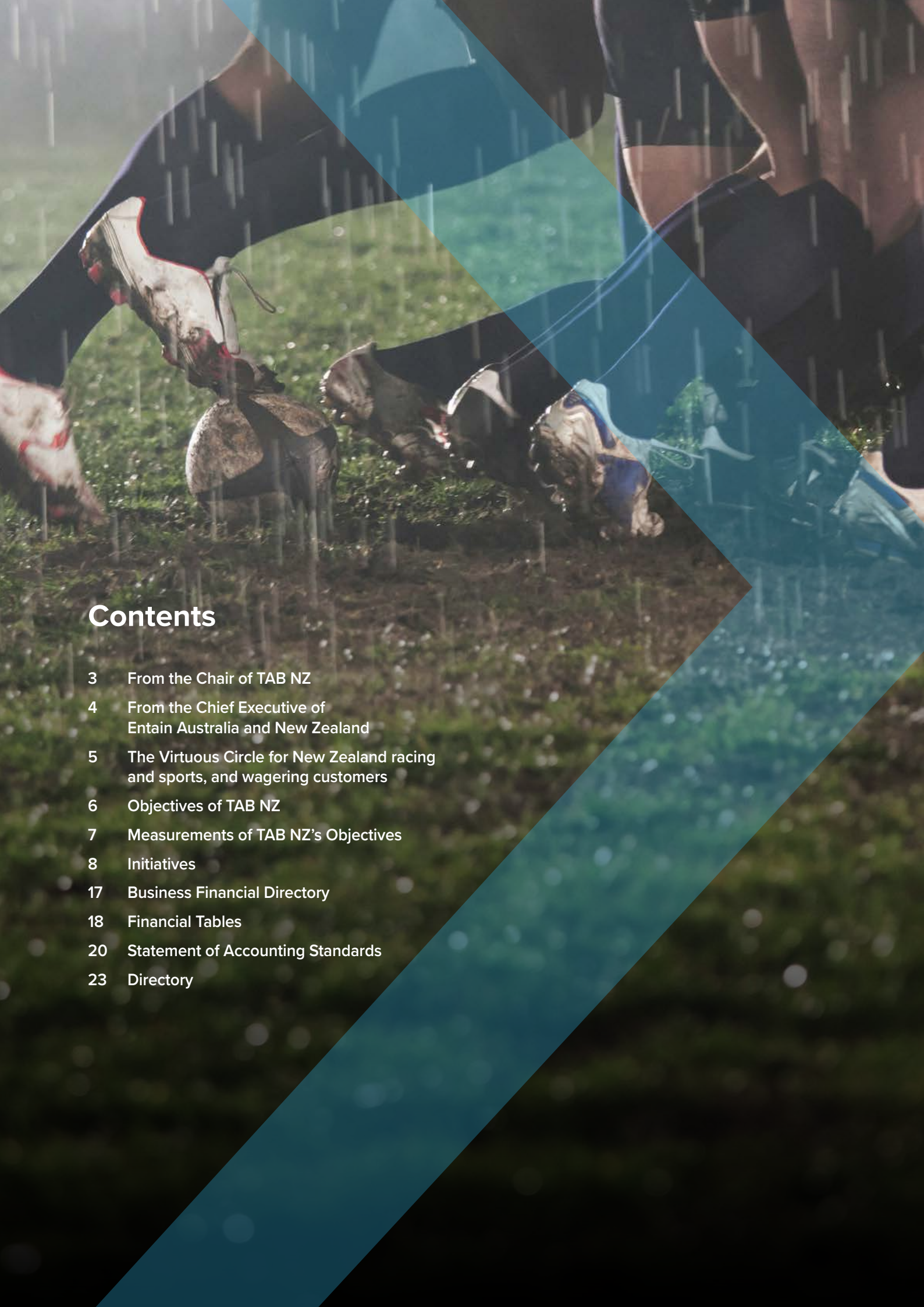




TAB New Zealand
Statement of Intent
2025-2027



TAB
New Zealand



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From the Chair of TAB NZ

Fourteen months of the 25-year strategic partnership between TAB New Zealand (“TAB NZ”) and Entain has created unprecedented positive momentum within the industry. It has already delivered exciting new products and initiatives, which have enhanced distributions to our racing and sports sector stakeholders, while consistently focusing on supplying a safer betting environment that minimises gambling harm and underage gambling.

The TAB NZ Board and our Management team have transitioned the TAB NZ business to a new operating model and established a solid foundation to ensure a successful long-term partnership.

The strategic partnership continues to adhere to TAB NZ’s statutory objectives of, subject to minimising harm and underage gambling, maximising profits for the long-term benefit of the New Zealand racing industry and maximising commission payments to National Sporting Organisations.

Maximising our profits cannot be done without lifting the performance of our locally grown product. You will see a continued focus on initiatives that invest and support our racing and sport partners. We are delighted to be contributing significant rejuvenation funding of \$8m in year one of the New Zealand Thoroughbred Racing’s summer carnival which will include the southern hemisphere’s richest three-year-old race – The New Zealand Bloodstock Kiwi.

We will continue to work with the Deputy Prime Minister to ensure the New Zealand racing industry is equipped to

unlock its latent growth potential. Racing has the potential to exponentially grow its contribution to GDP, which currently sits at \$1.9b per annum. To play our part, a core aspect of our interaction with Government is to modernise New Zealand’s gambling laws and ensure our industry is equipped to operate at the highest levels both here and overseas via effective taxation mechanisms.

The New Zealand TAB was set up to be a monopoly operator to ensure that funding to our own racing industry was protected so it could operate sustainably. However, 27 years since the first internet bet was placed in New Zealand, that monopoly has been eroded as our gambling laws have become outdated in this modern age. We must arrest the destruction of value to our domestic landscape and ensure the potential of our industry is maximised for the long-term benefit of all stakeholders. We are proudly working alongside the Government in seeking to reform the online gambling environment, ensuring returns to the racing industry and sporting sector are maximised alongside a safe customer experience.



A handwritten signature in black ink that reads "Anna Stove". The signature is fluid and cursive.

Anna Stove
Interim Chair, TAB New Zealand

From the Chief Executive of Entain Australia and New Zealand

Just over a year has passed since TAB NZ and Entain commenced its strategic partnering agreement in June 2023, and in that time, the scene has well and truly been set for what promises to be a transformational time for wagering in New Zealand during the forecast period of this Statement of Intent.

Already, we have delivered new and engaging betting products, and the technology to carry these products, refreshed the Trackside and TAB brands, increased distributions to racing and sports, and enhanced harm minimisation tools for TAB's hundreds of thousands of customers.

These key planks were important to have in place before we turn our focus to achieving notable growth for the New Zealand racing and sports industries. Now that our technology has been integrated, we can continue to add engaging new betting products that can attract new and former customers to drive increased distributions to racing and sports through TAB New Zealand.

The guaranteed distributions announced at the start of the strategic partnership have provided surety to the racing codes, and allows Entain to work alongside these codes to test, innovate and collaborate.

One such example is The NZB Kiwi, which will debut at Ellerslie in March next year. It will be the richest race ever

held in New Zealand with \$3.5m in stakes and an extra \$1m in bonuses available for connections of the 14 horses.

Open to three-year-olds and run over 1500m, The NZB Kiwi is expected to result in an immediate and significant uplift in the promotion and engagement of racing over an extended period, and the interest in the slot auction held in February 2024 certainly confirmed that.

Success for racing and sports wagering in New Zealand will only be achieved through working closely with industry. With that in mind, we have established partnerships with many racing clubs and sporting organisations to raise awareness of our role within New Zealand society.

We will continue to build on these in the coming years and, alongside our own initiatives such as the TAB Racing Club which will be launched later in 2024, we will be further cementing our commitment to deliver a best-in-class wagering experience to New Zealand customers, which in turn underpins increased support to the sports and racing industries in New Zealand.



Dean Shannon
Chief Executive
Entain Australia and New Zealand



The Virtuous Circle

for New Zealand racing and sports,
and wagering customers

Improvements to product

BETTER RACING & SPORTS

Investments to drive improvements, resulting in better quality racing and sports

TECHNOLOGY

Continued improvements in product and experience

More investment in industry

DISTRIBUTIONS & RETURNS

Significantly increase distributions to racing and returns to sports

MEDIA & INTERNATIONAL

Increased profile of NZ racing in Australia and globally

Better experience for NZ punters

TWO KIWI-CENTRIC BRANDS

Creating choice for punters while maximising value for NZ

PRODUCT

Rapid adoption of world class products, including market leading safer gambling tools

Growth in the NZ market

MARKET GROWTH

Grow overall market by delivering more choice and a better experience

RECLAIM OFFSHORE SPEND

Win back customers lost to offshore operators and reclaim funding for NZ industry



The virtuous circle in action

The strategic partnership provides the framework necessary to ensure racing and sports realise their funding potential.

Our 'virtuous circle' game plan consists of four key pillars – bringing revenue back to the New Zealand ecosystem, providing the best betting products, driving increased distributions to racing and returns to sports while using our media business to grow New Zealand racing globally. These are already being realised in some sectors of both racing and sports, with increased customer participation off the back of these key pillars in the first six months of 2024 in all three racing codes and popular sports like football, basketball, rugby league and rugby union.

These results cannot be achieved in isolation, with strong relationships, collaboration and co-operation the key factors to the success of the racing and sports industries.

Objectives

of TAB NZ

- Continue a robust and instructive reporting framework to monitor the regulatory and commercial performance of Entain, including delivery of increased revenue share payments through the performance of the partnership's strategic initiatives
- Manage TAB NZ reserves to maximise their annual returns to TAB NZ while not impacting on the long-term funding outcomes for the racing industry
- Consider and invest in the best initiatives that will maximise revenue share payments from Entain, including through driving industry efficiencies so funding is able to be better targeted at investments in the underlying racing product
- Advocate, and develop policy to support, Government reform of New Zealand's outdated gambling laws
- Deliver an efficient, safe and compliant class 4 gaming operation which delivers funding to domestic racing and sport
- Keep harm minimisation at TAB NZ's core, including through the delivery of its \$1m research fund and \$4m facial recognition rollout
- Increase payments to National Sporting Organisations which will support initiatives to encourage greater participation across all sectors of New Zealand



Measurements

of TAB NZ's Objectives

- Close the gap between Minimum Guarantee payments from Entain and the amount that would otherwise be payable under the Revenue Share model, so that at the end of FY27, the Minimum Guarantee is exceeded
- Capital adequacy position (as determined by independent external auditors) is maintained without reduction in long-term funding commitments to racing
- Class 4 Gaming distributions exceed \$20m in FY27
- NSO commission payments exceed \$20m in FY27
- Continue to have a strong social licence and a trusted reputation as a gambling organisation
- Deliver increased returns to racing and sport via the capture of leakage that is lost to overseas providers



Statement of Intent: Initiatives



\$15m rejuvenation fund to continue for FY25



Enhancement of the New Zealand racing calendar



Supporting and leveraging The NZB Kiwi



TAB Racing Club



Establishment of a digital-only brand



Retail network reinvigoration



Creation and promotion of Bonus Series



\$1m harm minimisation research fund



Finalisation of \$4m facial recognition rollout



Aligning TAB NZ's financial contributions with NSOs' strategic priorities





\$15m rejuvenation fund to continue for FY25

TAB NZ established a contestable gaming fund in 2023 to support industry initiatives which advance the performance of the racing codes.

In 2023 funds were distributed across 44 projects throughout New Zealand, supporting key initiatives in animal welfare, plant and machinery, infrastructure improvement and a ground-breaking mental health programme.

In the upcoming 2024/25 season, emphasis has been placed on supporting code initiatives to enable the sustainable supply of a vastly superior racing calendar.

At its core, these investments will support the codes to build momentum and attract stakeholders which stimulates the growth required for these sectors to maximise their significant economic impact across so much of New Zealand.

TAB NZ will continue to invest in its gaming operation to ensure its harm minimisation is market-leading, as well as ensuring that the returns to a diverse range of New Zealand racing and sports activities grow.

We have commenced a significant repositioning of our gaming fleet and customer offering which will support the TAB NZ rejuvenation funding for the next 3 years.

Strategic benefits: Foster collaborative relationships with our stakeholders. TAB NZ, by its actions, will demonstrate our commitment to social responsibility and contribute positively to domestic racing and sport through sustainable funding mechanisms.



Enhancement of the New Zealand racing calendar

TAB NZ and Entain have worked together with representatives of each of the racing codes, through the Dates Committee framework, to deliver a fresh domestic racing calendar for 2024/25 that is geared towards maximising wagering over the next season and beyond.

The new-look calendar is heralded by the revamped summer thoroughbred period, which will see premier racing action particularly throughout the January – March period, with a two-day Karaka Millions Carnival, Champions Day and The NZB Kiwi showcasing the very best of Kiwi bloodstock.

The principle-driven calendar sees increased usage of Sunday meetings for thoroughbreds and a significant rise in harness meetings, including for lower-stake meetings early in the week. Striving for consistency of product across the days of the week also results in Addington and Alexandra Park running frequently on Friday nights together across next season, and more harness racing action in the North Island. The greyhound product continues to play an important role throughout the broadcast schedule.

Strategic benefits: An optimised racing calendar is essential for driving wagering growth. The proposed changes next season provide opportunities for customer acquisition through marquee events (and subsequent retention), create customer and participant certainty and confidence through consistent scheduling and make use of our premier tracks on our biggest days. However, next year's calendar is a step forward towards a more optimised racing calendar and continued evolution and change can be expected through the next three-year period of this SOI.



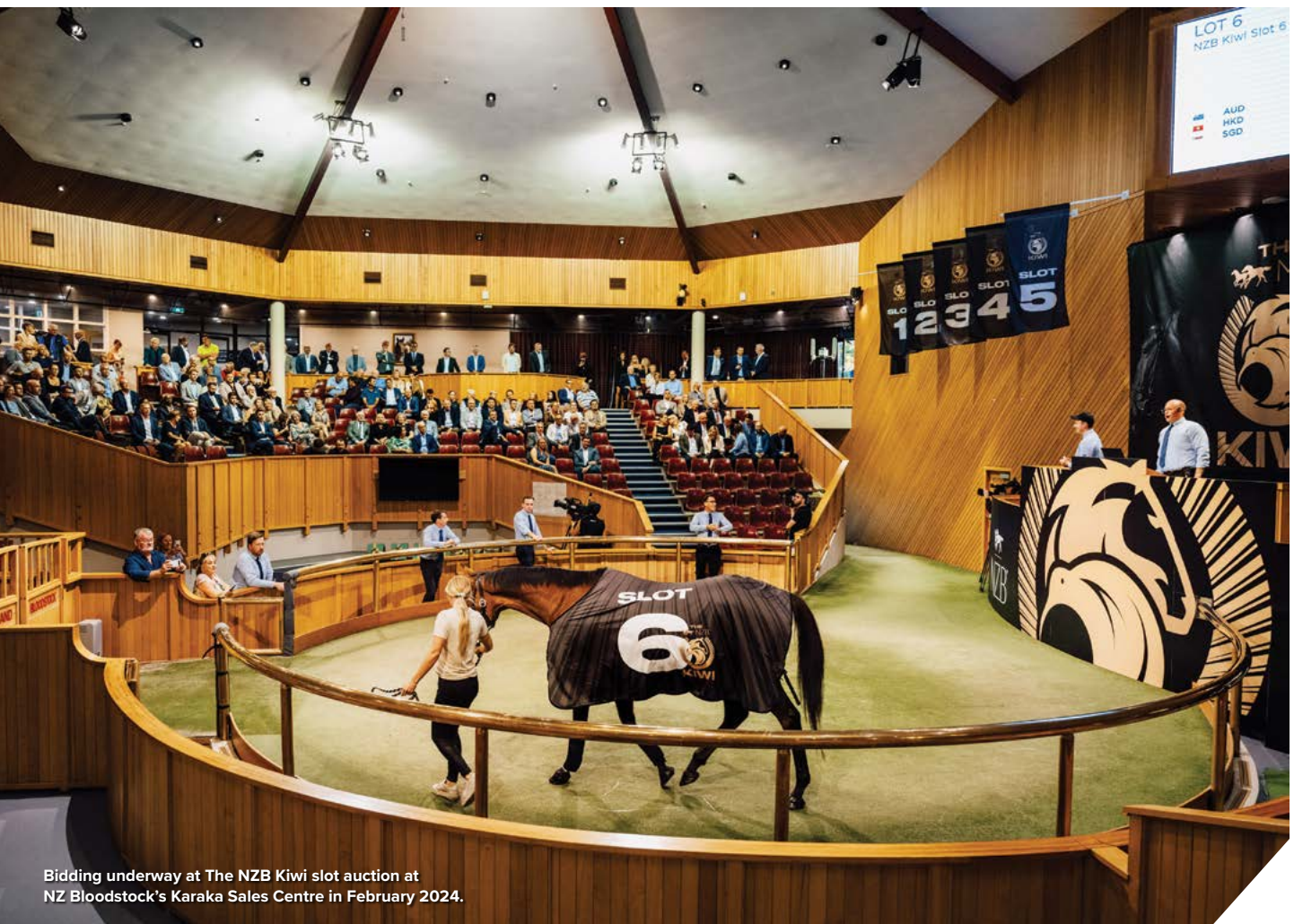
Supporting and leveraging The NZB Kiwi

Entain and TAB NZ have worked alongside New Zealand Thoroughbred Racing and New Zealand Bloodstock to develop The NZB Kiwi. Open to three-year-olds and run over 1500m, The NZB Kiwi - sponsored by New Zealand Bloodstock, will be held at Ellerslie Racecourse in Auckland in March each year.

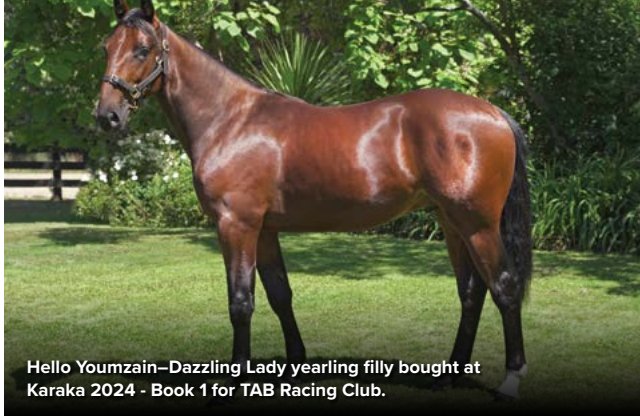
The NZB Kiwi provides an opportunity to elevate racing conversations into the mainstream, with a steady flow of engagement driven by negotiations between The NZB Kiwi slot holders and the connections of eligible three-year-olds, keeping New Zealand racing in the conversation in the weeks and months leading up to the race as runners compete for their shot at the \$4.5m potential winner's purse in March 2025.



Strategic benefits: The NZB Kiwi provides a tactical opportunity for New Zealand-bred horses in overseas jurisdictions to return to New Zealand for the multi-million dollar race, along with key lead-up races to ensure eligibility for the \$1m bonuses. This will have the flow-on effect of raising awareness and wagering interest in key jurisdictions, most notably Australia.



Bidding underway at The NZB Kiwi slot auction at NZ Bloodstock's Karaka Sales Centre in February 2024.



TAB Racing Club

In the second half of 2024, the TAB Racing Club is set to be launched. This club, modelled on a similar Entain initiative established in Australia in 2023, offers a tailored loyalty and rewards programme and an enhanced wagering experience to TAB customers who opt in to the Club.

At the respective New Zealand Bloodstock thoroughbred and standardbred yearling sales in early 2024, a total of 12 yearlings were purchased, and placed with trainers around the country.

The trainers were chosen on their ability to deliver a world-class ownership experience, as well as their success as a trainer.

Benefits for TAB Racing Club members include owner experiences to attend the races, premium viewing and on-course hospitality; regular communications from associated stables, behind the scenes access to the trainers and other key members of the team, and special betting offers to encourage club members to back their horses at the races.

For trainers, the TAB Racing Club creates a great way for them to attract and acquire new owners. It also provides a logical pathway for prospective owners to get involved and ultimately become registered owners in their own right.

Along with the yearling purchases, who will be set towards a racing career from 2025 to 2027, leased and tried horses will also become part of the Club to ensure regular racing opportunities for members of the club.

Strategic benefits: The TAB Racing Club's purpose is to drive increased ownership rates across 2025 to 2027 within New Zealand, by providing TAB customers with a glimpse into best-practice ownership with top-quality communication and exciting ownership experiences.



Establishment of digital-only brand

In the second half of 2024, Entain will launch a digital-only brand, to provide New Zealand customers with choice.

This brand will be proudly racing-first and social-first, with some more exotic betting options on international sport, and will present the wagering environment in a more progressive, modern and dynamic way.

It will have a distinctly unique tone and personality which will give Kiwi bettors the ability to choose the brand that best aligns to their preference, with the end result being that either way, the New Zealand racing and sporting industries benefit from their activity.

Strategic benefits: Drive increased distributions to New Zealand racing and returns to sports, offering surety of distributions and funding to the three racing codes through to 2027 and beyond, due to a different target market and unique tone and personality from the TAB brand.



Retail network reinvigoration

The next two to three years will see significant investment into the TAB retail network. Existing workstreams will continue and conclude, including rollout of digital form across TAB venues (replacing current paper displays) and rebranding of venues to reflect the new TAB branding.

2025 will see a full refresh of all physical wagering terminals (both on course and in the traditional retail network). This includes replacement of both operator and self-service terminal hardware and associated terminal software, which will improve the user interface and user experience, and increase transaction speed, while creating better alignment across digital and retail product offerings.

There will be continued focus on developing and expanding the omni-channel experience, so that customers can enjoy integrated experiences across physical retail and digital channels seamlessly.

Strategic benefits: The TAB retail/physical network is a unique point of difference for customers and one which remains a key revenue stream for racing and sport industry participants. The network also houses Class 4 gaming facilities, which make an important contribution to amateur sports organisations. Continued modernisation of the network and improvements in customer offerings will serve to continue to drive activity for this important revenue stream.



Creation and promotion of Bonus Series

The 2024/25 season will see the second edition of the Summer Middle Distance Bonus Series, and the addition of a new Super Sprint Bonus Series for our elite thoroughbreds. Bonus Series schemes create intrigue and talkability, particularly where claims to the Series title go down to the wire. They also assist in keeping NZ's brightest stars competing domestically for longer, adding to the quality of the NZ product.

Next season, the Summer Middle Distance Series will be worth \$500,000 in 2024/25, with the final leg culminating on Champions Day in the New Zealand Stakes. The new Sprint Series will kick off with the Telegraph at Trentham, followed by Ellerslie's Railway Stakes and the BCD Sprint at Te Rapa, before moving across the Tasman for some Autumn sprint features. The structure of the Series is such that NZ's best sprinters have plenty to chase domestically during the summer before heading offshore and there is every chance some Australian heavyweights may make their way across the ditch too. This will only help to showcase the New Zealand product into our key export market, Australia.

The success of the NZB Insurance Entain Pearl Series will see it continue as a feature of next season, alongside the new Karaka Millions Mega Maiden Series. This NZB initiative, supported by Entain provides \$25,000 in bonuses across 40 non-Saturday meetings next season for Karaka Yearling 3-Year-Olds and up.

Strategic benefits: Each of these initiatives seeks to bolster field sizes, encourage domestic participation (including through ownership), showcase Kiwi bloodstock and improve the quality of the thoroughbred product, including for export. We are confident that these Series, supported by others, will increase engagement and accelerate wagering activity on New Zealand racing.



\$1m harm minimisation research fund

TAB NZ has proudly committed a \$1 million fund for research into gambling harm minimisation. We stand by our commitment to deliver responsible gambling practices and ensuring the well-being of customers.

The current commitment of this fund for research will gain insights into the gambling landscape in New Zealand, particularly focusing on online gambling practices.

A comprehensive understanding of the gambling environment, especially in the online domain, will help inform targeted interventions and policies to address potential harm and promote safer gambling behaviour.

Promoting responsible gambling practices, based on research and data, is a key pillar of TAB NZ's responsibility to foster a safe and sustainable gambling sector.

Strategic benefits: Continuously evaluating the effectiveness of harm minimisation measures, engaging with experts in the field, and collaborating with relevant stakeholders will further strengthen TAB NZ's efforts to prioritise player well-being and uphold responsible gambling practices as a fundamental aspect of our operations.



Finalisation of \$4m facial recognition rollout

TAB NZ has allocated funding for the implementation and maintenance of facial recognition technologies across all its standalone venues.

Facial recognition technology is recognised as a powerful tool for enhancing security measures and minimising potential harm within the venue. By investing in this technology, TAB NZ is leading a proactive approach to ensuring the safety and well-being of its customers and staff.

Despite not being a mandatory industry standard, TAB NZ's proactive stance in rolling out this technology sets a new benchmark in the gaming industry.

This initiative underscores TAB NZ's commitment to responsible gambling practices and leading the gambling industry in best practice.

Strategic benefits: The facial recognition rollout will enhance player identification processes and assist in identifying individuals who may be at risk of harm. By leveraging technology to promote a safer gambling environment, TAB NZ can proactively intervene and provide support for individuals experiencing gambling-related difficulties.



Aligning TAB NZ's financial contributions with NSO strategic priorities

TAB NZ funding of sport via the payment of gaming and betting commissions is forecast to grow.

The delivery of innovative collaborations and bespoke arrangements with Entain (for example, relevant sponsorships) will deepen fan engagement which, in turn, strengthens the fundamentals to enhance financial support.

Developing relationships with NSOs, understanding their funding needs and aligning TAB NZ financial contributions with their strategic priorities is a key performance metric.

Strategic benefits: Supporting NSOs' initiatives will enhance the joint opportunities for both NSOs and TAB NZ from a domestic and wagering perspective.



The
TAB
TROT
CAMBRIDGE RACWAY
2024



Business Financial Directory

This Statement of Intent (SOI) is prepared under a business-as-usual basis which excludes the impact of any initiatives or activities that may arise from TAB's legislative improvement and represents the financial performance, position and cash flows across three years (FY25-FY27) under TAB NZ's current operating model.

Performance

- Revenue in FY25 of \$206m reflects the strategic partnership agreement between TAB NZ and Entain. Class 4 gaming turnover is forecast to stabilise following market repositioning.
- Revenue in FY25 improves compared to prior year (Forecast FY24 \$198m) due to an uplift of payments receivable under the strategic partnership agreement.
- Revenue performance through to FY27 reflects continued growth in betting whilst other revenue items remain broadly stable given investment in the codes to maintain funding baseline.
- Operating expenses are relatively stable across the three-year period covered in this SOI – year 1 @ \$41m (inclusive of estimated Racing Integrity funding of \$18m) to year 3 @ \$23m, noting these expenses are inclusive of class 4 costs and marketing commitments.
- Underpinning this is TAB's continued focus on controlling costs, investing in priorities and unlocking further revenue opportunities.
- Net profit before distribution continues to report a stable and strong positive result for the periods FY24-FY27 - \$676m.

Distribution and other payments

- Total distributions and other payments for FY25 is budgeted at \$218m which includes committed distributions from betting net profit of \$185m; other payments of \$14m representing Betting Duty relief and gaming distributions of \$19m. From August 2024, Offshore Corporate Bookmaker fees will be distributed by a new vehicle to the codes at c.\$23m per annum.
- Distributions and Other payments for FY25 – FY27 represent continued performance levels reflective of the current legislative structure.
- Working capital from FY25-FY27 is reported at a stable positive position (i.e. current assets being higher than current liabilities). This positive working capital, combined with no planned debt, strong cash and net asset position, and stable level of distributions, (before any potential initiatives are implemented) demonstrates a balanced approach in reinvesting in the business and further supporting the racing and sporting communities.

Financial tables

Condensed statement of profit or loss

	Actual	Forecast	Budget	Estimate	Estimate
\$000's	FY23	FY24	FY25	FY26	FY27
Betting turnover	0	0	0	0	0
Gaming turnover	475,078	458,622	450,000	475,000	500,000
Revenue from Strategic Partnership	25,927	152,633	168,593	177,039	185,846
Other revenue	7,004	18,788	11,757	5,278	4,075
Net gaming revenue	27,302	26,447	25,494	26,911	28,327
Total Revenue	60,233	197,868	205,844	209,227	218,248
Turnover related expenses	(1,040)	(1,525)	(1,388)	(23,230)	(405)
Profit Contribution	59,193	196,344	204,456	185,997	217,843
Broadcasting Expenses	(0)	(155)	(0)	(0)	(0)
Communication and technology expenses	(70)	(464)	(588)	(601)	(613)
Premises and equipment expenses	(5,299)	(6,124)	(6,158)	(6,294)	(6,420)
Staff expenses	(551)	(2,551)	(3,298)	(3,370)	(3,437)
Depreciation and amortisation	(1,093)	(1,757)	(2,909)	(2,973)	(3,033)
Other operating expenses	(7,232)	(30,394)	(28,009)	(9,682)	(9,910)
Total Operating Expenses	(14,245)	(41,445)	(40,962)	(22,921)	(23,413)
Net profit from discontinued operations	136,323	0	0	0	0
Net Profit before distributions	181,271	154,899	163,494	163,076	194,430

Distributions

	Actual	Forecast	Budget	Estimate	Estimate
\$000's	FY23	FY24	FY25	FY26	FY27
Distributions from:					
Revenue from strategic partnership & betting net profit	125,205	185,000	185,000	190,135	189,812
Total Distributions from strategic partnership	125,205	185,000	185,000	190,135	189,812
Gaming					
Distributions applied to the racing industry	12,344	15,785	15,000	13,072	13,760
Distributions to sporting external bodies	3,539	3,240	3,107	3,268	3,440
Total Distributions from Gaming Net Profit	15,883	19,025	18,107	16,340	17,200
Net Distributions	141,088	204,025	203,107	206,475	207,012
Betting Duty Relief	14,511	14,256	14,612	14,934	15,232
Offshore Corporate Bookmaker	23,400	22,136			
Total Other Payments	37,911	36,392	14,612	14,934	15,232
Net Distributions and Other Payments	178,999	240,417	217,719	221,409	222,244

Statement of financial position

	Actual	Forecast	Budget	Estimate	Estimate
\$000's	FY23	FY24	FY25	FY26	FY27
Cash and cash equivalents	201,614	131,702	88,789	35,742	32,074
Trade and other receivables	44,571	21,636	22,177	22,665	23,119
Derivative assets	466	0	0	0	0
Other financial assets - current	11,908	30,928	30,928	30,928	16,908
Other current assets	91	94	97	99	101
Current Assets	258,650	184,360	141,991	89,434	72,202
Property, plant & equipment	6,848	10,261	11,088	11,332	11,559
Intangibles	47	38	16	17	17
Derivative assets ¹	15,297	15,297	15,297	15,297	15,297
Other financial assets - non-current	10,581	4,391	3,067	3,134	3,197
Non-current Assets	32,773	29,987	29,469	29,780	30,070
Total Assets	291,423	214,347	171,459	119,215	102,272
Trade and other payables	21,682	6,706	11,449	7,088	7,230
Other financial liabilities	4,760	4,760	4,760	4,760	4,760
Taxes payable	3,132	3,507	3,509	3,586	3,658
Provisions	5,353	3,163	1,604	1,639	1,672
Leases	2,363	2,363	2,363	2,415	2,463
Current Liabilities	37,290	20,499	23,686	19,488	19,783
Leases - non-current	13,168	6,769	5,068	5,179	5,283
Other financial liabilities - non-current	113,447	108,687	103,927	99,167	94,407
Non-current Liabilities	126,615	115,455	108,994	104,346	99,689
Total Liabilities	163,905	135,955	132,680	123,834	119,472
Net Assets²	127,518	78,392	38,780	(4,619)	(17,201)

Note 1

Derivative assets - TAB NZ retains a call option to reacquire the wagering and broadcasting business from Entain NZ. The call option is measured externally at fair value, with a 25 year profile this will be measured annually. Year 1 value is assumed until future valuations are conducted.

Note 2

Net assets- TAB NZ have lifted minimum guaranteed distributions to the codes to \$185m for the next four years to support an immediate uplift in stakes and stimulate wider activity. Funding of amounts above and beyond estimated revenue from the strategic partnership comprises of cash consideration from the first revenue share payment received during FY23 (\$94m). As outlined under key accounting policies, the first revenue share payment is initially recognised as a liability and is subsequently released as revenue over the period of the agreement. The estimated net asset shortfall is a result of timing differences between the release of consideration received to the codes and recognition of revenue received.

Accounting standards

Accounting Policies

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

Please refer to the following information for further details of the accounting policies.

Basis of Preparation

Reporting entity and statutory base

TAB New Zealand (TAB NZ) is a statutory body domiciled in New Zealand and established by the Racing Industry Act 2020.

Statement of compliance

The Act requires that TAB NZ prepare financial statements that comply with generally accepted accounting practice in New Zealand (as defined under the Financial Reporting Act 2013). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standard (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.

Key accounting policies

Distributions

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

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

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

Revenue recognition

In general, revenue is measured at the fair value of the consideration given and is recognised when TAB NZ has satisfied its performance obligation.

Revenue from strategic partnership

Monthly minimum guarantee revenue share

TAB NZ's main source of betting revenue is received from Entain New Zealand Limited (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 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.

First revenue share

TAB NZ received a first revenue share payment of \$94 million in the 2023 year, 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 under the strategic partnership agreement. 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 in the 2023 year. Revenue is recognised over the period of the agreement, for a period of 25 years.

Gaming turnover and net gaming revenue

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.

Net gaming revenue represents the net win or loss to TAB NZ. Net gaming revenue consists of gaming turnover less dividends paid or payable.

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.

Financial assets

Financial assets at amortised cost

Financial assets held at amortised cost comprise cash and cash equivalents, trade and other receivables, term deposits and lease receivables. 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 at fair value through profit and loss (FVTPL)

Financial assets at FVTPL comprise the call option to reacquire the wagering and broadcasting business from Entain NZ at the termination of the agreement or on the occurrence of any of the early termination provisions outlined in the strategic partnership agreement. The call option is measured at FVTPL and subsequently measured at fair value annually. Net gain and losses are recognised in profit and loss.

Accounting Standards

Continued

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis so as to allocate the cost of each asset over its expected useful life (reviewed annually) to its estimated residual value. Refer to the last published *Annual Report* for the estimated useful life of each asset class.

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

Intangible assets

Software intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over the estimated useful lives of the asset and is recognised within 'Depreciation and amortisation' in the profit or loss. The estimated useful life and amortisation method are reviewed annually. Refer to the last published *Annual Report* for the estimated useful life of each asset class.

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

Liabilities from contracts with customers

The co-investment payment and first revenue share payment as described in the revenue recognition section have been initially recognised as liabilities and are subsequently released from 1 June 2023 to revenue under NZ IFRS 15 over the period of the agreement of 25 years.

Financial liabilities

Financial liabilities comprise trade and other payables and leases liabilities. TAB NZ classifies all of its non-derivative financial liabilities as 'financial liabilities 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).

Leases

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

Directory

As at 31 July 2024

Board Members

Anna Stove

Interim Chair (from September 2023)

William (Bill) Birnie CNZM

Wendie Harvey

Raewyn Lovett ONZM

TAB NZ Leadership Team

Nick Roberts

Chief Executive Officer

Jason Fleming

General Manager – Commercial & Finance

Niall Miller

Head of Gaming

Heather Hay

Senior Counsel

Wellington (Head Office)

Level 10, Asteron House

55 Featherston Street

Pipitea

Wellington 5012

PO Box 38899

Wellington Mail Centre

Web: www.tabnz.org

Solicitors

Chapman Tripp

Wellington

Auditors

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

Wellington

Bank

ANZ Limited

Wellington

