

# STATEMENT OF INTENT

2020 - 2023

TAB NEW ZEALAND

# TAB New Zealand

## 2020-2023 Statement of Intent

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*This Statement of Intent for TAB New Zealand (TAB NZ) has been formulated to meet the obligations contained in the Racing Industry Act 2020 and sets out what the organisation intends to achieve over the 2020 - 2023 racing seasons.*

*It has been prepared cognisant of pending changes to the TAB NZ Board and Senior Management and the development of a comprehensive Five Year Plan for the organisation requested by the previous Minister (which is currently underway and due to be completed mid 2021). The understandable delay in the passage of the Racing Industry Act 2020 also had an impact on the preparation of this document and content supplied.*

*All forecasting within this document does not take into account actual trading performance for the 2020/21 Financial Year and instead relies on financial data prepared for the Capital Adequacy review of the TAB conducted in September 2020 by Grant Thornton on behalf of the Government.*

## EXECUTIVE CHAIR SUMMARY

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The proceeds from TAB NZ underpin the livelihood of around 14,000 participants in the racing industry, and support a large number of sporting organisations and grassroots sporting communities. Over the next few years and beyond, the organisation must have a resolute focus on driving greater profits and returns for these stakeholders, while also equally conscious of minimising the risks of problem gambling and underage gambling for customers.

Like many businesses around the world, 2020 has been a year of considerable change for TAB NZ, and the delivery of this document reflects the ongoing disruption of Covid-19 on the organisation. While there are still some outstanding matters to resolve from the reform programme and organisational change initiatives, we have not lost sight of the considerable upside and opportunity ahead.

Current global developments demonstrate the inherent uncertainty in the economic environment at present. As such, our organisation remains vigilant and is prepared for further change at any time.

On behalf of the Board of TAB New Zealand



Dean McKenzie

Executive Chair

# OUR ROLE AND OUTLOOK

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## OUR PURPOSE AND OBJECTIVES

TAB NZ is a statutory body established through the Racing Industry Act 2020 (the Act). For the purposes of this document, 'TAB NZ' and 'TAB' are used interchangeably. The TAB is the sole entity legally able to operate wagering services from within New Zealand. The TAB is also regulated by the Gambling Act 2003, particularly with regard to its Class 4 gaming operation.

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

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

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

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

TAB NZ currently employs approximately 400 staff, operates in around 550 outlets (standalone TABs, and in pubs and clubs), and has a significant digital offering. Over \$2 billion of bets are placed with the TAB every year on racing and sporting events from New Zealand and right across the world.

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

## OUR STATUTORY FUNCTIONS

The new Act also created a more focused set of statutory functions for TAB NZ, as compared with the organisations which preceded it.

Specifically, as outlined in Section 58 of the Act, the functions of TAB NZ are:

- to set, in conjunction with each racing code, the racing calendar for each racing year;
- to issue betting licences;
- to distribute funds obtained from betting to the racing codes;
- to conduct betting, broadcasting, and gaming, and to make rules relating to betting;
- development & implementation of programmes to support the reduction of problem gambling;
- to enter into commercial agreements with each or all of the racing codes or Racing New Zealand (acting on behalf of the racing codes);
- to carry out any other functions conferred on it by or under the Act or any other Act.

The Act also states that, in carrying out its functions, TAB NZ must:

- comply with the principles of natural justice; and
- exhibit a sense of social responsibility by having regard to the interests of the communities in which it operates.

# OUR OPERATING INTENTIONS

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## STRATEGIC OVERVIEW

While the racing reform programme and initial operating period of TAB NZ has been disrupted by the impacts of Covid-19, the general strategic focus of the organisation is still very clear: maximising profits for racing and returns to sport, while appropriately managing risks around problem and underage gambling.

TAB NZ's strategy involves growing its customer numbers and increasing their engagement with products and services. It also involves living up to its obligation to be a trusted provider of gambling services to New Zealand communities by continuing to focus on harm minimisation.

2020 has had a significant impact on the operations of TAB NZ, with major changes across the organisation, including to around one-third of staff who were made redundant due to the impacts of Covid-19. Prioritising its people and rebuilding the culture of the TAB NZ will be a major focus for the organisation through the period of this SOI.

The majority of the material within this section has been developed cognisant of the upcoming changes to the TAB NZ Board and Senior Management and the development of the Five Year Plan (which is already underway). As such, the priorities for the organisation are naturally weighted towards the immediate 2020/21 year.

Our strategy will be advanced through four key areas of focus (subject to finalisation through the Five Year Plan):

1. Supporting the conclusion of the Racing Reform programme;
2. Building Sustainable Foundations for TAB NZ;
3. Driving more Revenue for our Stakeholders; and,
4. Further developing the People and Culture of TAB NZ.

Within each of these areas of focus are a number of new or continuing initiatives the business will be prioritising across the period of this SOI. Some of these initiatives will be solely driven by TAB NZ; the rest will require close collaboration with a broad range of stakeholders.

## STRATEGIC FOCUS

**Supporting the conclusion of the Racing Reform programme** - continue the momentum of the racing reform programme by supporting the Government to conclude outstanding matters

- Supporting the Government to **progress outstanding regulations from the racing reform programme**. There are a number of outstanding regulations (such as Betting Duty Savings, and Point of Consumption) from the reform programme still to be progressed, many of which directly affect the operations of TAB NZ. We will work closely with DIA officials and other stakeholders as these regulations are developed.
- **Contributing to the Government's Review of Online Gambling** in New Zealand. This is an important piece of work which could impact the way gambling is regulated. We will support officials and Ministers through this work by providing analysis and our experience as a key operator within New Zealand's gambling landscape.

**Building Sustainable Foundations for TAB NZ** - implementing plans and processes to ensure the organisation is operating from a strong financial and strategic footing

- Acknowledging upcoming changes to the TAB NZ Board, **work will continue on the Five Year Plan**, which is due mid 2021. This important and timely document will support the development of the business under its new objectives, and provide guidance on the organisation's direction for staff and all external stakeholders.
- Continue **driving changes which ensures TAB NZ operates more sustainably**. Since August, the business has already implemented a number of initiatives to ensure it is more financially sustainable, such as paying the Codes' distribution payments upon actual profit being generated. Going forward, all decisions will continue to be made with a view to increasing the resilience of the racing industry's most important source of revenue.
- The organisation will continue working with the Government to **review the capital adequacy of the TAB**. This process was initiated under the previous Government and will continue under the new Minister for Racing. The outcomes from this work will be considered in conjunction with the development of the Five Year Plan, and is also linked to the ongoing financial stability of the organisation.
- Ensuring that **controls and safeguards are effective in meeting the AML/CFT Act** obligations remains a priority. Building capability, and AML maturity for not only staff but for customers will be a focus, while at the same time, reducing customer impact is paramount to success.

- **Reviewing and implementing Covid-19 contingencies** will continue to be a focus for the organisation while the risk of disruption from the virus remains. More detail on these contingencies is outlined in the following section.

#### Driving Greater Revenue for our Stakeholders -

maximising profit and returns to stakeholders, subject to ensuring we have adequate protections in place for customers.

- There will be a **continual focus on new product and platform development coupled with promotions and good customer experience** to drive overall customer engagement. Same Game Multis, Winsurance and a variety of User Experience enhancements, have already been released. Fixed Odds Exotics is also scheduled to be released early in 2021.
- **Investment in our retail network (particularly retail technology) is an important priority** and will continue through this SOI period. Work has commenced to develop a new retail/oncourse live odds display system to replace legacy retail/oncourse TABTEXT system.
- Work continues to further **improve the safety of our frontline retail staff**, including upgrading physical security equipment (CCTV), trialling new perspex screens and increasing staff security awareness and education.
- As one of the four main providers of gambling services in New Zealand, **ensure the TAB promotes responsible gambling and delivers robust harm prevention standards** that substantially minimise the potential harm associated with what we do.
- Review the gambling landscape both locally and globally, considering new and relevant developments, information, research and standards relating to harm minimisation, looking for **tools to deliver responsible gambling outcomes for TAB customers**.
- Continue to **work closely with racing and sports controlling bodies to ensure integrity is paramount**, and customers can continue to have confidence in TAB NZ's products.
- Focus on operating an efficient and profitable business with **a relentless commercial** approach.

#### Supporting the People and Culture of TAB NZ -

supporting our people and continuing to develop the culture of TAB NZ.

- A comprehensive series of initiatives has been developed by the organisation's senior leadership team aimed at **increasing employee engagement across the business and driving positive outcomes for staff**, including a dedicated engagement council, greater leadership visibility and improved internal communications.
- The Letter of Expectations sets out a clear expectation that **TAB NZ continues to demonstrate it is a good employer**. As such, the organisation has placed particular focus on gender equity and the living wage.

#### KEY RESULTS

1. Supporting the Government to finalise any remaining matters from the Reform of Racing Programme.
2. Continue reshaping the TAB to improve efficiency, be more commercially focused, whilst building a more sustainable financial footing.
3. Realising new revenue streams by ensuring the TAB has a competitive suite of products available to customers.
4. Investing in the retail network to improve customers' experience and increase the safety of staff.
5. Minimising harm by ensuring the TAB delivers robust harm prevention standards, and that the industry has adequately funded racing integrity functions.
6. Maximising profit and thereby distributions to the codes which grows prize-money which pays owners, trainers, jockeys and drivers.
7. Increasing returns to sports and thereby supporting the administration of many sporting organisations across the country.

# MITIGATING THE ONGOING IMPACTS OF COVID-19

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In the *Letter of Expectations* delivered by the previous Minister for Racing, Rt. Hon Winston Peters from August 2020, TAB NZ provided a report on the state of its recovery and contingency planning to Minister Robertson in December 2020. This report is outlined as follows.

The state of its financial recovery is outlined in the Financial Forecasting covered later in this document. This section outlines the mitigants and contingency planning in place, which will help TAB NZ respond in the event of a potential re-emergence of Covid-19.

## BACKGROUND

The initial operational response to Covid-19 under the Racing Industry Transition Agency (RITA) was successfully led by an internal Incident Management Team (IMT). The IMT membership is cross-functional, nationwide and led by a member of the (now) TAB Executive Leadership Team. The IMT meets regularly as required to consider what the virus (and any relevant Covid response measures) means for the business and its people and to determine appropriate steps in response. The IMT remains active and is able to immediately re-engage in the event of a further community outbreak of Covid-19 in New Zealand.

There are two overall variables which will determine how any potential re-emergence of Covid-19 could impact TAB NZ: international or domestic Covid-19 response measures impacting the availability of betting product; and domestic Covid-19 response measures impacting the TAB's network (retail and oncourse) with associated staff impacts.

Any Covid-19 response measures impacting the availability of racing and sporting events is largely out of TAB NZ's control, and the extent of any impacts on the business depend on which events are unavailable. Cancellation of New Zealand or Australian racing, for example, would have a significant impact on TAB NZ (and therefore revenue for stakeholders). However, the likelihood of both Australian and New Zealand racing being simultaneously halted in their entirety, although possible, is unlikely based on outcomes to date. The investment in its betting platform has also enabled us to more easily introduce new betting markets to help (but not totally) mitigate a cessation of more normal product supply.

The diversity in TAB NZ's revenue base will also help to mitigate any potential impacts, with turnover relatively evenly split between sport; domestic racing; and international racing. How sporting bodies across the world have adapted to the challenges of Covid-19

(eg. NBA; NFL; EPL & NRL) also gives more confidence around the sustainability and continuing availability of product than when the pandemic began.

It is important to note however that there remains real risk around possible future distribution to product supply.

TAB NZ's operations during the various Covid-19 Alert Levels earlier this year demonstrated the ability of staff and the business to operate successfully remotely (including broadcasting Trackside television remotely). The obvious exception to this was retail staff and stores (in Alert Level 3 and 4 retail network was closed). While our betting products are able to be sold digitally, unlike major international competitors, TAB NZ doesn't have an online Class 4 gaming operation and therefore this revenue is entirely contingent on whether the TAB Board retail venues are able to open, and therefore is at greatest risk. For context, Net Gaming Revenue was around \$26 million in the last Financial Year.

## OUR CONTINGENCY APPROACH

The high-level structure of TAB NZ's Covid-19 contingency planning is outlined below with most of this work anticipated to form part of the Five Year Plan (due later in 2021).

- **A Leaner Cost Structure** - The impact of Covid-19 necessitated urgent changes to RITA's cost structure, which have been maintained under TAB NZ.

These changes included a significant reduction in around one-third of staff (with an associated reduction in staff costs); no Trackside radio; and changes to Trackside production and presentation. In all, around \$20 million in annual operating expenditure has been removed from the business which going forward will help offset any potential reduction in revenue arising from a future COVID-19 outbreak.

- **Building TAB NZ's Resilience** - The consequences of Covid-19 prompted a rethink of the underlying financial stability of the organisation.

The business has made a number of changes to improve the underlying financial health of the organisation. This includes paying the Codes' distributions once actual profit has been generated...

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- **OUR CONTINGENCY APPROACH (cont...)**

...(currently fortnightly but ultimately not later than the 20th of the month). The Net Cash position has also increased. This has given TAB NZ more financial resilience to manage any potential loss in revenue if Covid-19 re-emerges. The Board has also recently agreed to a repayment of \$5 million of debt.

All this is closely linked to the ongoing work on potential recapitalisation of the TAB which is being led by DIA.

- **Flexibility of Our Staff and Technology Access**
  - Covid-19 alert level challenges demonstrated the organisation's ability to work remotely, successfully.

We have operated the business and have continued to generate significant revenue in varying forms right throughout 2020 due to its ability to offer digital products and the innovative approach taken by its operational teams to maintain continuity of service.

From the Board-level down, we also continue to operate in a manner where we can easily move back to full-time remote operations if needed. This work has been supported by the stable underlying technology of the business, and we have every confidence in the ability to seamlessly transition back, should the need arise.

# FINANCIAL FORECASTS

## CONDENSED STATEMENTS OF PROFIT OR LOSS

	\$M			
	ACTUAL FY20	BUDGET FY21	ESTIMATE FY22	ESTIMATE FY23
BETTING AND GAMING TURNOVER	2,630	2,765	3,010	3,161
NET BETTING REVENUE	264	267	286	299
OTHER REVENUE	79	21	21	21
NET GAMING REVENUE	26	30	30	31
<b>TOTAL REVENUE</b>	<b>369</b>	<b>318</b>	<b>337</b>	<b>351</b>
TURNOVER RELATED EXPENSES	72	66	71	74
<b>PROFIT CONTRIBUTION</b>	<b>297</b>	<b>252</b>	<b>266</b>	<b>277</b>
OPERATING EXPENSES	135	120	117	122
<b>NET PROFIT BEFORE DISTRIBUTIONS</b>	<b>162*</b>	<b>132</b>	<b>149</b>	<b>155</b>
MADE UP OF:				
<b>BETTING NET PROFIT</b>	<b>150</b>	<b>118</b>	<b>127</b>	<b>132</b>
<b>GAMING NET PROFIT</b>	<b>18</b>	<b>21</b>	<b>22</b>	<b>23</b>
<b>RIU COSTS</b>	<b>(6)</b>	<b>(7)</b>	<b>-</b>	<b>-</b>

Note: All forecasting within this document does not take into account actual trading performance for the 20/21 financial year, and instead relies on financial data prepared in a review of the TAB carried out on behalf of the Government in September 2020.

\* note: Net profit before distributions includes \$41.0M from Government Covid-19 support package.

## DISTRIBUTIONS

	\$M			
	ACTUAL FY20	BUDGET FY21	ESTIMATE FY22	ESTIMATE FY23
DISTRIBUTIONS FROM:				
BETTING NET PROFIT	121	118	127	132
BETTING DUTY RELIEF		6	9	10
OFFSHORE CORPORATE BOOKMAKER		9	13	14
<b>TOTAL DISTRIBUTIONS FROM BETTING OPERATIONS</b>	<b>121</b>	<b>133</b>	<b>149</b>	<b>156</b>
GAMING				
DISTRIBUTIONS APPLIED TO THE RACING INDUSTRY	15	17	18	18
DISTRIBUTIONS APPLIED TO RACE FORM PUBLICATION EXPENSES	1	-	-	-
DISTRIBUTIONS TO SPORTING EXTERNAL BODIES	2	4	4	5
<b>TOTAL DISTRIBUTIONS FROM GAMING OPERATIONS</b>	<b>18</b>	<b>21</b>	<b>22</b>	<b>23</b>
GAMING DISTRIBUTIONS APPLIED TO RIU COSTS	(6)	(7)	-	-
<b>TOTAL DISTRIBUTIONS</b>	<b>133</b>	<b>147</b>	<b>171</b>	<b>179</b>

*\*Not shown in the above table is \$6.6m of Government grants received from the Government and passed-through directly to the Codes in FY21.*

*\*Note: Distributions from Betting Net Profit for FY20 includes Betting Duty Relief and Offshore Corporate Bookmaker receipts which were not separately distributed; these receipts were retained.*

## STATEMENT OF FINANCIAL POSITION FOR SOI

	\$M			
	ACTUAL FY20	BUDGET FY21	ESTIMATE FY22	ESTIMATE FY23
CASH AND CASH EQUIVALENTS	54	47	44	39
TRADE AND OTHER RECEIVABLES	7	7	7	7
OTHER FINANCIAL ASSETS - CURRENT	25	27	27	27
OTHER CURRENT ASSETS	3	4	4	4
<b>CURRENT ASSETS</b>	<b>89</b>	<b>85</b>	<b>82</b>	<b>77</b>
PROPERTY, PLANT & EQUIPMENT	71	67	65	64
INTANGIBLES	44	39	40	42
OTHER FINANCIAL ASSETS - NON-CURRENT	3	3	2	2
<b>NON-CURRENT ASSETS</b>	<b>118</b>	<b>109</b>	<b>107</b>	<b>108</b>
<b>TOTAL ASSETS</b>	<b>207</b>	<b>194</b>	<b>189</b>	<b>185</b>
TRADE AND OTHER PAYABLES	28	20	20	20
CUSTOMER BETTING ACCOUNT BALANCES	22	22	22	22
OTHER FINANCIAL LIABILITIES - CURRENT	11	10	10	10
TAXES PAYABLE	5	5	5	5
PROVISIONS	6	6	6	6
<b>CURRENT LIABILITIES</b>	<b>72</b>	<b>63</b>	<b>63</b>	<b>63</b>
BORROWINGS	45	45	45	45
OTHER FINANCIAL LIABILITIES - NON-CURRENT	37	31	27	23
<b>NON-CURRENT LIABILITIES</b>	<b>82</b>	<b>76</b>	<b>72</b>	<b>68</b>
<b>TOTAL LIABILITIES</b>	<b>154</b>	<b>139</b>	<b>135</b>	<b>131</b>
<b>NET ASSETS</b>	<b>53</b>	<b>55</b>	<b>54</b>	<b>54</b>

Note: All forecasting within this document does not take into account actual trading performance for the 20/21 financial year, and instead relies on financial data prepared in a review of the TAB carried out on behalf of the Government in September 2020.

# STATEMENT OF ACCOUNTING POLICIES

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In preparing its annual consolidated financial statements, TAB NZ has adopted accounting policies in accordance with generally accepted accounting practice in New Zealand, as required under the Racing Industry Act 2020 and the Financial Reporting Act 2013 which comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for Tier 1 for-profit entities. The significant accounting policies are discussed below; please refer to the most recent audited financial statements for details of all accounting policies in place.

## **BASIS OF PREPARATION**

### *Reporting entity and statutory base*

TAB New Zealand (TAB NZ) is a statutory body established by the Racing Industry Act 2020. The consolidated financial statements are for TAB NZ and its subsidiaries, Racing Integrity Unit (not included in years 2021 or 2022 due to disestablishment) and the Betting Accounts and Betting Vouchers Trust (together the Group).

### *Statement of compliance*

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

### *Basis of measurement*

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

### *Changes in accounting policies*

All the accounting policies have been applied consistently to all periods presented in the financial statements.

## **KEY ACCOUNTING POLICIES**

### *Distributions*

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

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

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

### *Revenue from contracts with customers*

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

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

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## Turnover

Betting and Gaming Turnover which are measured at the fair value of the consideration received, net of any refunds and rebates, and inclusive of GST. The recognition of turnover are as follows:

- Betting tote turnover is recognised once the outcome of the betting event is confirmed;
- Betting 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; and Gaming turnover is the gross proceeds derived from gaming machines. TAB NZ holds a licence to operate gaming machines issued by the Department of Internal Affairs under the Gambling (Class 4 Net Proceeds) Regulations 2004.

## Dividends

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 revenue 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.

## *Government grants*

Government grants are accounted for depending on their respective terms and conditions consistent with NZ IAS 20, Government Grants. TAB NZ considers the nature and attached conditions for each grant; specifically, whether TAB NZ is a principal or agent in respect of the use/transfer of those funds. Where TAB NZ is the principal, grants are recognised as revenue on a systematic basis depending on the entitlement of TAB NZ to use such funds which is essentially when associated conditions have been satisfied. Where TAB NZ is an agent, the grant is offset against the expense or distribution in the profit or loss. Any unused funds (or those for which underlying conditions of entitlement have not been satisfied) are reported as a liability in the statement of financial position.

## *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash at bank and call deposits with an original maturity of three months or less. They are measured at amortised cost, using the effective interest method.

## *Other financial assets*

Other financial assets comprise trade receivables, terms deposits and funds held in trust; these are initially recognised at their fair value when TAB NZ becomes a party to the contractual provisions of a financial instrument. Initial fair value is considered to be the transaction price of the instrument plus or minus directly attributable transaction costs, except for industry loans.

Subsequent to initial measurement, all debt instrument financial assets are measured at amortised cost, using the effective interest method.

Financial assets are assessed for impairment and a corresponding impairment loss is reported in profit or loss if the carrying value exceeds their recoverable amount.

## *Property, plant and equipment*

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

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.

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

### *Intangible assets*

Broadcasting licences, software and other intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over the estimated useful lives of the asset and is recognised within 'Depreciation and amortisation' in the profit or loss. The estimated useful life and amortisation method are reviewed annually.

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.

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

### *Financial liabilities*

Financial liabilities include borrowings and leases (see below). TAB NZ classifies all of its non-derivative financial liabilities as 'financial liability measured at amortised cost' category. At initial recognition, these are measured at fair value less transaction costs that are directly attributable to the issue of the instrument. Subsequently, these are carried at amortised cost using the effective interest method. Any gains or losses arising on derecognition as well as any interest expense incurred from these financial liabilities are reported in profit or loss (unless capitalised as part of the cost of borrowing to fund a qualifying asset).

### *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

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## **BOARD MEMBERS** (as at 22 January 2021)

Dean McKenzie - Executive Chair

Bill Birnie CNZM

Liz Dawson MNZM

Kristy McDonald ONZM QC

Anna Stove

Sir Peter Vela KNZM

## **LEADERSHIP TEAM** (as at 22 January 2021)

Dean McKenzie - Executive Chair

Edward Rennell - General Manager Broadcasting and Operations (Acting)

Jessica Meech - General Manager Corporate and Governance Services

Sam Moncur - General Manager Finance

Simon Thomas - General Manager Betting & Product (Acting)



106 -110 Jackson St, Petone 5012

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