Members for the financial statements

The Board Members are responsible on behalf of TAB NZ for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board Members are responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board Members are responsible on behalf of TAB NZ for assessing the Group's ability to continue as a going concern. The Board Members are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board Members's responsibilities arise from the Racing Industry Act 2020.



Responsibilities of the auditor 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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the Group's Statement of Intent 2022 - 2023.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board Members and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.



Other Information

The Board Members are responsible for the other information. The other information comprises the information included on pages 4 to 19 and page 64, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we 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 our work, 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.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have carried out engagements in the areas of review of interim financial statements and agreed upon procedures, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in TAB NZ. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group.

A handwritten signature in black ink that reads 'Sarah Turner'.

Sarah Turner
On behalf of the Auditor-General
Wellington, New Zealand

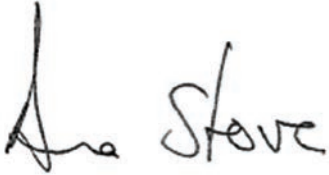
A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

TAB New Zealand Financial Statements

For the year ended 31 July 2023

The Board members of TAB New Zealand have authorised the following financial statements and related notes for issue on 18 March 2024.



Anna Stove

Interim Chair of TAB New Zealand



Bill Birnie

Chair of the Audit and Risk Committee of TAB New Zealand

Statement of profit or loss and other comprehensive income

For the year ended 31 July 2023

	Note	2023 \$000	2022 Re-presented* \$000
CONTINUING OPERATIONS			
REVENUE			
Net gaming revenue	5	27,302	22,293
Revenue from strategic partnership	5	25,927	-
Other revenue and income	5b	7,004	1,366
TOTAL REVENUE		60,233	23,659
TURNOVER RELATED EXPENSES			
	6	1,040	382
OPERATING EXPENSES			
Communication and technology expenses		70	94
Premises and equipment expenses		5,299	4,667
Staff expenses		551	293
Depreciation and amortisation	14, 15	1,093	902
Other operating expenses	7b	7,232	1,576
TOTAL OPERATING EXPENSES	7	14,245	7,532
TOTAL EXPENSES		15,285	7,914
PROFIT FROM CONTINUING OPERATIONS		44,948	15,745
DISCONTINUED OPERATION			
Net profit from discontinued operation	3a	136,323	139,034
NET PROFIT BEFORE DISTRIBUTIONS		181,271	154,779
Distributions	8	141,088	152,671
Provision for undistributed gaming surplus	18	3,063	1,887
NET PROFIT AFTER DISTRIBUTIONS ATTRIBUTABLE TO OWNERS		37,120	221
OTHER COMPREHENSIVE INCOME			
Movement in fair value of cash flow hedges**		970	(828)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		38,090	(607)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Reserves		38,090	(610)
Non-controlling interests in RIU		-	3
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		38,090	(607)

* Comparative information has been re-presented due to a discontinued operation (See note 3).

** Items of other comprehensive income may be reclassified to profit or loss

TAB New Zealand Financial Statements

Continued

Statement of changes in equity

For the year ended 31 July 2023

	Attributable to TAB NZ		Attributable to non-controlling interest in RIU	Total Equity
	Retained earnings	Hedging reserve		
	\$000	\$000		
BALANCE AS AT 1 AUGUST 2021	89,774	264	(3)	90,035
Net profit after distributions	218	-	3	221
Other comprehensive income	-	(828)	-	(828)
BALANCE AS AT 31 JULY 2022	89,992	(564)	-	89,428

	Attributable to TAB NZ		Attributable to non-controlling interest in RIU	Total Equity
	Retained earnings	Hedging reserve		
	\$000	\$000		
BALANCE AS AT 1 AUGUST 2022	89,992	(564)	-	89,428
Net profit after distributions	37,120	-	-	37,120
Other comprehensive income	-	970	-	970
BALANCE AS AT 31 JULY 2023	127,112	406	-	127,518

Statement of financial position

As at 31 July 2023

	Note	2023 \$000	2022 \$000
CURRENT ASSETS			
Cash and cash equivalents	9	201,614	44,586
Derivative assets	19, 20	466	-
Trade and other receivables	10	44,571	11,447
Other financial assets	16, 23	11,908	50,575
Other assets		91	3,753
TOTAL CURRENT ASSETS		258,650	110,361
NON-CURRENT ASSETS			
Property, plant and equipment	14	6,848	51,209
Intangible assets	15	47	54,077
Derivative assets	19, 20	15,297	-
Other financial assets	16, 23	10,581	3,391
Other assets		-	1,396
TOTAL NON-CURRENT ASSETS		32,773	110,073
TOTAL ASSETS		291,423	220,434
CURRENT LIABILITIES			
Trade and other payables	11	21,682	38,254
Customer betting account deposits and vouchers	12	-	27,876
Derivative liabilities	19, 20	-	643
Liabilities from contracts with customers	13	4,760	3,346
Provisions	18	5,353	4,285
Taxation payable	1	3,132	4,841
Lease liabilities	23	2,363	6,309
TOTAL CURRENT LIABILITIES		37,290	85,554
NON-CURRENT LIABILITIES			
Lease liabilities	23	13,168	27,991
Other financial liabilities	17	-	17,016
Liabilities from contracts with customers	13	113,447	-
Provisions	18	-	445
TOTAL NON-CURRENT LIABILITIES		126,615	45,452
TOTAL LIABILITIES		163,905	131,006
TOTAL EQUITY		127,518	89,428
TOTAL LIABILITIES AND EQUITY		291,423	220,434

TAB New Zealand Financial Statements

Continued

Statement of cash flows

For the year ended 31 July 2023

	Note	2023 \$000	2022 Re-presented* \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
INFLOWS			
Cash received from gaming		475,081	390,485
Cash received from strategic partnership		129,606	-
GST received		1,991	410
Discontinued operation		63,133	159,438
TOTAL INFLOWS FROM OPERATING ACTIVITIES		669,811	550,333
OUTFLOWS			
Other revenue		(3,971)	(193)
Gaming dividends paid		(433,639)	(357,310)
Gaming duty paid		(7,960)	(8,585)
Taxes and levies		(5,822)	(5,241)
Payments to national sporting organisations		(500)	-
Payments for employee benefits		(551)	(293)
Payments to suppliers		(10,250)	(774)
TOTAL OUTFLOWS FROM OPERATING ACTIVITIES		(462,693)	(372,396)
NET CASH PROVIDED BY OPERATING ACTIVITIES		207,118	177,937
CASH FLOWS FROM INVESTING ACTIVITIES			
INFLOWS			
Interest received		5,709	1,366
Net investment in term deposits		10,000	-
Discontinued operation		78,122	-
TOTAL INFLOWS FROM INVESTING ACTIVITIES		93,831	1,366
OUTFLOWS			
Net investment in term deposits		-	(4,001)
Purchases of property, plant and equipment and intangible assets		(2,134)	(1,286)
Discontinued operation		-	(12,266)
TOTAL OUTFLOWS FROM INVESTING ACTIVITIES		(2,134)	(17,553)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		91,697	(16,187)
CASH FLOWS FROM FINANCING ACTIVITIES			
INFLOWS			
Discontinued operation		4,792	-
TOTAL INFLOWS FROM FINANCING ACTIVITIES		4,792	-
OUTFLOWS			
Repayment of leases and associated interest		(15)	-
Betting net profit distributions and payments to the racing industry		(128,966)	(132,341)
Gaming net profit distributions to the racing industry		(14,345)	(16,953)
Gaming net profit distribution to external bodies		(3,241)	(1,578)
Discontinued operation		-	(30,862)
TOTAL OUTFLOWS FROM FINANCING ACTIVITIES		(146,567)	(181,734)
NET CASH USED IN FINANCING ACTIVITIES		(141,775)	(181,734)

Statement of cash flows (continued)

For the year ended 31 July 2023

	Note	2023 \$000	2022 Re-presented* \$000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		157,040	(19,984)
Cash and cash equivalents as at the beginning of the period		44,586	62,963
Foreign exchange movement on cash and cash equivalents		(12)	1,607
CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD	9	201,614	44,586

*Comparative information has been re-presented due to a discontinued operation (See note 3).

		2023 \$000	2022 \$000
NET PROFIT AFTER DISTRIBUTIONS		37,120	221
NON-CASH ITEMS			
Call option		(15,297)	-
Depreciation and amortisation expense		18,822	22,912
Other non-cash items		(118)	(17)
TOTAL NON-CASH ITEMS		3,407	22,895
ITEMS CLASSIFIED AS INVESTING/FINANCING ACTIVITIES & CASH AND CASH EQUIVALENTS			
Net gain on sale of property, plant and equipment		-	7
Net interest paid/(received)		(4,402)	1,233
Distributions paid		144,151	152,671
Foreign exchange movement on cash and cash equivalents		12	-
TOTAL ITEMS CLASSIFIED AS INVESTING/FINANCING ACTIVITIES & CASH AND CASH EQUIVALENTS		139,761	153,911
MOVEMENT IN ASSETS			
Trade and other receivables		(32,942)	(1,679)
Other assets		5,059	170
TOTAL MOVEMENT IN ASSETS		(27,883)	(1,509)
MOVEMENT IN LIABILITIES			
Trade and other payables		(12,994)	(504)
Customer betting account deposits and vouchers		(27,876)	4,217
Liabilities from contracts with customers		114,861	(754)
Taxation payable		(1,709)	(584)
Provisions		(553)	44
Other financial liabilities		(17,016)	-
TOTAL MOVEMENT IN LIABILITIES		54,713	2,419
NET CASH PROVIDED BY OPERATING ACTIVITIES		207,118	177,937

Notes to the Financial Statements

The purpose of these financial statements is to report on the financial performance for the year ended 31 July 2023.

Additionally, these financial statements report on transactions and events that are significant in gaining an understanding of the changes in financial position, performance and cash flows of TAB New Zealand (TAB NZ) since its inception on 1 August 2020. 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 TAB NZ.

Who is TAB NZ and what is the basis of financial statement preparation?

1. Basis of preparation

Reporting entity and statutory basis

TAB NZ is a statutory body domiciled in New Zealand and established by the Racing Industry Act 2020 which took effect on 1 August 2020. The Act sets forth TAB NZ's principal objectives as follows:

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

In order to achieve those objectives, TAB NZ provides customers with betting products on racing and sports through its various channels including retail, digital (online and mobile) and on-course.

Statement of compliance

The Act requires that TAB NZ prepare financial statements that comply with generally accepted accounting practice (GAAP) in New Zealand (as defined under the Financial Reporting Act 2013). The financial statements presented are for TAB NZ and its subsidiary, the Betting Accounts and Betting Vouchers Trust (the Trust) until 31 May 2023. Commencing 1 June 2023, the wagering and broadcasting business of TAB NZ including the Betting Accounts and Betting Vouchers Trust were assumed by Entain New Zealand Limited (Entain NZ). Consequently, the performance for the year ending 31 July 2023 reflects this event (See note 2).

These financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (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 TAB NZ.

Basis of measurement

These financial statements have been prepared on the historical cost basis, except for derivative financial instruments which are measured at fair value.

Determination of fair values

Fair values have been determined for measurement purposes based on the methods outlined in the notes to that specific asset or liability.

These financial statements are presented in New Zealand dollars (\$) which is TAB NZ's functional currency.

New standards, interpretations and amendments issued

The financial statements have been completed on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period on 1 August 2022.

Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of TAB NZ's annual consolidated financial statements for the year ended 31 July 2022. TAB NZ has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Going Concern

These financial statements are prepared on a going concern basis.

Critical accounting estimates and assumptions

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.

The principal areas of judgement in preparing these financial statements are set out below. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following note:

- Note 2 Strategic partnering arrangement, on the recognition and financial impacts of the strategic partnering arrangement

Taxes, duties and levies

TAB NZ 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 have been paid by TAB NZ:

- Gaming machine duty of 20 cents in the dollar on Gross Gaming Revenue
- Problem Gambling levy of 0.76 cents in the dollar on Gross Betting Revenue; and 1.08 cents in the dollar on Gross Gaming Revenue
- 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

Subsidiaries

The financial statements incorporate the assets and liabilities of all entities controlled by TAB NZ as at 31 July 2023 and the results of the operations of such entities for the year. TAB NZ and such entities are together referred to in these financial statements as TAB NZ.

TAB NZ controls an entity when TAB NZ 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 TAB NZ. Subsidiaries are deconsolidated from the date that control ceases. Balances between controlled entities, including inter-entity transactions, are eliminated.

Notes to the Financial Statements

Continued

TAB NZ 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 TAB NZ; 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

	Principal place of business	Reporting date	Interest 2023 %	Interest 2022 %
Betting Accounts and Betting Vouchers Trust	New Zealand	31 July	Nil	100

Consolidation of Betting Accounts and Betting Vouchers Trust

The Betting Accounts and Betting Vouchers Trust (the Trust) was established in 2004 to set aside funds for the purpose of covering amounts owed to customers on TAB NZ betting accounts and un-presented vouchers. As at 31 May 2023 TAB NZ was removed as Trustee and Entain NZ was established as Trustee of the Trust. The deposits and cash balance held in Trust were not available for use by TAB NZ in the ordinary course of business, up to the value of the betting account deposits and vouchers liability. TAB NZ controlled the Trust during the period they were trustee and therefore consolidated its results during that time within these financial statements. The carrying amounts of the assets and liabilities in the financial statements reflect the loss of control by TAB NZ as a result of the delegation of the wagering and broadcasting business to Entain NZ (See note 2).

2. Strategic partnering arrangement

To drive better outcomes against TAB NZ's statutory objectives, TAB NZ sought the Minister for Racing's approval of a 25-year strategic partnering arrangement with Entain NZ. Following the Minister's approval under section 54(4) of the Racing Industry Act 2020, the partnering agreement commenced on 1 June 2023 in accordance with the Act.

The agreement has resulted in Entain New Zealand Limited (a subsidiary of Entain Group Pty Ltd) being delegated certain functions and powers of TAB NZ (including the right to conduct sport and racing betting) under the Racing Industry Act. Additionally, TAB NZ grants Entain NZ an exclusive licence to access the TAB NZ brand to carry out these functions. As a result of the partnering arrangement, Entain NZ acquired the assets and liabilities of the wagering and broadcasting business.

TAB NZ continues to perform its retained functions, including the operation of class 4 gaming which continue to provide funding to racing and sports.

Further, as part of the partnering arrangement 441 staff transitioned to Entain NZ for the delivery of digital betting products, the largest outside broadcasting operation in New Zealand (which provides vision for TAB Trackside 1 and 2, and for the export of New Zealand racing vision), and betting at around 400 venues nationwide.

The partnership delivers a key recommendation from the Messara Report (2018) that was provided to the New Zealand Government as a critical pathway to ensure the long-term viability of the racing industry.

The key impacts resulting from the strategic partnering arrangement are set out below. The table also identifies the key significant judgements and critical accounting estimates made by management in recognising these impacts, and the additional notes where the key impacts are set out in more detail.

KEY IMPACTS	KEY SIGNIFICANT JUDGEMENTS	NOTE
Control of Entain New Zealand Limited (Entain NZ)	TAB NZ does not control Entain NZ or have joint control. This is a significant judgement as the partnering arrangement sets boundaries within which Entain NZ must operate and TAB NZ has a call option to reacquire the Entain NZ business either at termination of the 25-year partnership agreement or on the occurrence of any of the early termination provisions outlined in the strategic partnership agreement. The boundaries of operations are not unreasonable given the legislative and industry requirements that such a business operates within. Substantive rights included in the agreement are either limited or are constructed so that TAB NZ can fulfil its legislative obligations. Therefore, it is considered that these rights do not result in power to direct the relevant activities of Entain New Zealand Limited residing with TAB NZ and that TAB NZ cannot influence the operating and financing activities of Entain New Zealand Limited. Further TAB NZ do not hold shares in Entain NZ, nor do they have the right to appoint the Directors or direct decision making of Entain NZ.	
Control of The Betting Accounts and Betting Vouchers Trust (the Trust)	As at 31 May 2023, Entain NZ was established as Sole Trustee of the Trust and obtained control of the Trust as a result of the delegation of the wagering and broadcasting business to Entain NZ. This is a significant judgement because the agreements between TAB NZ and Entain NZ restrict the powers of Entain NZ (as a Trustee) and TAB NZ continues to receive all income from the Trust. However, the restrictions do not restrict Entain NZ from directing the relevant activities of the Trust and the purpose of the Trust is not to generate investment income but to set aside sufficient funds to protect the interest/have sufficient funds to cover the credit balance held by the Beneficiaries (holders of betting account and Betting Vouchers) and manage these funds. This is an essential activity that supports the Sports and Racing betting operations. While Entain NZ is not entitled to any returns from the Trust, Entain NZ's role in managing the Trust creates benefit for Entain NZ in the form of profit generated by the Betting Operations.	1
Continuing designation of TAB NZ as a for-profit entity	This strategic partnering arrangement marks a significant shift in operations for the TAB NZ business. However, the strategic partnering arrangement does not change the objectives of TAB NZ, the beneficiaries of its operations, or its founding statute. Consequently, there is no change in TAB NZ's designation as a for-profit entity.	1
Transfer of assets and assumed liabilities in relation to wagering and broadcasting business; a. De-recognition of assets and liabilities b. Gain on sale	The allocation of the funds received under the strategic partnering agreement between those relating to consideration for the transfer of the wagering and broadcasting business and those that are ongoing revenue streams accounted for under IFRS 15 as consideration for the right to perform delegated functions (including sports and racing betting) and having an exclusive licence to access the TAB NZ brand to carry out these functions.	3
Discontinued operation	Classification of revenue and expenses as a discontinued operation.	3
Revenue share	<i>Monthly minimum guarantee revenue share</i> – Recognition of the revenue share payments as revenue arising from contracts with customers under NZ IFRS 15. <i>First revenue share payment of \$94 million</i> – Recognition over the period of the contact of 25 years as revenue arising from contracts with customers under NZ IFRS 15. <i>Second revenue share payment</i> – The second revenue share payment of \$100 million is contingent consideration as it is subject to legislative geo-blocking being implemented in New Zealand. The second revenue share payment will be recognised over the period of the strategic partnership agreement from the point legislation changes to the end of the agreement. At 31 July 2023 this variable consideration is constrained and will not be recognised until the uncertainty is resolved.	5

Continued overleaf

Notes to the Financial Statements

Continued

KEY IMPACTS	KEY SIGNIFICANT JUDGEMENTS	NOTE
The Betting Accounts and Betting Vouchers Trust revenue	Recognition of The Betting Accounts and Betting Vouchers Trust revenue under NZ IFRS 15 with TAB NZ's performance obligation being the delegation of certain functions (including sports and racing betting) and providing an exclusive licence to access the TAB NZ brand to carry out these functions.	5b
Co-investment payment	TAB NZ received a co-investment payment of \$25 million. This payment has been initially recognised as a liability. The co-investment payment is subsequently released from 1 June 2023 to revenue under NZ IFRS 15 over the period of the agreement of 25 years.	5, 13
Marketing rebate	TAB NZ has agreed to pay a marketing rebate of \$25 million at the end of three years if Entain NZ spends \$50 million on marketing in this period. There is no separate good/service relating to the marketing rebate. This rebate is recognised as a deduction to revenue as it is considered consideration payable to a customer. It will be recognised over the period of the agreement of 25 years.	
New opportunities payment	The strategic partnering agreement provides for a new opportunities payment of up to \$90m. The new opportunities payment represents certain legislative opportunities relating to the wagering and broadcasting business that Entain NZ wishes to pursue which were not yet enacted at the commencement of the strategic partnering agreement. As at 31 July 2023, no opportunities have been identified by TAB NZ and Entain NZ. As such, the new opportunities payment will be recognised on agreement of the opportunity by TAB NZ and Entain NZ and over the period remaining in the strategic partnering agreement. At 31 July 2023 this variable consideration is constrained and will not be recognised until the uncertainty is resolved.	
Racing carnival payment	The strategic partnering agreement provided for a racing carnival payment of \$10 million. A racing carnival represents the first series of racing promotions organised jointly between Entain NZ and TAB NZ. As at 31 July 2023, no racing promotion has been organised jointly by TAB NZ and Entain NZ. As such, the racing carnival payment will be recognised once the racing promotions have been publicly announced and over the period remaining in the strategic partnering agreement. As at 31 July 2023 this variable consideration is constrained and will not be recognised until the uncertainty is resolved.	
Fair value of call option	Estimation of the fair value of the call option to reacquire the Entain NZ business either at termination of the 25-year partnership agreement or on the occurrence of any of the early termination provisions outlined in the strategic partnership agreement.	19, 20

3. Discontinued operations

A discontinued operation is a component of the TAB NZ's business, the operations and cash flows of which can be clearly distinguished from the rest of TAB NZ and which;

- Represents a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operation; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as discontinued operation, the comparative statement of profit or loss and other comprehensive revenue and expense is re-presented as if the operation had been discontinued from the start of the comparative year.

Effective 1 June 2023, TAB NZ commenced a 25-year strategic partnering arrangement with Entain NZ. As a result of the partnership Entain NZ acquired the assets and liabilities of the wagering and broadcasting business.

The wagering and broadcasting business was not previously classified as held for sale or as a discontinued operation. The comparative statement of profit or loss and other comprehensive income has been represented to show the discontinued operation separately from the continuing operation.

The financial performance and cash flow information presented are for the ten months ended 31 May 2023 and the year ended 31 July 2022.

3a. Results of discontinued operation

	2023 \$000	2022 \$000
Revenue	273,733	329,870
Expenses	(174,118)	(190,836)
PROFIT FROM DISCONTINUED OPERATION	99,615	139,034
Consideration received or receivable	74,383	-
Carrying amount of net assets sold	(20,825)	-
Directly attributable costs to discontinued operation	(16,850)	-
GAIN ON SALE	36,708	-
NET PROFIT FROM DISCONTINUED OPERATION BEFORE DISTRIBUTION	136,323	139,034

The profit from the discontinued operation of \$136 million (2022: \$139 million) is attributable entirely to TAB NZ.

The loss from continuing operations of \$99 million (2022: loss of 139 million) is attributable entirely to TAB NZ.

Notes to the Financial Statements

Continued

3b. Effect of disposal on the financial position of TAB NZ

	1 JUNE 2023 \$000
Cash	(121)
Receivables	(9,249)
Financial assets	(32,490)
Derivative assets	(685)
Property, plant & equipment	(38,908)
Intangibles	(48,843)
Other assets	(6,615)
TOTAL ASSETS	(136,911)
Payables	38,495
Tax payables	4,062
Customer betting account balances	25,496
Liabilities from contracts with customers	3,215
Leases	26,377
Other financial liabilities	18,441
TOTAL LIABILITIES	116,086
NET ASSETS	(20,825)
Consideration received, satisfied in cash	56,000
NET CASH INFLOWS	56,000

How were the results of TAB NZ reported internally?

TAB NZ 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 TAB NZ. This segment includes all other TAB NZ 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.

TAB NZ's Chief Executive Officer has been identified as TAB NZ's chief decision maker for the purpose of applying segment reporting. The segment results disclosed are based on those segments reported to the chief decision maker and used by TAB NZ to analyse its business.

The following is an analysis of TAB NZ's profit by reportable segments. From 1 June 2023 the Betting operating segment changed its operations to delegate the core wagering and broadcasting activity to Entain NZ. The table below reflects the structure of the continuing operations and discontinued operation of TAB NZ.

4. Operating segments

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

31 JULY 2023	Betting \$000	Gaming \$000	RIU \$000	Total \$000
PROFIT FROM CONTINUING OPERATIONS BEFORE DISTRIBUTIONS	26,002	18,946	-	44,948
Plus net profit from discontinued operation before distributions	136,323	-	-	136,323
Less distributions	(125,205)	(15,883)	-	(141,088)
Less provision for undistributed gaming net profit	-	(3,063)	-	(3,063)
NET PROFIT AFTER DISTRIBUTIONS	37,120	-	-	37,120
OTHER KEY SEGMENT INFORMATION				
Total turnover	2,194,826	475,081	-	2,669,907
Depreciation and amortisation	(17,820)	(1,002)	-	(18,822)
Additions to non-current assets	6,798	1,443	-	8,241
Total assets	281,291	10,132	-	291,423
Total liabilities	(153,773)	(10,132)	-	(163,905)

Notes to the Financial Statements

Continued

31 JULY 2022	Betting \$000	Gaming \$000	RIU \$000	Total \$000
PROFIT FROM CONTINUING OPERATIONS BEFORE DISTRIBUTIONS	-	14,352	27	14,379
Plus net profit from discontinued operation before distributions	140,400	-	-	140,400
Less distributions	(140,206)	(12,465)	-	(152,671)
Less provision for undistributed gaming net profit	-	(1,887)	-	(1,887)
NET PROFIT AFTER DISTRIBUTIONS	194	-	27	221

OTHER KEY SEGMENT INFORMATION

Total turnover	2,537,621	390,485	-	2,928,106
Depreciation and amortisation	(22,010)	(902)	-	(22,912)
Additions to non-current assets	8,510	1,134	-	9,644
Total assets	215,106	5,328	-	220,434
Total liabilities	(126,260)	(4,746)	-	(131,006)

How did TAB NZ perform in creating value for its customers?

5. Revenue and other income

TAB NZ's total revenue and other income shown in the statement of profit or loss and other comprehensive income arise from contracts with customers covered under NZ IFRS 15. These are summarised in the following table:

	Note	CONTINUING OPERATIONS		DISCONTINUED OPERATION		TOTAL	
		2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000
REVENUE FROM CONTRACTS WITH CUSTOMERS							
Net betting revenue		-	-	259,134	312,585	259,134	312,585
Net gaming revenue		27,302	22,293	-	-	27,302	22,293
NZ racing shown overseas revenue		-	-	13,478	14,597	13,478	14,597
REVENUE FROM STRATEGIC PARTNERSHIP							
Monthly revenue share		25,133	-	-	-	25,133	-
First revenue share		627	-	-	-	627	-
Co-investment payment		167	-	-	-	167	-
		25,927	-	-	-	25,927	-
Other revenue	5b	1,108	-	789	2,499	1,897	2,499
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS		54,337	22,293	273,401	329,681	327,738	351,974
Other income	5b	5,896	1,366	37,040	189	42,936	1,555
TOTAL REVENUE		60,233	23,659	310,441	329,870	370,674	353,529

5a. Revenue from contracts with customers

Net betting revenue and net gaming revenue represent the net win or loss to TAB NZ. Net betting and gaming revenue consists of turnover less dividends paid or payable (see policy section below), 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 net gaming revenue, consistent with GST. Net betting revenue ceased from 31 May 2023 (See note 2).

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. Income earned on racing shown overseas revenue ceased from 31 May 2023 (See note 2).

Revenue from strategic partnership

As a result of the Entain NZ acquiring TAB NZ's wagering and broadcasting business certain functions and powers of TAB NZ under the Racing Industry Act have been delegated to Entain NZ. This includes the power to conduct sports and racing betting. Additionally, TAB NZ grants Entain NZ an exclusive licence to access the TAB NZ brand to carry out these functions. The revenue from the strategic partnership is consideration for TAB NZ satisfying its performance obligation of enabling Entain NZ to perform the delegated functions (including sports and racing betting) and providing an exclusive licence to access the TAB NZ brand for Entain NZ to carry out these functions. This is considered to be a right to access and revenue is recognised over time. Below we have described the different types of consideration associated with this performance obligation.

Monthly minimum guarantee revenue share

Commencing 1 June 2023 revenue share payments reflect betting revenue received from Entain NZ in accordance with a 50% revenue share model. Until the financial year ending 31 July 2028, a minimum revenue share payment is guaranteed

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for each financial year (subject to the terms and conditions of the Strategic Partnering Agreement). Betting revenue is recognised under the Agreement monthly up to the minimum guaranteed level of income. Should the revenue share exceed the minimum guaranteed level of income, additional betting revenue is only recognised when there is certainty that the minimum level has been exceeded. The determination of additional betting income over and above the minimum guaranteed level is only able to be assessed and recognised at the end of the financial year. Revenue is measured at the fair value of the consideration given and is recognised when TAB NZ has satisfied its performance obligation.

First revenue share

TAB NZ received a first revenue share payment of \$94 million which represents the initial payment required for the purpose of Entain NZ being able to perform the delegated functions (including sports and racing betting) and having an exclusive licence to access the TAB NZ brand for Entain NZ to carry out these functions. Revenue is recognised over the period of the agreement, for a period of 25 years.

Co-investment payment

TAB NZ received a co-investment payment of \$25 million on the commencement of the strategic partnership agreement. Revenue is recognised over the period of the agreement, for a period of 25 years.

Other revenue arising from contracts with customers represents fees charged for services rendered by TAB NZ to its counterparties and recognised at the time the corresponding service is rendered; a breakdown of these is shown in the note 5b, other revenue and income.

Turnover & dividends

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. TAB NZ 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. Betting turnover ceased from 31 May 2023 (See note 2).

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. Dividends payable on betting operations ceased from 31 May 2023 (See note 2).

	CONTINUING OPERATIONS		DISCONTINUED OPERATION		TOTAL	
	2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000
Betting turnover – racing	-	-	1,484,893	1,757,240	1,484,893	1,757,240
Betting turnover – sports	-	-	709,933	780,381	709,933	780,381
TOTAL BETTING TURNOVER	-	-	2,194,826	2,537,621	2,194,826	2,537,621
Gaming turnover	475,081	390,485	-	-	475,081	390,485
TOTAL BETTING AND GAMING TURNOVER	475,081	390,485	2,194,826	2,537,621	2,669,907	2,928,106

5b. Other revenue and income

TAB NZ's other revenue and income comprises the following:

Other revenue arising from contracts with customers (see note 5a)

- *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. From November 2021, TAB NZ ceased charging customer merchant fees.
- *Revenue from Broadcasting* within New Zealand is advertising income earned on TAB NZ'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. Revenue from Broadcasting ceased from 31 May 2023 (See note 2).
- *The Betting Accounts and Betting Vouchers Trust revenue* – From 1 June 2023 Trust revenue income is cash held by the Betting Accounts and Betting Vouchers Trust (the Trust) that has been paid from Entain NZ to TAB NZ. As at 31 May 2023, TAB NZ was removed as Trustee and Entain NZ was established as Trustee of the Trust (See note 1). As such, TAB NZ no longer has control of the Trust, however the interest earned in the Trust is payable under the terms of the Strategic Partnering Agreement. On this basis Trust revenue is accounted for under NZ IFRS 15 with TAB NZ's performance obligation being the delegation of certain functions (including sports and racing betting) and providing an exclusive licence to access the TAB NZ brand to carry out these functions.

Other income

This represents other income items other than those arising from contract with customers in exchange for goods or services covered under NZ IFRS 15, Revenue; this includes interest income, gain on asset disposals and rental income which are each reported under relevant accounting standards to which they relate.

* Until 31 May 2023 *Trust interest income* is interest earned from cash held by the Betting Accounts and Betting Vouchers Trust (the Trust) using the effective interest method.

	Note	CONTINUING OPERATIONS		DISCONTINUED OPERATION		TOTAL	
		2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000
Merchant fee revenue		-	-	-	1,478	-	1,478
Revenue from broadcasting within New Zealand		-	-	282	351	282	351
The Betting Accounts and Betting Vouchers Trust revenue		1,108	-	-	-	1,108	-
Other revenue		-	-	507	670	507	670
TOTAL OTHER REVENUE FROM CONTRACTS WITH CUSTOMERS		1,108	-	789	2,499	1,897	2,499
Gain on sale of discontinued operation	3a	-	-	36,708	-	36,708	-
Other income		5,896	1,366	332	189	6,229	1,555
TOTAL OTHER INCOME		5,896	1,366	37,040	189	42,936	1,555
TOTAL OTHER REVENUE AND INCOME		7,004	1,366	37,829	2,688	44,834	4,054

Notes to the Financial Statements

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What costs were incurred in providing services to customers?

This section highlights the different costs incurred by TAB NZ to generate gaming turnover and as well as the costs required to carry out its operations.

6. Turnover related expenses

These relate to costs that are directly attributable to the betting and gaming turnover, as well as other revenue items realised during the period.

	2023 \$000	2022 \$000
Advertising and promotions	669	-
Other turnover related expenses	371	382
TOTAL TURNOVER RELATED EXPENSES	1,040	382

7. Operating expenses

7a. Staff expenses

Compensation of key management personnel for the year to 31 July 2023 are as below.

	2023 \$000	2022 \$000
Salaries and other short-term employee benefits	5,777	2,493
Termination payments	1,490	-
TOTAL CHIEF EXECUTIVE AND LEADERSHIP TEAM REMUNERATION	7,267	2,493
Board members' fees	259	282
TOTAL COMPENSTATION OF KEY MANAGEMENT PERSONNEL	7,526	2,775

The increase in the executive leadership team's remuneration relates to retention and completion payments made to the executive leadership team in relation to achieving the strategic partnering arrangement. Further, the increase relates to termination payments made to the executive leadership team following the completion of the Entain NZ transaction. These roles were terminated as at 31 May 2023 unlike other executive leadership team members who accepted employment at Entain NZ.

As at 31 July 2023, the TAB NZ leadership team comprised one member (2022: six members).

7b. Other operating expenses

	2023 \$000	2022 \$000
Auditors remuneration		
– Audit and review services	499	334
– Anti-money laundering and counter financing of terrorism compliance assurance services	-	5
– Non-audit non-assurance services (C4 agreed upon procedures)	10	9
Board members	259	282
Consultancy	4	-
Interest	87	-
Legal	3	1
Travel and accommodation	45	5
Other operating expenses*	6,325	940
TOTAL OTHER OPERATING EXPENSES	7,232	1,576

* Other operating expenses have increased compared to the previous year as a result of additional funding provided to the National Sporting Organisations of \$5 million (2022: nil). See note 22.

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How TAB NZ supported the racing and sporting communities

TAB NZ distributes its net profit to the racing community and distributes gaming grants to sporting community organisations. This section shows how the betting and gaming net profit of TAB NZ was distributed to these stakeholders.

8. Distributions and other payments

8a. Distributions from betting and gaming

31 JULY 2023	Betting \$000	Gaming \$000	Undistributed gaming net profit from 31 July 2022 \$000	Total \$000
DISTRIBUTIONS TO RACING COMMUNITY				
Code funding	125,205	-	-	125,205
Racing Integrity Board	-	11,801	1,887	13,688
Other application of funds from gaming operations				
– Other racing authorised	-	543	-	543
TOTAL DISTRIBUTIONS TO THE RACING COMMUNITY	125,205	12,344	1,887	139,436
DISTRIBUTIONS (GRANTS) TO SPORTING COMMUNITY ORGANISATIONS				
Sports authorised purposes (paid and payable)	-	3,539	-	3,539
TOTAL DISTRIBUTIONS (GRANTS) TO SPORTING COMMUNITY ORGANISATIONS	-	3,539	-	3,539
Reversal of prior period provision for undistributed net profit	-	-	(1,887)	(1,887)
TOTAL DISTRIBUTIONS	125,205	15,883	-	141,088
31 JULY 2022	Betting \$000	Gaming \$000	Undistributed gaming net profit from 31 July 2021 \$000	Total \$000
DISTRIBUTIONS TO RACING COMMUNITY				
Code funding	140,206	-	-	140,206
Racing Integrity Board	-	10,670	3,652	14,322
Other application of funds from gaming operations				
– Stakes enhancement	-	4	2,412	2,416
– Other racing authorised	-	213	-	213
TOTAL DISTRIBUTIONS TO THE RACING COMMUNITY	140,206	10,887	6,064	157,157
DISTRIBUTIONS (GRANTS) TO SPORTING COMMUNITY ORGANISATIONS				
Sports authorised purposes (paid and payable)	-	1,578	-	1,578
TOTAL DISTRIBUTIONS (GRANTS) TO SPORTING COMMUNITY ORGANISATIONS	-	1,578	-	1,578
Reversal of prior year provision for undistributed net profit	-	-	(3,652)	(3,652)
Reversal of prior year accumulated gaming net profit	-	-	(2,412)	(2,412)
TOTAL DISTRIBUTIONS	140,206	12,465	-	152,671

8b. Betting duty savings transferred and transferable

In addition to the above distributions, duty savings were transferred and transferable during the year as follows.

	2023 \$000	2022 \$000
Racing Community	11,754	12,855
Sporting Community*	2,757	4,384
TOTAL BETTING DUTY SAVINGS TRANSFERRED AND TRANSFERRABLE	14,511	17,239

* This line is in addition to the payments made to the National Sporting Organisations during the year. There was \$11.3 million (2022: \$12.6 million) paid to National Sporting Organisations based on a combination of a percentage of turnover and betting margin earned on betting on the specific sport. As a result of Ministerial approval for the Strategic Partnering Arrangement with Entain NZ, there has been guaranteed additional funding by TAB NZ provided to the National Sporting Organisations of \$5 million in relation to the 2023 financial year (2022: nil) (See note 7b).

8c. Business Information Use Charges transferred and transferable

In addition to the above distributions, Betting Information Use Charges of \$23.4 million (2022: \$22.8 million) were transferred and transferable to the racing community during the year.

As the legislation and relevant regulations provide for the betting duty savings and betting information use charges to be directly paid out by the TAB NZ to specified external entities, TAB NZ is considered an agent for the underlying transactions and have, therefore, presented the amounts received and paid net in the statement of profit and loss; any funds retained and subsequently transferred out are reflected in the statement of financial position.

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Operating assets and liabilities

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

9. 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.

	2023 \$000	2022 \$000
Cash in bank and on hand	201,614	40,583
Betting Accounts and Vouchers Trusts	-	4,003
TOTAL CASH AND CASH EQUIVALENTS	201,614	44,586

The Betting Accounts and Betting Vouchers Trust was acquired by Entain NZ as part of the strategic partnering arrangement (See note 1 and 2).

10. 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 calculated under the expected credit loss (ECL) model (See note 20).

Included within trade and other receivables in 2022 are the amounts owed to TAB NZ from non-TAB NZ owned retail outlets. The retail outlets are required to settle on a weekly basis. TAB NZ's practice is to require either bank guarantees or cash bonds from non-TAB NZ 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.

	2023 \$000	2022 \$000
Trade and other receivables	44,571	11,451
Provision for impairment loss	-	(4)
TOTAL TRADE AND OTHER RECEIVABLES	44,571	11,447

11. Trade and other payables

Trade and other payables are recognised when TAB NZ becomes obliged to make future payments resulting from the purchase of goods and services and are accounted for as a liability at amortised cost (see note 20). 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.

	2023 \$000	2022 \$000
Accruals	9,592	5,915
Marketing rebate accrual	167	-
Government grants received in advance	-	32
Employee entitlements	64	3,718
Distributions and other payables	11,345	14,801
Trade payables	514	13,788
TOTAL TRADE AND OTHER PAYABLES	21,682	38,254

12. Customer betting account deposits and vouchers

The customer betting account deposits and vouchers balance represents the amount held in customers' 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 (See note 20).

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.

As at 31 July 2023, TAB NZ deemed nil betting vouchers and nil betting accounts (2022: During the year TAB NZ deemed \$0.3 million of betting vouchers and \$0.3 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 2023 was nil (2022: \$27.9 million) as this liability was assigned to Entain NZ as part of the strategic partnering arrangement (See note 2). Given the assignment of this liability under the strategic partnering arrangement, and as Entain NZ controls the Trust, the short term deposits and cash are no longer consolidated into TAB NZ's financial statements (2022: \$34.0 million held in the Trust).

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13. Liabilities from contracts with customers

Jackpot retentions are established in accordance with the Racing Rules pursuant to section 76 of the Racing Industry Act 2020. 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 code.

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. 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 a contract liability 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, contract liabilities are re-valued to their fair value at each reporting date. TAB NZ has determined that the value of the balance upon initial recognition approximates fair value as at 31 July 2023.

Co-investment payment represents the co-investment payment of \$25 million received from Entain NZ under the strategic partnership agreement. The co-investment payment has been initially recognised as a liability and is subsequently released from 1 June 2023 to revenue under NZ IFRS 15 over the period of the agreement of 25 years.

First revenue share represents the first revenue share payment of \$94 million received from Entain NZ having the right to perform the delegated functions (including sports and racing betting) and having an exclusive licence to access the TAB NZ brand for Entain NZ to carry out these functions. The first revenue share payment has been initially recognised as a liability and is subsequently released from 1 June 2023 to revenue under NZ IFRS 15 over the period of the agreement of 25 years.

	2023 \$000	2022 \$000
Jackpot retentions	-	864
Unclaimed dividends	-	1,155
Unresulted turnover	-	1,327
Co-investment payment	24,834	-
First revenue share	93,373	-
TOTAL LIABILITIES FROM CONTRACTS WITH CUSTOMERS	118,207	3,346
Disclosed as:		
Current	4,760	3,346
Non-current	113,447	-
TOTAL LIABILITIES FROM CONTRACTS WITH CUSTOMERS	118,207	3,346

The jackpot retentions, unclaimed dividends and unresulted turnover obligations were assumed by Entain NZ as part of the strategic partnering arrangement (See note 2).

14. 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 the statement of 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 (consists of laboratory equipment, furniture and office equipment)	5-10 years
Right of use assets are depreciated over their respective lease terms	Various

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. No impairment indicator was identified.

	Leasehold improvements	Computer hardware	Motor vehicles	Operations and trackside equipment	Gaming machines	Property leases	Other	Work in progress	Total property, plant and equipment
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
AS AT 1 AUGUST 2021									
At cost	38,578	48,384	8,229	51,399	10,835	45,257	2,972	561	206,215
Accumulated depreciation	(31,134)	(46,915)	(3,887)	(41,037)	(9,014)	(9,338)	(2,733)	-	(144,058)
CARRYING AMOUNT AT 1 AUGUST 2021	7,444	1,469	4,342	10,362	1,821	35,919	239	561	62,157
Additions	1,691	486	318	383	1,134	1,486	17	1,200	6,715
Disposals	(33)	-	(36)	-	-	(1,273)	(1)	-	(1,343)
Net transfers between asset classes	-	-	-	-	-	(1,787)	173	-	(1,614)
Transferred from work in progress	94	472	-	24	24	-	-	(614)	-
Depreciation for the year	(2,811)	(831)	(954)	(2,746)	(659)	(5,029)	(160)	-	(13,190)
Lease adjustments	-	-	-	-	-	(1,516)	-	-	(1,516)
CARRYING AMOUNT AT 31 JULY 2022	6,385	1,596	3,670	8,023	2,320	27,800	268	1,147	51,209
AS AT 1 AUGUST 2022									
At cost	38,644	46,285	8,292	29,923	11,888	43,393	3,038	1,147	182,610
Accumulated depreciation	(32,259)	(44,689)	(4,622)	(21,900)	(9,568)	(15,593)	(2,770)	-	(131,401)
CARRYING AMOUNT AT 1 AUGUST 2021	6,385	1,596	3,670	8,023	2,320	27,800	268	1,147	51,209
Additions	932	1,204	74	544	1,443	1,175	23	528	5,923
Disposals	(5,028)	(1,862)	(3,595)	(6,617)	-	(22,052)	(186)	(372)	(39,712)
Transferred from work in progress	113	308	672	201	9	-	-	(1,303)	-
Depreciation for the year	(1,986)	(680)	(821)	(2,151)	(789)	(4,042)	(102)	-	(10,571)
CARRYING AMOUNT AT 31 JULY 2023	416	566	-	-	2,983	2,881	3	-	6,848
At cost	2,038	1,727	-	-	12,444	6,004	63	-	22,276
Accumulated depreciation	(1,622)	(1,161)	-	-	(9,461)	(3,123)	(60)	-	(15,427)
CARRYING AMOUNT AT 31 JULY 2023	416	566	-	-	2,983	2,881	3	-	6,848

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At 31 July 2023 the contractual commitment for acquisition of property, plant and equipment for TAB NZ was nil (2022: nil). The NEP (formerly NZ Live) lease is nil as at 31 July 2023 (2022: \$0.8 million) was included in operations and trackside equipment. There are no restrictions on property, plant and equipment assets or any assets pledged as securities for liabilities. Property, plant and equipment relating to the wagering and broadcasting business were transferred to Entain NZ under the strategic partnering arrangement (See note 2).

15. Intangible assets

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

TAB NZ 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 statement of 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	3-10 years
Broadcasting licenses	14-20 years
Lease intangibles (term of lease)	5-10 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 statement of profit or loss. No impairment indicator was identified.

	Software \$000	Broadcasting licences \$000	Other intangible assets \$000	Work in progress \$000	Total intangible assets \$000
AS AT 1 AUGUST 2021					
At cost	125,192	1,761	644	2,688	130,285
Accumulated depreciation	(68,744)	(1,501)	(630)	-	(70,875)
CARRYING AMOUNT AT 1 AUGUST 2021	56,448	260	14	2,688	59,410
Additions	3,484	-	-	931	4,415
Disposals	(26)	-	-	-	(26)
Transferred from work in progress	2,610	-	-	(2,610)	-
Amortisation for the year	(9,651)	(65)	(6)	-	(9,722)
CARRYING AMOUNT AT 31 JULY 2022	52,865	195	8	1,009	54,077
AS AT 1 AUGUST 2022					
At cost	117,842	1,761	644	1,009	121,256
Accumulated depreciation	(64,977)	(1,566)	(636)	-	(67,179)
CARRYING AMOUNT AT 1 AUGUST 2021	52,865	195	8	1,009	54,077
Additions	3,064	-	-	429	3,493
Disposals	(48,987)	(141)	(4)	(140)	(49,272)
Transferred from work in progress	1,298	-	-	(1,298)	-
Amortisation for the year	(8,193)	(54)	(4)	-	(8,251)
CARRYING AMOUNT AT 31 JULY 2023	47	-	-	-	47
At cost	1,272	-	-	-	1,272
Accumulated amortisation	(1,225)	-	-	-	(1,225)
CARRYING AMOUNT AT 31 JULY 2023	47	-	-	-	47

At 31 July 2023 there were no contractual commitment for acquisition of software and other intangibles (2022: nil). There are no restrictions on intangible assets or any assets pledged as securities for liabilities. During the year nil interest costs were capitalised as part of software (2022: \$0.4 million). Intangible assets relating to betting were transferred to Entain NZ under the strategic partnering arrangement (See note 2).

Notes to the Financial Statements

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16. Other financial assets

	2023 \$000	2022 \$000
Term deposits	10,000	20,000
Betting Accounts and Vouchers Trust term deposits	-	30,000
Lease receivable	12,489	3,966
TOTAL OTHER FINANCIAL ASSETS	22,489	53,966
Disclosed as:		
Current	11,908	50,575
Non-current	10,581	3,391
TOTAL OTHER FINANCIAL ASSETS	22,489	53,966

Term deposits of \$10.0 million (2022: \$20.0 million) relates to TAB NZ's general cash funds invested in term deposits as part of TAB NZ's permitted investment strategy.

Refer to note 23 for further details on lease receivables.

17. Borrowings and other financial liabilities

Borrowings – Until 31 May 2023, TAB NZ had an unsecured revolving credit facility of \$20.0 million with a full contractual term ending November 2023. Interest was payable based on prevailing market rate plus a margin; there were no guarantees or covenants attached to this facility. As at the balance date, TAB NZ has nil bank borrowings (2022: nil) and nil undrawn banking facilities available to it.

Other financial liabilities includes cash bonds received from various site operators such as pubs and clubs that host our betting facilities (e.g. combination of screens and self-service terminals which enables betting and racing displays onsite). All other financial liabilities were assumed by Entain NZ as part of the strategic partnering arrangement (See note 2).

18. Provisions

Provisions are recognised when the following three conditions are met:

- TAB NZ 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	Undistributed Gaming net profit	Totalisator Duty savings	Total provisions
	2023 \$000	2023 \$000	2023 \$000	2023 \$000	2023 \$000
BALANCE AT 31 JULY 2022	737	385	1,887	1,721	4,730
Additional provisions	-	-	3,063	569	3,632
Provisions released	(737)	(385)	-	-	(1,122)
Provisions used	-	-	(1,887)	-	(1,887)
BALANCE AT 31 JULY 2023	-	-	3,063	2,290	5,353

Financial risks

This section discusses TAB NZ's exposure to various financial risks, explains how these affect the financial position and performance of TAB NZ and what TAB NZ 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 TAB NZ's financial position and performance.

19. Categories of financial instruments

	Note	2023 \$000	2022 \$000
FINANCIAL ASSETS AT AMORTISED COST			
Cash and cash equivalents	9	201,614	44,586
Trade and other receivables	10	44,571	11,447
Other financial assets	16	22,489	53,966
TOTAL FINANCIAL ASSETS AT AMORTISED COST		268,674	109,999
FINANCIAL LIABILITIES AT AMORTISED COST			
Trade and other payables	11	21,682	38,254
Customer betting account deposits and vouchers	12	-	27,876
Leases	23	15,531	34,300
Other financial liabilities	17	-	17,016
TOTAL FINANCIAL LIABILITIES AT AMORTISED COST		37,213	117,446
FINANCIAL ASSETS AT FAIR VALUE THROUGH TO PROFIT AND LOSS			
Derivative assets, call option	20	15,297	-
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH TO PROFIT AND LOSS		15,297	-
DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS			
Derivative assets /(liabilities), foreign exchange contracts	20	466	(643)
TOTAL DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS		466	(643)

20. Accounting policies for financial instruments

Financial assets

Classification and measurement

TAB NZ 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. TAB NZ classifies its non-derivative financial assets under this category.

Financial assets held at amortised cost comprise: cash and cash equivalents, term deposits, trade and other receivables and lease receivable.

Notes to the Financial Statements

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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.

Financial assets at fair value through to other comprehensive income comprise: foreign exchange contracts

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.

Financial assets at fair value through to profit and loss comprise: call option to reacquire the wagering and broadcasting business.

TAB NZ only changes classification if the business model for managing those assets changes.

Impairment of financial assets

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

Financial liabilities

Classification and measurement

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).

Financial liabilities held at amortised cost comprise: Trade and other payables and lease liabilities.

Derivative financial instruments

Foreign exchange contracts

TAB NZ'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.

Call option to reacquire the wagering and broadcasting business

As at 31 July 2023, TAB NZ retains a call option to reacquire the wagering and broadcasting business from Entain NZ at termination of the agreement or on the occurrence of any of the early termination provisions. The call option is measured at fair value through to profit and loss (FVTPL). The call option is subsequently measured at fair value annually. Net gain and losses are recognised in profit and loss.

The valuation of the call option was performed by an independent third party utilising a bespoke scenario to estimate the fair value of the call option as at 31 July 2023. The following significant assumptions were made for the key inputs for the valuation.

- Inflation rate for indexation – An indexation from 31 May 2023 to 31 May 2048 was applied at 1.6385 based on forecast inflation.
- Indexation of net working capital, other assets and liabilities – Entain NZ would maintain target net working capital ratio based on the target set in settling the transaction and that all other assets and liabilities would also be maintained in real 31 May 2023 terms until 31 May 2048. Further, the same indexation described above was applied to all assets and liabilities.
- Assembled and trained workforce (AWF) valuation – A mid-point AWF value of \$10.4 million as at 31 May 2023 and indexed to 31 May 2048 resulting in \$17.1 million.
- Discount rate – A discount rate of 7.43% and a cumulative 25-year discount factor of 0.1667 was applied.

Capital risk management

TAB NZ manages its capital considering stakeholders' interests, in particular distributions to the racing codes, the value of TAB NZ assets and funding/retentions required for approved initiatives. TAB NZ'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. TAB NZ'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, TAB NZ is exposed to a variety of financial risks. This section explains TAB NZ's exposure to financial risks, how these risks could affect TAB NZ's financial performance and how they are managed.

Key risk management objectives

To ensure that TAB NZ achieves its financial objectives as stipulated by both TAB NZ and the Board and to protect/enhance stakeholder wealth and providing assurance to other stakeholders such as staff, bankers, and business partners that TAB NZ's financial risks are identified and prudently managed, risk management is broadly operated under the formal Treasury Policy as set out below. TAB NZ'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.

TAB NZ'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. TAB NZ's risk management strategy for each risk type is discussed in detail in this section.

Key risk management strategy

In general, TAB NZ 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 TAB NZ. Risk management objectives are set forth under the Treasury Policy approved by the Board of TAB NZ which broadly provides for the efficient and prudent management of financial risks related to the operating of TAB NZ's operations, assets and other revenue-generating activities.

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

Additionally, TAB NZ 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.

Notes to the Financial Statements

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RISK	EXPOSURE ARISING FROM	MONITORING	MANAGEMENT
Liquidity risk	Liabilities and financial guarantees	Cash flow forecasting	Maintaining adequate cash reserves of liquid short-term deposits and sufficient access to committed facilities.
Credit risk	Cash and cash equivalents, trade and other receivables, industry loans, financial guarantees, and derivative contracts	Credit ratings of banks	Ongoing review of balances and contractual arrangements involving bank guarantees or cash bonds. Ongoing review of business plans.
Foreign exchange rate risk	Foreign currency denominated transactions, foreign currency denominated monetary held assets and liabilities	Forecasting of foreign currency transactions	Use of foreign exchange hedges.
Interest rate risk	Cash and cash equivalents, short-term deposits, borrowings and industry loans	Sensitivity analysis	Ongoing review by management.

Liquidity risk

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

As TAB NZ's revenues are principally transactions involving immediate cash receipts, short-term liquidity is covered by trading receipts and highly liquid bank deposits. TAB NZ 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, TAB NZ 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.

The following table outlines TAB NZ'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 TAB NZ can be required to pay.

2023	Note	Carrying amount \$000	Total contractual cash flows \$000	On demand \$000	Less than 3 months \$000	3 months to 1 year \$000	1-5 years \$000	+ 5 years \$000
FINANCIAL LIABILITIES								
Trade and other payables	11	21,682	21,682	-	21,682	-	-	-
Leases	23	15,531	15,531	-	438	1,925	8,286	4,882
TOTAL CASHFLOWS FROM ALL FINANCIAL LIABILITIES		37,213	37,213	-	22,120	1,925	8,286	4,882
2022								
FINANCIAL LIABILITIES								
Trade and other payables	11	38,254	38,254	-	38,254	-	-	-
Customer betting account deposits & vouchers	12	27,876	27,876	27,876	-	-	-	-
Borrowings	17	-	160	-	30	90	40	-
Leases	23	34,300	34,156	-	1,532	4,293	17,125	11,206
Other financial liabilities	17	17,016	22,503	-	768	2,303	14,464	4,968
		117,446	122,949	27,876	40,584	6,686	31,629	16,174
UNRECOGNISED FINANCIAL LIABILITIES								
TAB NZ guarantee exposure		-	6,425	6,425	-	-	-	-
TOTAL CASHFLOWS FROM ALL FINANCIAL LIABILITIES		117,446	129,374	34,301	40,584	6,686	31,629	16,174

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. TAB NZ 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.

TAB NZ 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 counterparty balances on certain receivables, TAB NZ's practice is to require either bank guarantees or cash bonds from non-TAB NZ owned retail outlets of a value generally greater than a week's settlement.

	Note	2023 \$000	2022 \$000
TOTAL FINANCIAL ASSETS	19	283,971	109,999
UNRECOGNISED CREDIT EXPOSURES			
Industry loan guarantees		-	4,610
Other third party guarantees		-	1,815
TOTAL UNRECOGNISED CREDIT EXPOSURES		-	6,425
TOTAL CREDIT EXPOSURES		283,971	116,424

Concentrations of credit risk

TAB NZ is exposed to the following industry and geographical concentrations of credit risk for trade and other receivables.

	2023		2022	
	%	\$000	%	\$000
TRADE AND OTHER RECEIVABLES				
(Industry & geographical concentrations)				
Australian betting agencies	3.9%	1,731	28.5%	3,260
New Zealand retail TAB outlets	1.1%	492	28.1%	3,216
Bank and other banking institutions	0.8%	335	11.7%	1,334
Other New Zealand trade and other receivables*	94.2%	42,013	31.7%	3,637
TOTAL TRADE AND OTHER RECEIVABLES	100.0%	44,571	100.0%	11,447

* Included within other New Zealand trade and other receivables are the amounts owed to TAB NZ from Entain NZ as a result of the strategic partnering arrangement. As at 31 July 2023, Entain NZ owed \$41 million to TAB NZ which has resulted in a concentration of credit risk to one customer when compared with the previous year.

Notes to the Financial Statements

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Foreign currency exchange 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. TAB NZ is exposed to exchange rate fluctuations from certain foreign currency denominated transactions it undertakes.

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

When a derivative is entered into for the purpose of being a hedge, TAB NZ 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 2023, TAB NZ has total notional value of FEC hedges of \$18.3 million with fair value of \$20.3 million (2022: \$31.9 million notional value and \$40.8 million fair value) which are held to hedge the majority of our foreign currency exposures.

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. TAB NZ'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, TAB NZ 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 repricing risk at times of re-investments.

Interest rate sensitivity

As at 31 July 2023, if the interest rates had increased/decreased by 150 basis points, with all other variables held constant, the net surplus before distributions would have been \$3.2 million (2022: \$1.4 million) higher (more likely outcome) / lower (currently remote likelihood) as a result of higher/lower net interest receipts and payments.

21. Related parties

A person or entity is related to TAB NZ when that person or entity has control, significant influence, is a member of the key management personnel of TAB NZ or is an entity controlled by a person identified as a related party. The following are related party relationships of TAB NZ. In prior years TAB NZ has disclosed its various relationships with the racing codes. Subsequent to the establishment of Racing New Zealand, TAB NZ's relationship is limited to providing funding under the Act and acting as agent in respect of Betting Duty Savings and Betting Information Use Charges. See note 8 for details of payments to Racing New Zealand.

The following are related party relationships of TAB NZ:

- The ultimate controlling party of TAB New Zealand is the Crown.
- Jason Fleming, a Board Member of TAB NZ (until August 2023), is also a Director of New Zealand Thoroughbred Racing (NZTR). TAB NZ provides funding to Racing New Zealand which is a consortium of the three racing codes including NZTR. Subsequent to balance date, Jason has transitioned to become General Manager Commercial and Finance for TAB NZ.
- See note 7a for details of the compensation of key management personnel.

Other information

22. Non-cancellable operating commitments

TAB NZ 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-cancellable contracts held by TAB NZ predominantly comprise technical services associated with the broadcasting of racing, telecommunication services, fixed odds betting platform and additional funding guaranteed to National Sporting Organisations as a result of the strategic partnering arrangement. There has been a change in the nature of these commitments due to contracts in relation to betting and broadcasting being assumed by Entain NZ as part of the Strategic partnering arrangement (See note 2). The remaining commitments relate only to the additional funding guaranteed to the National Sporting Organisations.

	2023 \$000	2022 \$000
Within one year	5,000	22,522
Later than one year but no later than 5 years	5,000	15,815
Later than five years	-	2,620
TOTAL OTHER NON-CANCELLABLE OPERATING COMMITMENTS	10,000	40,957

Foreign-currency denominated commitments (related to TAB NZ's fixed odds betting platform and operations) 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.

As a result of the strategic partnering arrangement additional funding has been guaranteed to National Sporting Organisations of \$5 million in the 2024 financial year and \$5 million in the 2025 financial year.

Notes to the Financial Statements

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23. Leases

TAB NZ leases buildings and equipment, as a lessee, for its retail 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. Cash flows relating to lease arrangements are classified as financing activities within the statement of cash flows. Expenditure related to short-term leases and leases of low-value assets have been recognised within *Expenses* in note 3 discontinued operations.

The below shows the closing balances relating to the right of use asset recognised within *Property, plant and equipment* and the lease receivable recognised within *Other financial assets* in the statement of financial position. Corresponding lease liability is recognised within lease liabilities in the statement of financial position.

As at 31 May 2023, TAB NZ's leasing arrangements for equipment and properties that were only betting venues and regional offices were novated to Entain NZ.

Additionally, effective 1 June 2023, TAB NZ's leasing arrangements for properties that have a combination of betting and gaming at venues, the betting portion has been subleased to Entain NZ.

	2023 \$000	2022 \$000
RIGHT OF USE ASSETS		
Properties	2,880	27,800
Equipment	-	1,169
TOTAL RIGHT OF USE ASSETS	2,880	28,969
	2023 \$000	2022 \$000
LEASE LIABILITIES		
Current	2,363	6,309
Non-current	13,168	27,991
TOTAL LEASE LIABILITIES	15,531	34,300
	2023 \$000	2022 \$000
INTEREST ON LEASE LIABILITIES		
Interest on lease liabilities	1,510	1,964
TOTAL INTEREST ON LEASE LIABILITIES	1,510	1,964
	2023 \$000	2022 \$000
SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS		
Expenses relating to short-term leases	102	135
Expenses relating to leases of low-value assets	122	154
TOTAL SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS	224	289
	2023 \$000	2022 \$000
LEASE RECEIVABLES		
Current	1,908	575
Non-current	10,581	3,391
TOTAL LEASE RECEIVABLE	12,489	3,966

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2023 \$000	2022 \$000
MATURITY ANALYSIS OF LEASE RECEIVABLES		
Less than one year	2,296	575
One to two years	2,013	523
Two to three years	1,880	523
Three to four years	1,573	523
Four to five years	1,382	523
More than five years	5,256	1,827
TOTAL UNDISCOUNTED LEASE RECEIVABLE	14,400	4,494
Unearned finance income	1,911	528
NET INVESTMENT IN THE LEASE	12,489	3,966

24. Contingencies

There are no contingencies at balance date.

25. Subsequent events

On 10 January 2024, TAB NZ entered into an agreement with Sports Entertainment Network Pty Ltd (SEN AU) and Sports Entertainment Network NZ Limited (SEN NZ). SEN NZ has agreed to sell assets other than radio licences and SEN AU has agreed to transfer the radio licences to TAB NZ for a value of \$4 million on terms and conditions set out in the transaction implementation agreement.

There have been no other events subsequent to balance date which would materially affect the financial statements.

Supplementary information

Comparison against Budget 2023

Statement of financial performance

	UNAUDITED		
	ACTUAL NZ \$M	BUDGET NZ \$M	VARIANCE NZ \$M
Betting and gaming turnover	2,670	3,151	(481)
REVENUE			
Net betting revenue	260	330	(70)
Net gaming revenue	27	27	-
Other revenue	84	17	67
TOTAL REVENUE	371	374	(3)
Turnover related expenses	74	88	(14)
Operating expenses	116	123	(7)
NET PROFIT BEFORE DISTRIBUTIONS	181	163	18
Made up of:			
Betting reported net profit	162	145	17
Gaming reported net profit	19	18	1

Distributions

	UNAUDITED		
	ACTUAL NZ \$M	BUDGET NZ \$M	VARIANCE NZ \$M
DISTRIBUTIONS AND OTHER PAYMENTS FROM BETTING OPERATIONS			
Betting net profit	125	140	(15)
Betting duty relief	15	16	(1)
Offshore corporate bookmaker	23	23	-
TOTAL DISTRIBUTIONS AND OTHER PAYMENTS FROM BETTING OPERATIONS	163	179	(16)
DISTRIBUTIONS FROM GAMING OPERATIONS			
Distributions applied to the racing industry	12	14	(2)
Distributions to sporting external bodies	4	4	-
TOTAL DISTRIBUTIONS FROM GAMING OPERATIONS	16	18	(2)
TOTAL DISTRIBUTIONS AND OTHER PAYMENTS	179	197	(18)

Statement of financial position

	UNAUDITED		
	ACTUAL NZ \$M	BUDGET NZ \$M	VARIANCE NZ \$M
CURRENT ASSETS			
Cash and cash equivalents	202	73	129
Trade and other receivables	45	13	32
Other financial assets	12	34	(22)
Other assets	-	4	(4)
TOTAL CURRENT ASSETS	259	124	135
NON-CURRENT ASSETS			
Property, plant and equipment	7	49	(42)
Intangible assets	-	50	(50)
Derivative assets	15	-	15
Other financial assets	11	4	7
TOTAL NON-CURRENT ASSETS	33	103	(70)
TOTAL ASSETS	292	227	65
CURRENT LIABILITIES			
Trade and other payables	22	39	(17)
Customer betting account deposits and vouchers	-	26	(26)
Liabilities from contracts with customers	5	5	-
Provisions	5	4	1
Taxation payable	3	8	(5)
Lease liabilities	2	6	(4)
TOTAL CURRENT LIABILITIES	37	88	(51)
NON-CURRENT LIABILITIES			
Lease liabilities	13	25	(12)
Other financial liabilities	-	14	(14)
Liabilities from contracts with customers	113	-	113
TOTAL NON-CURRENT LIABILITIES	126	39	(26)
TOTAL LIABILITIES	164	127	(77)
NET ASSETS/TOTAL EQUITY	128	100	142

Directory

Board Members

Mark Stewart

MNZM

Chair (until September 2023)

Anna Stove

Interim Chair (from September 2023)

Deputy Chair (until September 2023)

William (Bill) Birnie

CNZM

Paul Bittar (until October 2022)

Jason Fleming (until August 2023)

Wendie Harvey

Raewyn Lovett

ONZM

Leadership Team

Mike Tod

Chief Executive Officer (until 31 May 2023)

Nick Roberts

Chief Executive Officer (from 1 June 2023)

General Counsel/Chief Transition Officer (until 31 May 2023)

Sam Moncur

Chief Financial Officer (until 31 May 2023)

Cameron Rodger

Chief Commercial Officer (until 31 May 2023)

Fred Laury

Chief Digital Officer (until 31 May 2023)

Jodi Williams

Chief Marketing and Customer Officer (until 31 May 2023)

Megan Campbell

Chief People Officer (until 31 May 2023)

Simon Thomas

Chief Betting Officer (until 31 May 2023)

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Wellington

Chapman Tripp

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Auditors

Sarah Turner, with the assistance of PricewaterhouseCoopers, on behalf of the Office of the Auditor-General

Wellington

Bank

ANZ Limited

Wellington