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**Annual Report 2020**

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**The Racing Industry Transition Agency (RITA) was established by the Racing Reform Act 2019 to support the reform of the New Zealand racing industry.**

**The reform process was initiated by the former Racing Minister Rt Hon Winston Peters in 2018 when he appointed Australian Racing Administrator John Messara AM to review the racing industry. TAB NZ was established as the successor to RITA with the passage of the Racing Industry Act 2020 on 1 August 2020.**

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**5** Racing Industry Bill introduced into Parliament.

**12** First Reading of the Racing Industry Bill in Parliament with Bill referred to Transport and Infrastructure Select Committee.

**18** Chief Executive John Allen leaves after 5 years at the NZRB and RITA. Dean McKenzie becomes Executive Chair while a new appointment is sought.

**21** RITA holds industry roadshows to talk with participants about the Racing Industry Bill.

**24**

**2** TAB is down most product due to global impact of Covid-19. Work on revised 2019/20 racing calendar begins.

**21** A proposed revision of the racing calendar for remainder of the year is released taking into consideration Covid restrictions.

**24** After submissions by the industry, racing receives initial Government approval to be able to train, trial and hold meetings under strict protocols.

**27** New Zealand moves down to Alert Level 3 restrictions.

**3** Racing Minister confirms that terms for the directors of RITA have been extended to 30 June 2021.

**10** Racing Industry Bill reported back from the Select Committee to the House with recommended changes.

**20** Thoroughbred Racing hold first race meeting after Level 4 lockdown.

**24** Racing Industry Bill passes all remaining Parliamentary stages with unanimous support across the House.

**26** FY21 Budget confirmed showing distributions to be held at FY20 levels enabling pre-Covid-19 stakes to be maintained.

**30** Racing Industry Bill receives Royal Assent, passing into law. All members of the RITA Board become the transitional Board of TAB NZ until new appointments can be made.

JULY    AUGUST    SEPTEMBER    OCTOBER    NOVEMBER    DECEMBER    JANUARY    FEBRUARY    MARCH    APRIL    MAY    JUNE    JULY

**1** New Zealand Racing Board (NZRB) was renamed as Racing Industry Transition Agency (RITA) through amendments to the Racing Act 2003.

**10** RITA Board meet for first time and confirm intention to hold distributions to racing industry at the same level as previous year as per the Minister's Letter of Expectation.

**23** FY20 Budget approved by Board

RITA presents submission on the Racing Industry Bill to the Select Committee.

First confirmed case of Covid-19 recorded in New Zealand.

**13**

**28**

**11** NBA season abruptly suspended after Utah Jazz player was found to have tested positive for corona virus.

**19** Formal Ministerial Briefing on potential impacts of Covid-19 on operations of TAB and racing industry.

**16** A number of business changes at RITA are implemented in response to Covid-19.

**25** New Zealand moves to Level 4 Covid-19 Restrictions for four weeks bringing an immediate stop to all New Zealand racing and sport events.

**1** Final revised 2019/20 racing calendar released.

**5** Greyhound Racing hold first race meetings after Level 4 lockdown – the first professional sport to be operating in New Zealand after Level 4 restrictions were lifted.

**12** Racing Minister announces \$72.5 million support package for the TAB and New Zealand racing.

**15** Revised 2020/21 racing calendar issued for consultation with no racing at 14 venues which had been previously allocated dates in the pre-Covid-19 draft 2020/21 calendar.

**26** RITA confirm a reduction of 230 roles, around 30% of staff, across all areas of the TAB due to impacts of Covid-19.

**28** Harness Racing hold first race meeting after Level 4 lockdown.

**3** Final 2020/21 racing calendar issued with more than 1,000 race meetings at 51 venues throughout New Zealand.

# The year in review

- Racing Reform
- Business
- Covid-19 and Racing

# A year like no other

The 2019/2020 racing season will surely go down as one of the more eventful and significant in our sport's long and rich history.

## From the Executive Chair



### Executive Chair Report

The 2019/20 racing season will surely go down as one of the more eventful and significant in our industry's long and rich history. The season started with the continuation of the racing reform programme, was interrupted by a global pandemic which threatened to push the industry over the rail, and finished with political consensus breaking out over the Racing Industry Act.

From a business perspective, performance was really a game of two halves. Management accounts for the first six months showed an improvement against the same period last year, but were marginally down against Budget. However, the second half of the year was dominated by the impact of Covid-19, with the industry and TAB requiring a support package to assist cashflow to ensure it could manage the impact of Covid-19.

Throughout the course of the year, the Board was focused on ensuring all decisions were ultimately aimed at supporting the viability of the racing industry, and despite the challenges, \$152.3 million was distributed or paid to Racing and Sport. This included \$137.6 million distributed to the Codes, Clubs, and Integrity Bodies. A further \$14.7 million was returned to the sporting community over the course of the year.

### Objectives of the Racing Industry Transition Agency

The Racing Industry Transition Agency (RITA) formally came into being on the first day of the Government's 2019/20 Financial Year with the passage of the Racing Reform Act 2019 and the dissolution of the New Zealand Racing Board (NZRB). Members of the Ministerial Advisory Committee (MAC), which was established to support the Minister with the reforms, were all appointed to form the Board of RITA, along with the additional appointment of Anna Stove.

The purpose and priorities of the organisation were clearly set out through the legislation and subsequent Letter of Expectations from the Racing Minister, and it was these two documents which formed the guiding direction of the Board's agenda and priorities over the course of the year.

The Racing Reform Act amended the Racing Act 2003 and gave RITA a new legislative objective in addition to carrying over the NZRB's existing objectives. This was to 'reform New Zealand racing in a manner that supports effective governance and improves industry sustainability.' RITA also gained an additional legislative function, 'to lead and manage the reform of New Zealand racing during the transition period.'

The changes to the Act also enabled the Minister to set out more detailed priorities in a formal Letter of Expectations. Included in the Minister's letter was his expectations that RITA would:

- work with the Department of Internal Affairs (DIA) to develop the second Racing Reform Bill and implement the regulations enabled by the Racing Reform Act 2019;

## Executive Chair Report continued

- deliver on the Government's intentions by taking decisions in the commercial interests of the industry;
- see through the work started by the MAC, including assessment as to whether TAB betting, broadcast, and gaming operations could partner in a joint venture or other arrangement; and,
- further maintain the current level of funding to the Codes as a baseline while avoiding any deterioration of the balance sheet.

### The Messara Report and Racing Reform

The introduction of the final piece of legislation in the reforms, the Racing Industry Bill, was preceded by a period of policy development led by officials at the Department of Internal Affairs, and through which RITA had the opportunity for some limited input.

The Minister had clear expectations about the delivery of the final Bill during that term of Parliament and therefore it was necessary for the policy development process to be expedited by DIA.

The Bill was introduced into Parliament on 5th December, and after its First Reading on 12th December, it was referred to the Transport and Infrastructure Select Committee for consideration. In the end, almost 1,000 participants and other affected parties made a submission to the Select Committee.

After disseminating our initial views on the Bill to the industry in late December, we set out on a series of industry roadshows in January, ranging from Invercargill to Pukekohe. The roadshows were extremely well-attended with standing room only at each stage, and the conversations with participants were predictably robust.

As stated publicly by the Minister, the Select Committee was given relative latitude to genuinely consider submissions from the industry and recommend whatever changes they thought necessary in order to improve the drafting of the Bill. Our submission to the Select Committee was one of the first, and just one of many oral submissions from industry participants and organisations.

### The Impact of Covid-19

On 28 February, and only almost a fortnight since our presentation to the Select Committee, the first confirmed case of Covid-19 was recorded in New Zealand. In just under a month from this point, the country was in full lockdown, with the immediate cessation of all domestic racing and sport throughout the country. The lockdown also brought to a temporary halt the consideration of the Racing Industry Bill.

Not long after the first case of Covid-19 in New Zealand, we began to make a number of initial decisions to help shelter the business against the potential impacts of the virus. This included the suspension of Trackside Radio and presenter-led Trackside shows. These decisions were not made lightly, but were necessary in order to maximise available distributions to the industry.

All decisions were made on an assessment of what cost reductions had the lowest revenue risk - in other words, whether we could remove costs without significantly impacting revenue. However, these initial changes only went so far, and in the days leading up to the lockdown, it was evident that we would also need to formally brief the Minister on the potentially catastrophic implications of the virus on the business and wider industry.

In this briefing to the Minister we outlined a range of scenarios of the potential impact of Covid-19 on the TAB business and broader industry. The worst case scenario saw the cessation of New Zealand and Australian racing, major sport, and the closure of gaming machines in TAB stores (effectively eliminating all revenue). Our forecasting suggested such a scenario would see payments to industry stop and the TAB come under immediate cash pressure. At the time, this scenario was the most likely we were facing.

The less-severe scenarios were nevertheless still incredibly serious for the business, and soon began to eventuate. By April the TAB was already down significant amounts of product for customers, and the remaining product included many atypical sporting markets, such as Eastern European Table Tennis.

As is well-documented, prior to Covid-19, the business was at the peak of its investment cycle and before any returns on those investments were fully materialising. Furthermore, the cash reserves of the organisation had been progressively reduced over a long period of time by distributing around \$50 million more than was earned. This left little 'fat' to weather the forecasted cash losses. It was clear the business and the wider industry needed Government support. In this respect, we were not unlike other businesses across the country who were seeking assistance from the Government or their shareholders.

Significant detail was provided to officials to support the case for Government support for the industry. The Crown also appointed external consultants to undergo a detailed scrutiny of steps that the business had taken in response to the virus, and after ratifying the case for intervention, advised Cabinet on options for supporting the industry.

## Executive Chair Report continued

Three factors which supported the running of the TAB during this time were:

- first, the continuation of Australian racing through lockdown which provided some product for our customers and much needed cashflow for the business;
- second, the ability and resourcefulness of TAB personnel and technology to be able to operate from home – keeping Trackside going, the betting platform running, and opening new betting markets for customers;
- and finally, the Government's \$72.5 million support package for the racing industry, which was led by the Racing Minister. Included in this support package was also \$20 million for the construction of artificial tracks at Awapuni and Riccarton and \$2.5 million for DIA to fast track work on online gambling revenue, and address loss of revenue impacts on community and sport groups..

During the lockdown, much work was also underway to enable the industry to be able to train, trial and race under Level 3 and beyond. There was no textbook for this work for the industry or officials, and as other sports were being given indications they wouldn't be able to operate until at least Level 2, it wasn't immediately clear we would be successful in our request.

However, ultimately the Government accepted the industry's position that racing's ability to self-regulate through Rules of Racing and self-police through the RIU and JCA meant the industry could resume operations safely. When greyhounds were first out of the box to start racing on 5 May, they became the first professional sport in New Zealand to resume post-lockdown.

We are grateful for the work of staff from the Codes in preparing their detailed protocols, and for the consideration of officials from DIA, Primary Industries, and Worksafe during this time. The resumption of New Zealand racing was not only a great relief for the business and the industry, but a welcome return for our customers as well.

The industry should be applauded for the way they all responded to one of the greatest disruptions in our sport's history. The way in which participants reacted and adapted to change was the reason why racing was one of the first sports to resume after Level 4 restrictions were lifted.

### Changes at the TAB

Despite the much-needed support package from the Government, the Board were conscious of the need to continue the reforms, and the impact of Covid-19 required us to make more tough decisions in order to put the business on a more sustainable footing. Covid-19 highlighted the serious underlying structural issues within the industry.

In May, the Board confirmed a reduction of 230 roles at RITA which comprised around 30 percent of staff. A number of other changes were also made, including: not resuming Trackside Radio or Phonebet, and changes to Trackside production and presentation with a reduced number of cameras and presenters continuing to operate from the studio and not be on course.

The changes meant that a large number of incredibly talented, experienced and committed people left the business. These were people who have delivered so much to our customers and the wider racing industry over many years. These were difficult decisions, but were made out of necessity to ensure that returns to stakeholders were at least maintained at pre-Covid-19 levels to mitigate the ongoing economic impact of the pandemic.

### Racing Industry Act 2020 and the Future

As Parliament resumed through the later stages of Alert Levels, so too did the Select Committee's consideration of the Racing Industry Bill. Ultimately, the Select Committee recommended a number of changes to improve the Bill. These changes included:

- **establishing Racing NZ immediately**, rather than through regulation;
- **removing aspects of the Bill which involved Intellectual Property**, instead leaving this to be resolved between TAB and the Codes;
- **changes to the venue provisions of the Bill** to help ensure smaller Clubs were adequately consulted and considered through the process; and,
- **changes to the offshore charges regime of the Bill** which enables the industry to more easily strike commercial agreements with offshore bookmakers without Government intervention.

The third and final reading of the Bill saw it being passed without objection from any political party. RITA and the Codes also issued a joint statement in support of the Bill. Having such a broad consensus on legislation is rare, and will almost certainly mean the underlying framework of the industry is sustainable and enduring.

With the Act coming into force on 1 August 2020, the organisation has turned its attention to its new clear objectives of being a commercially-focused betting operator. There are still some residual aspects of the reform programme (such as regulations) which the business will support over the next financial year. The Board of RITA was also named as the transitional Board of TAB NZ until the incoming Government can make new appointments.

### Business Highlights

As outlined in the half-year results, our final-year financial performance was dominated by the impact of Covid-19. Total Turnover (Betting & Gaming) for the year \$2,630 million, which was \$141 million (-5%) below last year and \$566 million below budget (-18%). This is largely down to the reduction and removal of many racing and sporting events due to Covid-19.

Gaming turnover was also impacted by Covid-19 with a decline of -10% to \$461 million (-\$52 million) despite successful TAB refurbishments and EGM conversions. This was due to the Covid-19-related site closures with no activity in April and reduced activity in March and May, corresponding to the differing lockdown restrictions over that period.

Total Revenue, excluding the Government support funding, of \$329 million is \$19 million (-6%) below last year for reasons previously highlighted.

## Executive Chair Report continued

Turnover related expenses increased by \$3 million (+4%) against last year, despite lower turnover. Performance included \$2 million of additional funding to National Sports Organisations, agreed as part of the Government support funding package. A \$4 million increase in overseas racing rights and revenue share agreements offset the savings achieved in other cost categories. Operating expenses declined year on year (saving \$5 million or 4% against budget) which includes a reduction of \$7 million in staff expenses.

### Acknowledgements

My sincere thanks go to the former Minister of Racing, Rt. Hon Winston Peters, and also to his office. It is not an overstatement to say such a large reform programme would not have been possible without the untiring commitment of the Minister and the Government. The industry is eternally grateful for his leadership.

I would also like to thank officials from the Department of Internal Affairs for their contribution to the reforms, and also the Transport and Infrastructure Select Committee for their consideration of the Racing Industry Bill.

Thanks are also due to the RITA team who were able to keep the wheels of commerce turning and enable us to continue supporting the industry through these very trying times. Special thanks are also due to my fellow Board members for their efforts and insights. I'd also like to acknowledge Campbell Moncur who sadly passed away during the reform programme. Campbell served the racing industry for many years at every level, and was a valuable and respected contributor to the development of the reforms.

And finally, I would like to acknowledge and thank the entire racing industry. At many times through the year, feedback from the industry has been robust. I put this down to the overwhelming passion through which participants approach the sport they love, combined with demands of such a comprehensive reform programme. It is this passion which fuels the industry, and it has been a great privilege to be able to serve the sport I've been involved in my whole life through this time.

This year will go down as a year like no other. Yet, through it all, the new foundations for the industry are now firmly set. However, we are by no means in the home straight. As you'll all be aware, the TAB's new mandate under the new Act has a specific focus on betting. There are now new legislative levels available for the industry, and it's over to them to finish off the job. We will probably never have another opportunity for this amount of substantial change – the industry must grasp this last chance to secure a sustainable future.



**Dean McKenzie**  
Executive Chair

## Status of recommendations from John Messara's review of the New Zealand Racing Industry

Recommendation	Outcome
NZRB becomes Wagering NZ (TAB NZ) with racing responsibilities transferring to the individual Codes	●
Establish Racing NZ	●
Change the composition and qualifications for directors of regulatory bodies	●
Performance and Efficiency Audit of the NZRB	●
Amend the Section 16 distribution formula of the Racing Act 2003 to a more equitable basis for fixed 10-year terms	●
Initiate a special review of the structure and efficacy of the RIU and allied integrity bodies	●
Begin negotiations for the outsourcing of the TAB's commercial activities	●
Seek approval for a suite of new wagering products to increase funding for the industry.	●
Confirm the assignment of Intellectual Property (IP) by the Clubs to the Codes (confirmed to wagering operator)	●
Introduce Race Field and Point Of Consumption Tax legislation expeditiously	●
Repeal the existing betting levy	●
Clarify legislation to vest Race Club property and assets to the Code regulatory bodies for the benefit of the industry as a whole	●
Reduce the number of thoroughbred race tracks from 48 to 28 tracks	●
Upgrade the facilities and tracks of the remaining racecourses	●
Construct three synthetic all-weather tracks at Cambridge, Awapuni & Riccarton	○
Introduce robust processes to establish traceability from birth and the re-homing of the entire thoroughbred herd	○
Increase thoroughbred prize money gradually to over \$100 million per annum	○

### Legend

- Successfully concluded either legislatively or operationally
- Principle objective of recommendation retained but implemented in a different manner
- Either underway or contingent on completion of other recommendations

Supporting the business to become more resilient to the ongoing impacts of Covid-19

## A change to RITA's Operating Model

### The Disruptive Effect of Covid-19

Like most businesses around the globe, RITA was not immune to the disruptive effects of Covid-19. While New Zealand is progressively returning to a sense of normality, the international impacts of the virus are still significant and most businesses are adapting their operating models to the 'new normal' of Covid-19 restrictions.

For RITA, this new operating model was expedited due to necessity. Initial changes (implemented before Level 4 Lockdown) included a freeze on non-essential expenditure, and staff taking unpaid leave.

Final changes implemented by the business included:

- **a reduction in 230 roles** - representing about 30 percent of all roles at the organisation;
- **a streamlined broadcasting business** delivering quality, no-frills presentation of racing focused on betting with reduced programming, limited camera coverage in certain circumstances and reduction of oncourse presenters (with the exception of supporting marquee events) and not resuming Trackside radio after its earlier suspension;
- **no longer offering the Phonebet betting** service (Touchtone remains) and transitioning away from providing manual, oncourse, betting facilities;
- **the closure of four retail branches** plus further review planned in October 2020;

While many of the decisions made over the course of the year were difficult, they were made with the objective to support the business becoming leaner, more efficient and with increased commercial and customer focus. This new operating model should also support the business to become more resilient to the ongoing impacts of Covid-19, and any other unforeseen issues.

## The Board



Dean McKenzie



Anna Stove



Bill Birnie  
CNZM



Kristy McDonald  
ONZM QC



Liz Dawson  
MNZM



Sir Peter Vela  
KNZM

### Covid-19 and Responsible Gambling (RG)

Covid-19 caused significant disruption for all New Zealanders, but the well-being of our customers was particularly front of mind for the organisation. In addition to our existing framework, RITA formulated and implemented a specific responsible gambling approach to the Covid-19 crisis which responded in real time and at a local level. This approach included:

- **A messaging approach** that centred on asking all customers to 'check in' on their situation as a result of Covid-19, and to consider if their circumstances had changed, and if they needed to reconsider their betting behaviours;
- **Tailoring and promoting an account suspension** process that was specific to the New Zealand Government's Alert Levels;
- **Working with local providers** to ensure customers had accurate information about gambling help services, and how they would be operating during New Zealand's various alert levels.

As Covid-19 developments continue, TAB NZ will constantly assess any responsible gambling implications for our customers, and implement approaches cognisant of the unprecedented disruption the virus has caused for so many.

## Responsible Gambling

Although most New Zealanders gamble without experiencing any harm, a small minority who participate do suffer some degree of harm, and for them the impacts of this can be significant. RITA maintained the following core self service tools which gave our customers immediate access to different methods to help stay in control of their gambling. These tools are continued under TAB NZ from 1 August 2020.

- **Set Your Limits**

This is accessible at all times through the account dashboard – account customers are able to set specific spending limits across a defined period. A mandatory ‘cool down’ period applies before these limits can be increased or removed.

- **Increasing/Decreasing Limits**

Set limits cannot be increased without triggering a mandatory stand down period. These periods are designed to ensure customers cannot act on an impulsive decision to increase or remove a set limit. Daily limits trigger a mandatory 24 hour stand down. Limits greater than a day will trigger a mandatory 7 day stand down period. Conversely, limits placed on an account can be lowered at any time.

- **Take a Break**

Also accessible at all times through the account dashboard – account customers are able to elect to ‘take a break’ from their TAB account for a specified period. Where a customer elects to take a break, they will not be able to access their account for the break period or place any bets through their account. When a customer elects to take a break, their TAB Account will automatically be converted to ‘No Promotion Material’ for the duration of that break period. Additionally, customers can elect to unsubscribe from receiving TAB promotional material without needing utilising the Take a Break feature.

- **TAB Account Only Exclusion**

A customer may elect to exclude themselves from being able to access and operate their own TAB Account.

- **Multi Venue Self Exclusion Programme**

RITA runs a retail exclusion programme for both its Class 4 (Pokie Machine) and TAB wagering sites. The exclusion programme allows customers to block themselves from entering and gambling at any TAB venues in the country.

### Work in Anticipation of Our New Obligations

The passage of the Racing Industry Act 2020 into law resulted in several significant changes for TAB NZ in relation to responsible gambling. The following provision was inserted into section 3 of the Act, ensuring that one of the five core purposes of the Act is to:

### Prevent and minimise harm from gambling conducted under it, including harm associated with problem gambling.

Additionally, TAB NZ’s objectives under section 57 to maximise profits for the long-term benefit of New Zealand racing is now subject to ensuring that risks of problem gambling and underage gambling are minimised.

These changes represent the elevation of TAB NZ’s responsible gambling obligations and appropriately recognise the on-going and increasing importance of ensuring that, as part of its social licence to operate, TAB NZ gives regard to the impact or potential impacts of its products on all of those who interact with them.

In anticipation of these changes, RITA commenced work in 2019 to develop a revised strategy regarding responsible gambling. The strategy focused on the following key areas:

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

This resulted in the implementation of various additions to the responsible gambling programme during FY19/20 including:

- **two technology trials** (advanced in-store facial recognition, and a concept gaming room sweep staff verification tool) aimed at making the gambling environment safer;
- **introduction of a revised responsible gambling messaging** programme (TAB NZ’s ‘Has the Fun Stopped – Take a Time Out’ campaign) – supported by significantly increased prominence across various channels (including on the homepage of tab.co.nz, in retail, and within TAB NZ promotional marketing material);
- **reassessment of the online customer join process** to increase the prominence of TAB NZ’s Set Your Limits tool, encouraging all new TAB NZ customers to consider setting an appropriate limit before their first deposit;
- **proactive direct email communications** to all eligible customers (not only those who are at risk, or show signs of potential harm) of responsible gambling tools and information.
- **RITA’s partnership with the Health Promotion Agency** (Choice Not Chance) for Gambling Harm Awareness Week (GHAW) 2019, in which TAB NZ Agreed to promote the Choice Not Chance messaging via TAB NZ’s own social media, retail, and broadcasting channels. Throughout FY2020/21, TAB NZ will continue to build on its responsible gambling programme, looking for further opportunities to secure positive responsible gambling outcomes for all customers.

## Class 4 gaming distributions

Over \$15 million was distributed by RITA from Class 4 gaming at TAB Board venues. These distributions underpin the integrity functions of the racing industry, support infrastructure spending at racing venues, and help grassroots sporting organisations right across the country.

### Highlight: Marlborough Kart Club

Over \$17,000 was granted to the Marlborough Kart Club Inc., Blenheim, towards new crash bags. The club has recently undertaken upgrades to increase safety – including lining the entire track with 71 crash bags, upgrading the flag points, introducing racetrack safety lights and installing cameras to live stream/record races and record training sessions.

Lining the track with crash bags will reduce the severity of impact injuries due to high speed collisions, as the bags will absorb the impact of kart and driver more effectively than hard tyre barriers. Following other funding towards the 71 bags required, RITA was able to cover the cost of the remaining 58 bags to completely line the racetrack.

### Highlight: Gisborne BMX

The Gisborne BMX Club Inc received a \$21,000 grant towards track resurfacing and a new race timing system. Although club volunteers have actively maintained the lime track over the years, some areas were worn beyond repair with clay layers becoming exposed.

As the club is hosting the regional championships in the 2020/2021 season, resurfacing is now required to offer the best surface and the new race timing system will meet the BMX New Zealand requirements to host the championships.

## Corporate Governance Statement

The management of the business and affairs of RITA took place under the direction of its Governing Body. Under Section 11 of the Racing Act 2003, the Minister for Racing appointed a Governing Body of six members (with the Act specifying the skills required of those members).

Each of the members of the Governing Body held office during the transition\* period (\*defined in the Act as commencing on 1 July 2019 and extended by Order in Council to 30 June 2021). The passage of the Racing Industry Act 2020 superseded the transition period with the creation of TAB NZ.

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

### Governing Body responsibilities

The Governing Body met 18 times. Every meeting was subject to a formal agenda and reporting procedures. Agendas were prepared by RITA's Secretary, in conjunction with the Chief Executive Officer and the Chair (until December 2019), or the Executive Chair (from December 2019).

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

### Governing Body committees

The RITA Governing Body formally constituted four committees: the Dates Committee, the Audit and Risk Committee, the Compensation and Development Committee and the Net Proceeds Committee.

These committees supported the Governing Body by considering relevant issues at a detailed level and reporting back to the Governing Body. This reporting generally included the making of recommendations to the Governing Body, except where specific decision-making authority had been delegated to the committee by the Governing Body.

### Executive leadership team

As at 31 July 2020, the Executive Leadership Team comprised:

**Dean McKenzie**

Executive Chair (from December 2019)

**Stephen Henry**

Chief Operating Officer

**Andy Kydd**

General Manager Media and International

**Lou McCrorie**

Head of People

**Simon Mackay**

General Manager Technology

**Glen Saville**

General Manager Betting and Product

**Gary Woodham**

General Manager Customer and Channels

**Jessica Meech**

General Counsel (from February 2020)

**Sam Moncur**

General Manager Finance (from February 2020)

Some members left before the end of the reporting period:

**John Allen**

Chief Executive Office (until December 2019)

**Shaun Brooks**

General Manager Finance (until February 2020)

### Employee remuneration banding equal to or over \$100k

The table below shows the number of employees as at 31 July 2020 of the RITA Group (including Racing Integrity Unit), not being directors, who, in their capacity as employees, received remuneration and other benefits during 2019/20 of at least NZ\$100,000.

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

NZ\$000	2019/20	2018/19
100-110	25	25
110-120	20	21
120-130	24	20
130-140	12	20
140-150	11	10
150-160	14	5
160-170	10	8
170-180	1	6
180-190	3	3
190-200	2	6
200-210	6	0
210-220	0	2
220-230	1	0
230-240	3	0
240-250	0	0
250-260	1	1
260-270	0	2
270-280	0	1
280-290	1	0
290-300	0	0
300-310	0	0
310-320	1	1
320-330	2	1
330-340	0	0
340-350	0	0
350-360	0	0
360-370	0	1
370-380	1	0
380-390	0	2
450-460	1	0
510-520	1	0
690-700	0	1



## Independent auditor's report

To the Directors of Racing Industry Transition Agency

We have audited the financial statements which comprise:

- the statement of financial position as at 31 July 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the accompanying financial statements of Racing Industry Transition Agency (the Agency), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 July 2020, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

### Basis for opinion

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

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

We are independent of the Agency in accordance with 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 and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Information other than the financial statements and auditor's report

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

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

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### Responsibilities of the Directors for the financial statements

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

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

This description forms part of our auditor's report.

### Who we report to

This report is made solely to the Agency's Directors, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Agency and the Agency's Directors, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Maxwell John Dixon.

For and on behalf of:

Chartered Accountants  
30 October 2020

Wellington

# Where the money goes...

**\$2,275M**  
**Winnings and refunds paid out to our customers**



**\$152.3M**  
**Our returns to industry and the community**



**\$135M**  
**The other costs of operating the business**  
*including*  
 Staff Costs  
 Broadcasting  
 Premises & Equipment

**\$59M**  
**The cost of providing products to customers**  
*including*  
 Retail Fees  
 Imported Racing Rights  
 Advertising and Promotions

**\$64M**  
**Taxes and Duties to the Government**  
*including*  
 GST  
 Duty  
 Problem Gambling Levy

\*Does not include other revenue received through the reporting period.

Note: this graphic has been generalised for illustrative purposes. Please refer to the financial statements for detailed information on each item.

## Financial statements

### Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 July 2020

	Note	2020 \$000	2019 \$000
Betting and gaming turnover	5c	2,630,027	2,771,211
<b>REVENUE</b>			
Net betting revenue	5d	264,431	273,294
Net gaming revenue	5e	26,265	29,004
NZ racing shown overseas revenue	5b	19,479	21,833
Other revenue	5f	18,422	23,891
Government grants	6	40,976	–
<b>TOTAL REVENUE AND OTHER INCOME</b>		<b>369,573</b>	<b>348,022</b>
<b>TURNOVER RELATED EXPENSES</b>	7	72,004	69,076
<b>OPERATING EXPENSES</b>			
Broadcasting expenses		8,444	9,219
Communication and technology expenses	8a	27,580	26,089
Premises and equipment expenses	8b	6,987	14,323
Staff expenses	8c	54,427	61,503
Depreciation and amortisation	16, 17	22,219	16,534
Other operating expenses	8d	15,386	14,578
<b>TOTAL OPERATING EXPENSES</b>		<b>135,043</b>	<b>142,246</b>
<b>TOTAL EXPENSES</b>		<b>207,047</b>	<b>211,322</b>
<b>NET PROFIT BEFORE DISTRIBUTIONS</b>		<b>162,526</b>	<b>136,700</b>
Distributions from betting	4	121,460	151,540
Distributions from gaming	4	9,390	10,458
Provision for undistributed gaming surplus	20	3,069	2,963
<b>NET PROFIT / (LOSS) AFTER DISTRIBUTIONS</b>		<b>28,607</b>	<b>(28,261)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Movement in fair value of cash flow hedges*		(296)	(333)
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>		<b>28,311</b>	<b>(28,594)</b>
<b>Total other comprehensive loss attributable to:</b>			
RITA reserves		28,345	(28,521)
Non-controlling interests in RIU		(34)	(73)
		<b>28,311</b>	<b>(28,594)</b>

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

### Statement of Changes in Equity

For the year ended 31 July

	Attributable to RITA		Attributable to non-controlling interest in RIU	TOTAL GROUP EQUITY
	General reserve	Hedging reserve		
	\$000	\$000	\$000	\$000
<b>Balance as at 1 August 2018</b>	<b>52,886</b>	<b>357</b>	<b>214</b>	<b>53,457</b>
Net loss after distributions	(28,188)	–	(73)	(28,261)
Other comprehensive (loss)	–	(333)	–	(333)
<b>Balance as at 31 July 2019</b>	<b>24,698</b>	<b>24</b>	<b>141</b>	<b>24,863</b>
Net profit after distributions	28,641	–	(34)	28,607
Other comprehensive (loss)	–	(296)	–	(296)
<b>Balance as at 31 July 2020</b>	<b>53,339</b>	<b>(272)</b>	<b>107</b>	<b>53,174</b>

### Statement of Financial Position

As at 31 July 2020

	Note	2020 \$000	2019 \$000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10	54,120	10,487
Trade and other receivables	11	7,208	7,664
Other financial assets	18	24,596	25,000
Other assets	12	3,275	5,866
<b>TOTAL CURRENT ASSETS</b>		<b>89,199</b>	<b>49,017</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	16	70,866	39,947
Intangible assets	17	44,296	45,727
Other financial assets	18	2,675	937
Other assets	12	538	866
<b>TOTAL NON-CURRENT ASSETS</b>		<b>118,375</b>	<b>87,477</b>
<b>TOTAL ASSETS</b>		<b>207,574</b>	<b>136,494</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	28,031	35,120
Customer betting account deposits and vouchers	14	22,137	23,374
Derivative liabilities		295	46
Liabilities from contracts with customers	15	3,286	3,068
Provisions	20	6,020	2,838
Taxation payable		5,431	4,969
Lease liabilities	24	6,900	386
<b>TOTAL CURRENT LIABILITIES</b>		<b>72,100</b>	<b>69,801</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	19	45,000	35,000
Lease liabilities	24	35,291	1,973
Other financial liabilities	19	1,513	1,386
Provisions	20	496	3,471
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>82,300</b>	<b>41,830</b>
<b>TOTAL LIABILITIES</b>		<b>154,400</b>	<b>111,631</b>
<b>TOTAL EQUITY</b>		<b>53,174</b>	<b>24,863</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>207,574</b>	<b>136,494</b>

The Board members of TAB New Zealand have authorised these financial statements for issue on 29 October 2020.



Dean McKenzie  
Executive Chair



Bill Birnie  
Chair of the Audit and Risk Committee

## Financial statements continued

### Statement of Cash Flows

For the year ended 31 July 2020

	2020 \$000	2019 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>INFLOWS</b>		
Betting and gaming turnover	2,630,027	2,766,212
NZ racing shown overseas	19,479	36,204
Government grants	45,277	–
Other revenue	18,021	14,217
Jackpot retentions and account deposits (net)	–	2,161
<b>TOTAL INFLOWS FROM OPERATING ACTIVITIES</b>	<b>2,712,804</b>	<b>2,818,794</b>
<b>OUTFLOWS</b>		
Betting and gaming dividends paid	(2,275,044)	(2,394,794)
Betting and gaming duty paid	(15,743)	(23,600)
Taxes and levies	(48,191)	(48,875)
Jackpot retentions and account deposits (net)	(1,237)	–
Payments to national sporting organisations	(12,681)	(10,572)
Payments for employee benefits	(55,811)	(61,450)
Payments to suppliers	(123,561)	(117,713)
<b>TOTAL OUTFLOWS FROM OPERATING ACTIVITIES</b>	<b>(2,532,268)</b>	<b>(2,657,004)</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>180,536</b>	<b>161,790</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>INFLOWS</b>		
Interest received	793	1,130
Repayment of industry loans	848	3,168
<b>TOTAL INFLOWS FROM INVESTING ACTIVITIES</b>	<b>1,641</b>	<b>4,298</b>
<b>OUTFLOWS</b>		
Purchases of intangible assets	(8,103)	(22,754)
Purchases of property, plant and equipment	(3,398)	(11,946)
<b>TOTAL OUTFLOWS FROM INVESTING ACTIVITIES</b>	<b>(11,501)</b>	<b>(34,700)</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(9,860)</b>	<b>(30,402)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>INFLOWS</b>		
Drawdown of borrowings	10,000	25,000
<b>TOTAL INFLOWS FROM FINANCING ACTIVITIES</b>	<b>10,000</b>	<b>25,000</b>
<b>OUTFLOWS</b>		
Interest paid on borrowings	(550)	(637)
Distributions to the racing codes	(117,364)	(149,573)
Distributions to the racing industry (TRLP)	(1,676)	(2,927)
Gaming distributions for racing industry costs	(10,221)	(5,701)
Gaming distribution to external bodies	(2,039)	(4,113)
Repayment of leases and associated interest	(5,915)	(351)
<b>TOTAL OUTFLOWS FROM FINANCING ACTIVITIES</b>	<b>(137,765)</b>	<b>(163,302)</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(127,765)</b>	<b>(138,302)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>42,911</b>	<b>(6,914)</b>
Cash and cash equivalents as at the beginning of the period	10,487	17,701
Foreign exchange loss on cash and cash equivalents	722	(300)
<b>CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD</b>	<b>54,120</b>	<b>10,487</b>

Reconciliation of net profit to net cash flows from operating activities

	2020 \$000	2019 \$000
<b>NET PROFIT/(LOSS) AFTER DISTRIBUTIONS</b>	<b>28,607</b>	<b>(28,261)</b>
<b>NON-CASH ITEMS</b>		
Depreciation and amortisation expense	22,219	16,534
Increase in provision for doubtful debts	235	(407)
Impairment	–	56
Other non-cash items	95	(86)
<b>TOTAL NON-CASH ITEMS</b>	<b>22,549</b>	<b>16,097</b>
<b>ITEMS CLASSIFIED AS INVESTING/FINANCING ACTIVITIES</b>		
Net gain / (loss) on sale of property, plant and equipment	(295)	(5)
Net interest (received) / paid	1,337	(480)
Distributions Paid	133,919	164,961
<b>TOTAL ITEMS CLASSIFIED AS INVESTING/FINANCING ACTIVITIES</b>	<b>134,961</b>	<b>164,476</b>
<b>MOVEMENT IN CURRENT ASSETS</b>		
Trade and other receivables	456	(694)
Other current assets	1,189	2,841
<b>TOTAL MOVEMENT IN CURRENT ASSETS</b>	<b>1,645</b>	<b>2,147</b>
<b>MOVEMENT IN LIABILITIES</b>		
Trade and other payables	(6,856)	6,500
Customer betting account deposits and vouchers	(1,237)	(2,045)
Liabilities from contracts with customers	218	321
Taxation payable	462	1,371
Provisions	187	1,184
<b>TOTAL MOVEMENT IN CURRENT LIABILITIES</b>	<b>(7,226)</b>	<b>7,331</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>180,536</b>	<b>161,790</b>

## Notes to the financial statements

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 the Racing Industry Transition Agency.

### 1. Basis of preparation

#### Reporting entity and statutory base

The Racing Industry Transition Agency (RITA) is a statutory body established by the Racing Act 2003 (as amended) to replace the New Zealand Racing Board as at 1 July 2019. The Act requires that RITA prepare financial statements that comply with generally accepted accounting practice (GAAP) in New Zealand (as defined under the Financial Reporting Act 2013).

RITA is domiciled in New Zealand.

The principal objectives of RITA as outlined in the Racing Act 2003 (as amended) are:

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

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

#### Statement of compliance

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

#### Basis of Measurement

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

#### Basis of Preparation

The Racing Industry Act 2020 which came into effect on 1 August 2020 provided for the formal establishment of TAB New Zealand ("TAB NZ") and the consequential disestablishment of Racing Industry Transition Agency ("RITA") from 1 August 2020. The Act provides that the assets, liabilities, rights, operations and employees of RITA will be transferred to the TAB NZ upon its formal establishment; refer to note 26 for further discussion on this.

The Directors are of the view that it is appropriate to prepare the financial statements on a going concern basis. This is based on RITA continuing as an economic entity through TAB NZ, acknowledging that it was legally dissolved on the above date, and as common control exists. In addition, the Directors have assessed that there is no impairment in value in respect of the RITA's assets as at 31 July 2020.

### Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 July 2019, except for the adoption of NZ IFRS 16, Leases effective as of 1 August 2019 and the early adoption of its amendment, dated May 2020, as discussed below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### Critical accounting estimates and assumptions

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

### Taxes, duties and levies

RITA is exempt from New Zealand income tax pursuant to section CW 47 of the Income Tax Act 2007. The following taxes, duties, levies and similar charges are paid by RITA:

- Betting duty of 2.67 cents in the dollar on Gross Betting Revenue, reduced to 1.33 cents in the dollar from 1 July 2020
- Gaming machine duty of 20 cents in the dollar on Gross Gaming Revenue
- Problem Gambling levy of 0.52 cents in the dollar on Gross Betting Revenue; and 0.78 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.

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

### Impact of Covid-19

#### Operational impact

In March 2020, the impact of the Covid-19 pandemic resulted in the New Zealand Government issuing a 4-level Covid-19 Alert System to manage the spread of the virus ranging from a level of preparedness (Level 1) to a complete lockdown (Level 4); effective 26 March 2020, Level 4 has been implemented which included restrictions on non-essential activities; as such, domestic racing and sporting activities have been suspended or cancelled (alongside a number of their international counterparts) and temporary closure of RITA's retail outlets resulting in reduced betting and gaming activities. This consequently had a negative impact on RITA's performance and ability to generate cash flow during the period of lockdown.

## Notes to the financial statements continued

### 1. Basis of preparation – continued

The Government updated the Alert System from Level 4 to Level 3 effective 28 April 2020 which broadly continued the restrictions in place. However, continued Australian racing resulted in some betting revenue being reported by RITA under these levels. Towards the end of Level 3, domestic racing made its return with greyhound racing commencing from 5 May 2020.

The Government updated the Alert System to Level 2 effective 14 May 2020 which greatly eased restrictions in place. Harness racing made its return with racing commencing from 28 May 2020. May 2020 also saw the start of the return of major sports competitions overseas and consequently started the return of sports betting activity. Major competitions included top tier European football leagues which supplemented the continued performance of niche sports markets such as European tennis and table tennis.

The Government updated the Alert System to Level 1 effective 6 June 2020 which substantially removed the remaining restrictions.

#### Financial impact

As a result of these, betting turnover continued below forecast as a result of the revised scheduling of events domestically and locally however activity shows a trend towards pre-Covid-19 levels.

In order to manage the financial impact of Covid-19, RITA undertook measures including the reduction in its operating and capital costs, application of the wage subsidy, management of the level of outgoings based on level of revenue inflows, negotiating concessions with suppliers and partners, agreeing with the industry a reasonable level of funding for the remainder of the season, and obtained further funding from the Government as part its support package for the racing industry. Excluding the support from the Government, total revenue was \$59.0 million below budget for the year, total operating expenses decreased \$6.0 million against budget due to cost saving initiatives. Consequently, distributions for the year of \$130 million was \$35 million below budget.

#### Impact on assets

RITA has assessed whether impairment exists in its operational assets due to the operational and financial impacts of Covid-19; this included an analysis of determining whether indicators of impairment exists and whether the carrying value of the respective cash generating units (CGU) exceeds their value in use.

RITA identified two material CGUs for which this assessment was performed. The Betting CGU and the Gaming CGU, as the assets under each category do not generate cash / economic benefits on their own but in conjunction with other assets within that category grouping. RITA assessed that this is the appropriate level to use for impairment assessment. Based on this assessment, RITA concluded that the CGUs are not impaired as at 31 July 2020.

#### New Standards adopted

The Group applied, for the first time, NZ IFRS 16, Leases. RITA has applied the practical expedient of not reassessing whether a contract, is or contains, a lease at the date of initial application. Instead, RITA has applied the standard to contracts previously identified as leases under NZ IAS 17 Leases available in the initial adoption of these standards have been used.

### NZ IFRS 16 Leases – impact of adoption

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

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

Lessor accounting is broadly unchanged compared to NZ IAS 17, however, it does impact accounting for subleases.

Previously, operating leases were recognised in profit or loss on a straight-line basis over the lease term, within premises and equipment expenses. Any sublease income was recognised as other income.

#### Transition

NZ IFRS 16 is effective for adoption by RITA from 1 August 2019. The standard has been applied using the simplified transition method, meaning comparative balances are not restated. Furthermore, RITA has elected to utilise the expedience available under this method and transitioned only the contracts identified to contain a lease under NZ IAS 17 as at 1 August 2019; additionally, RITA has not applied NZ IFRS 16 on qualified short-term and low value leases (see below).

#### Recognition and measurement

At the commencement date of a lease, a Right of use (ROU) asset is measured at cost. Lease liability is also recognised at an amount equal to the present value of the lease payments during the lease term that are not paid at that date. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term financial liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Classes of lease contracts determined to be short-term (less than 12 months) in duration or lease contracts with low value underlying asset (i.e., less than \$8 thousand per asset) are recognised on a straight-line basis over the lease term (i.e., these are not recognised in the Statement of Financial Position).

#### Presentation and disclosure

RITA's adoption of NZ IFRS 16 resulted in the recognition of \$42.0 million of Right of use (ROU) assets, \$3.8 million of Lease Receivables and \$45.8 million Lease Liabilities in its Statement of Financial Position as at 1 August 2019. Additionally, the adoption of NZ IFRS 16 impacts the Statement of Profit or Loss in which rent expense (under NZ IAS 17) is replaced by a combination of depreciation of the ROU asset and interest expense on the lease liability; total expense under NZ IFRS 16 is typically higher in the earlier years of the lease and lower in later years due to interest. For the year ending 31 July 2020, of the total expenses recognised related to leases of \$7.0 million (made up of \$5.5 million of depreciation and \$1.5 million of interest) compared to \$6.3 million of rent expense (previously shown under Premises and equipment line in the Statement of Profit or Loss) when accounted for under NZ IAS 17. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities.

Difference between the operating lease commitments of \$23.0 million as at 31 July 2019 and the Lease liability of \$45.8 million recognised at 1 August 2019 is due to the consideration of the right of renewals for property leases. The forecasted obligations are then discounted using the incremental borrowing rate of the leases to determine its present value. Refer to note 24 for details of the carrying value as at 31 July 2020.

## Notes to the financial statements continued

### 1. Basis of preparation – continued

#### Group entities

The financial statements incorporate the assets and liabilities of all entities controlled by RITA as at 31 July 2020 and the results of the operations of such entities for the year. RITA and such entities are together referred to in these financial statements as RITA or the Group.

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

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

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

#### Interest in subsidiaries

	Principal place of business	Reporting date	Interest 2020 %	Interest 2019 %
Betting Accounts and Vouchers Trust	New Zealand	31 July	100	100
Racing Integrity Unit Limited	New Zealand	31 July	25	25

#### Consolidation of Betting Accounts and Vouchers Trust

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

#### Consolidation of Racing Integrity Unit Limited

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

The RIU's operations will be transferred to the Racing Integrity Board (RIB) during FY21 as provided under the Racing Industry Act 2020; refer to note 26 for further details.

### 2. Underlying operating profit reconciliation

RITA previously disclosed in its notes to the financial statements a reconciliation of its GAAP-based reported net profit to its underlying operating profit by separately showing the financial impact of the strategic initiatives and other items for each year reported in order to better demonstrate RITA's operating performance in a meaningful and transparent manner to users of these financial statements including those who use non-GAAP financial information. However, with the completion of these initiatives in the financial year 2018/19 year; and considering that the operating results of these initiatives are reflected in RITA's normal operating profit; and that the financial targets set for the 2019/20 year in RITA's Statement of Intent no longer makes such distinction, no additional disclosure is required beginning the financial year 2019/20.

### 3. Operating segments

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

#### Gaming operations

Operations relating to the provision of gaming activities. Costs specifically associated with gaming have been allocated to the gaming operating segment

#### Betting operations

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

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

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

## Notes to the financial statements continued

### 3. Operating segments – continued

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

	Betting \$000	Gaming \$000	RIU \$000	Total \$000
<b>31 JULY 2020</b>				
<b>NET PROFIT BEFORE DISTRIBUTIONS</b>	150,113	18,269	(5,856)	162,526
Less distributions	(121,460)	(15,200)	5,810	(130,850)
Less provision for undistributed Gaming net profit	–	(3,069)	–	(3,069)
<b>NET PROFIT / (LOSS) AFTER DISTRIBUTIONS</b>	<b>28,653</b>	<b>–</b>	<b>(46)</b>	<b>28,607</b>
<b>KEY SEGMENT INFORMATION</b>				
Total turnover	2,168,740	461,287	–	2,630,027
Depreciation and amortisation	(20,460)	(1,639)	(120)	(22,219)
Additions to non-current assets (excluding right of use assets recognised on adoption of NZ IFRS 16)	9,435	702	148	10,285
Total assets	201,696	7,525	(1,647)	207,574
Total liabilities	148,376	7,525	(1,501)	154,400
	<b>Betting \$000</b>	<b>Gaming \$000</b>	<b>RIU \$000</b>	<b>Total \$000</b>

<b>31 JULY 2019</b>				
<b>NET PROFIT BEFORE DISTRIBUTIONS</b>	123,376	20,106	(6,782)	136,700
Less distributions	(151,540)	(17,143)	6,685	(161,998)
Less provision for undistributed Gaming net profit	–	(2,963)	–	(2,963)
<b>NET (LOSS) AFTER DISTRIBUTIONS</b>	<b>(28,164)</b>	<b>–</b>	<b>(97)</b>	<b>(28,261)</b>
<b>KEY SEGMENT INFORMATION</b>				
Total turnover	2,258,181	513,030	–	2,771,211
Depreciation and amortisation	(14,432)	(2,019)	(83)	(16,534)
Additions to non-current assets	35,981	790	129	36,900
Total assets	131,082	7,159	(1,747)	136,494
Total liabilities	106,316	7,159	(1,844)	111,631

### 4. Distributions

RITA distributes net profit to the Racing Industry and Sporting Community Organisations. This section focusses on the net profit of RITA that enabled this return to its stakeholders. Starting with a breakdown of total distributions, on the following pages you will find a breakdown of individual line items recognised in the Statement of Profit or Loss and Other Comprehensive Income.

RITA's net profit from its betting operations is distributed to the racing industry (directly through the racing Codes) in accordance with the Racing Act 2003 (as amended) and the funding agreements with the Codes. Any additional distributions become payable upon approval by the RITA Board.

Distributions of gaming net profit are determined separately from distributions from betting net profit. Under RITA's Class 4 gaming licence, RITA distributes funds to amateur sports organisations and applies funds to RITA costs to cover specific industry costs which are considered to be for racing authorised purposes. All distributions from gaming net profit are approved by RITA's Net Proceeds Committee (NPC) under a grants policy that ensures that the authorised purpose is consistent with the purpose specified in RITA's Class 4 gaming licence. The application of funds under racing authorised purpose include Judicial

Control Authority (JCA), RIU, Racing Laboratory Services, The Races Limited Partnership (TRLP) and costs incurred by RITA in relation to the publication of race form, racing calendar, and broadcasting operations. During the year, the NPC approved further initiatives under the racing authorised purpose, which included infrastructure development, stakes enhancements, and youth recruitment and retention.

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

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

31 JULY 2020	BETTING \$000	GAMING \$000	Undistributed Gaming net profit from 31 July 2019 \$000	TOTAL \$000
<b>Distributions to the racing industry</b>				
Code funding	119,784	–	–	119,784
Judicial Control Authority	–	1,131	121	1,252
Racing Integrity Unit	–	5,244	566	5,810
Racing Laboratory Services	–	1,579	163	1,742
The Races Partnership Limited	1,676	835	76	2,587
Other application of funds from Gaming operations				
Broadcasting and Trackside radio	–	500	–	500
Club audits	–	10	–	10
Infrastructure development	–	1,054	1,528	2,582
Stakes enhancement	–	1,461	258	1,719
Race form publications	–	749	201	950
Youth recruitment	–	272	4	276
Race promotions	–	389	–	389
Other racing authorised	–	15	–	15
<b>TOTAL DISTRIBUTIONS TO THE RACING INDUSTRY</b>	<b>121,460</b>	<b>13,239</b>	<b>2,917</b>	<b>137,616</b>
<b>Distributions (grants) to sporting community organisations</b>				
Sports authorised purposes (paid and payable)	–	1,961	78	2,039
<b>TOTAL DISTRIBUTIONS (GRANTS) TO SPORTING COMMUNITY ORGANISATIONS</b>	<b>–</b>	<b>1,961</b>	<b>78</b>	<b>2,039</b>
Reversal of prior period provision for undistributed net profit*	–	–	(1,763)	(1,763)
Reversal of prior year accumulated gaming net profit	–	–	(1,232)	(1,232)
<b>TOTAL DISTRIBUTIONS FROM RITA PARENT</b>	<b>121,460</b>	<b>15,200</b>	<b>–</b>	<b>136,660</b>
Distributions to RIU – eliminated on consolidation	–	(5,810)	–	(5,810)
<b>TOTAL DISTRIBUTIONS FROM GROUP</b>	<b>121,460</b>	<b>9,390</b>	<b>–</b>	<b>130,850</b>

The undistributed gaming surplus from 2018/19 of \$2,963k consists of \$1,763k allocated to 2019/20 gaming distributions as detailed above. The remaining \$1,200k relates to funds accumulated for synthetic track development projects reported under current provisions in the Statement of Financial Position. During the year \$1,232k of the accumulated funds were applied to the synthetic track development projects.

## Notes to the financial statements continued

### 4. Distributions – continued

31 JULY 2019	BETTING \$000	GAMING \$000	Undistributed Gaming net profit from 31 July 2018 \$000	TOTAL \$000
<b>Distributions to the racing industry</b>				
Code funding	148,940	–	–	148,940
Judicial Control Authority	–	1,150	230	1,380
Racing Integrity Unit	–	5,579	1,106	6,685
Racing Laboratory Services	–	1,733	160	1,893
The Races Partnership Limited	2,600	833	76	3,509
Other application of funds from Gaming operations				
Broadcasting and Trackside radio	–	500	–	500
Club audits	–	13	–	13
Infrastructure development	–	415	227	642
Stakes enhancement	–	1,557	–	1,557
Race form publications	–	1,023	120	1,143
Youth recruitment	–	247	11	258
<b>TOTAL DISTRIBUTIONS TO THE RACING INDUSTRY</b>	<b>151,540</b>	<b>13,050</b>	<b>1,930</b>	<b>166,520</b>
<b>Distributions (grants) to sporting community organisations</b>				
Sports authorised purposes (paid and payable)	–	4,093	20	4,113
<b>TOTAL DISTRIBUTIONS (GRANTS) TO SPORTING COMMUNITY ORGANISATIONS</b>	<b>–</b>	<b>4,093</b>	<b>20</b>	<b>4,113</b>
Reversal of prior year provision for undistributed net profit	–	–	(1,756)	(1,756)
Reversal of prior year accumulated gaming net profit	–	–	(194)	(194)
<b>TOTAL DISTRIBUTIONS FROM RITA PARENT</b>	<b>151,540</b>	<b>17,143</b>	<b>–</b>	<b>168,683</b>
Distributions to RIU – eliminated on consolidation	–	(6,685)	–	(6,685)
<b>TOTAL DISTRIBUTIONS FROM GROUP</b>	<b>151,540</b>	<b>10,458</b>	<b>–</b>	<b>161,998</b>

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

### 5. Revenue

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

#### 5a. Revenue

		2020 \$000	2019 \$000
<b>Revenue from contracts with customers</b>			
Net betting revenue	5d	264,431	273,294
Net gaming revenue	5e	26,265	29,004
NZ racing shown overseas revenue	5b	19,479	21,833
Other revenue	5f	17,439	21,879
		<b>327,614</b>	<b>346,010</b>
Revenue / income from other sources	5f	983	2,012
Government grants	6	40,976	–
<b>TOTAL REVENUE</b>		<b>369,573</b>	<b>348,022</b>

#### 5b. Disaggregation of revenue from contracts with customers

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

Income earned on racing shown overseas represents fees received from international betting agencies on the export of New Zealand racing events. This income is recognised based on the turnover taken by the international betting agencies on exported racing events and is recognised at the time that the racing event takes place.

#### Geographical area and Nature

31 JULY 2020	BETTING	GAMING	SALE OF SERVICES	TOTAL
New Zealand	264,431	26,265	17,439	308,135
Overseas	19,479	–	–	19,479
	<b>283,910</b>	<b>26,265</b>	<b>17,439</b>	<b>327,614</b>
31 JULY 2019	BETTING	GAMING	SALE OF SERVICES	TOTAL
New Zealand	273,294	29,004	21,879	324,177
Overseas	21,833	–	–	21,833
	<b>295,127</b>	<b>29,004</b>	<b>21,879</b>	<b>346,010</b>

## Notes to the financial statements continued

### 5. Revenue – continued

#### 5c. Turnover

Betting turnover comprises turnover from totalisator and fixed odds betting:

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

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

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

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

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

	2020 \$000	2019 \$000
Betting turnover – racing totalisator	763,190	885,695
Betting turnover – racing fixed odds	791,061	739,914
<b>Total betting turnover – racing</b>	<b>1,554,251</b>	<b>1,625,609</b>
Betting turnover – sports fixed odds	614,489	632,572
<b>Total betting turnover – sports</b>	<b>614,489</b>	<b>632,572</b>
<b>Total betting turnover</b>	<b>2,168,740</b>	<b>2,258,181</b>
<b>Gaming turnover</b>	<b>461,287</b>	<b>513,030</b>
<b>TOTAL BETTING AND GAMING TURNOVER</b>	<b>2,630,027</b>	<b>2,771,211</b>

#### 5d. Net betting revenue

	2020 \$000	2019 \$000
Total betting turnover	2,168,740	2,258,181
Less: dividends paid and payable	(1,853,635)	(1,926,413)
Gross betting revenue	315,105	331,768
Betting duty	(7,484)	(12,829)
GST	(41,577)	(43,951)
Problem gambling levy	(1,613)	(1,694)
<b>NET BETTING REVENUE</b>	<b>264,431</b>	<b>273,294</b>

#### 5e. Net gaming revenue

	2020 \$000	2019 \$000
Gaming turnover	461,287	513,030
Less: dividends paid and payable	(421,627)	(468,855)
Gross gaming revenue	39,660	44,175
Gaming machine duty	(7,932)	(8,835)
GST	(5,174)	(5,762)
Problem gambling levy	(289)	(574)
<b>NET GAMING REVENUE</b>	<b>26,265</b>	<b>29,004</b>

#### 5f. Other revenue

RITA's other revenue comprises of the following:

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

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

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

	2020 \$000	2019 \$000
Merchant fee revenue	5,626	4,576
Racing services	10,366	14,217
Revenue from broadcasting within New Zealand	577	839
Other revenue	870	2,247
<b>TOTAL OTHER REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	<b>17,439</b>	<b>21,879</b>
Total revenue/income from other sources	983	2,012
<b>TOTAL OTHER REVENUE</b>	<b>18,422</b>	<b>23,891</b>

## Notes to the financial statements continued

### 6. Government grants

RITA has received grants from the Crown during the period (prior year: nil) to be used for specific purposes only. The grants that have actually been received or are receivable as at 31 July 2020 are summarised as follows:

#### 6a. Industry transition

Amount and description	Key conditions	Conditions met
<b>Industry transition</b> \$3.5 million to contribute to the costs of implementing reform activities for the New Zealand racing industry.	RITA undertakes actions to implement the Government's decisions on the reform of the New Zealand racing industry and provide relevant supporting documentation as required.	Yes, relevant actions are conducted.

The amount of grants used in this category has been off-set against the relevant expense line items in the Statement of Profit or Loss; as at 31 July 2020, \$0.8 million remained available for use and recognised within the Statement of Financial Position.

#### 6b. Covid-19 Wage subsidy

Amount and description	Key conditions	Conditions met
<b>Covid-19 Wage subsidy</b> \$4.0 million provided to RITA via Work and Income for the Covid-19 wage subsidy. \$0.5 million provided to RIU via Work and Income for the Covid-19 wage subsidy.	Entitlement to this is subject to the following: <ul style="list-style-type: none"> <li>Employees legally working in NZ.</li> <li>Decline related to Covid-19 of at least 30% over the period of a month when compared to the same month last year.</li> <li>Take active steps to mitigate the impact of Covid-19.</li> <li>Employees covered by the subsidy must be retained in employment for the period of the subsidy.</li> <li>RITA must make best endeavours to pay 80% of the employee's normal income.</li> </ul>	Yes.

The amount of grants used in this category has been recognised as part of Other Income in the Statement of Profit or Loss; as at 31 July 2020, the full value of the grants has been fully used.

#### 6c. Government funding

Amount and description	Key conditions	Conditions met
Includes \$36.5 million to be used to directly support RITA's operations and financial position whilst it deals with the impact of COVID 19 pandemic and its subsequent recovery; the use of this portion is consistent with the specified purposes under the Agreement. Additional \$4.5 million was received by RITA for direct transfer to and use by the racing clubs, racing Codes and National Sporting Organisations. For this funding type, RITA is considered as a transferring agent only.	Main conditions are: <ul style="list-style-type: none"> <li>Support from lenders.</li> <li>Payment requests subject to prior approval from the Government.</li> <li>Limit on additional financial indebtedness except those contemplated by the agreement.</li> <li>Transfer distributions to racing codes and NSOs for a period ending 31 July 2020 contemplated by the agreement.</li> <li>Additional reporting / disclosure requirements to the Government.</li> </ul>	Yes.

The portion of this funding available to RITA's direct use has been recognised as part of Other Income in the Statement of Profit or Loss; as at 31 July 2020, the full value of the grants has been fully used.

The portion of grants received and subsequently transferred out that pertains for the direct benefit of the racing clubs, racing Codes and National Sporting Organisations are effectively not included in the Statement of Profit or Loss of RITA Group (i.e., nil impact); as at 31 July 2020, \$0.8 million of these funds remain unused and recognised as a liability in the Statement of Financial Position; this amount, however, has been subsequently transferred out in August 2020.

RITA's accounting treatment of these grants depends on their respective terms and conditions consistent with NZ IAS 20, Government Grants. RITA considered the nature and attached conditions for each grant; specifically, each grant was assessed whether RITA is a principal or agent in respect of the use/transfer of the funds. Where RITA is the principal, grants are recognised as revenue on a systematic basis depending on the entitlement of RITA to use such funds which is essentially when associated conditions have been satisfied. Where RITA is an agent, the grant is offset against the expense or distribution in the profit or loss.

The assessment for each category/type of Government funding is summarised below:

Grant nature and accounting treatment	Amount (\$ million)
Wage subsidy grants to RITA Group have been recognised separately as a credit to Other Income in the profit or loss.	\$4.5 million
Grants to directly support RITA 's operations and financial position have been recognised separately as a credit to Other Income in the profit or loss.	\$36.5 million
<b>Total recognised as part of Revenue and Other Income</b>	<b>\$41.0 million</b>
Grants to reimburse RITA for transition and legislative reform related costs are recognised in the profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.	\$2.7 million
<b>Total recognised against related expenses</b>	<b>\$2.7 million</b>
Where funds have been received in advance of a right to use the funds, a liability is recognised in the statement of financial position. This pertains to \$0.8 million of Transition funding grants and \$0.8 million of grants for the benefit of the racing Codes which have been subsequently disbursed in August 2020.	\$1.6 million
<b>Total recognised in the statement of financial position</b>	<b>\$1.6 million</b>
<b>Total grants received and applicable to RITA</b>	<b>\$45.3 million</b>
Grants to the Racing Codes or National Sporting Organisations in accordance with the specifications of the Grantor, RITA acts only as an intermediary (agent) to enable the disbursement of funds, the grants received and subsequently transferred out are effectively not included in RITA's Statement Profit or Loss (i.e., nil impact) .	\$3.7 million
<b>Total grants passed through to the ultimate beneficiary</b>	<b>\$3.7 million</b>
<b>Total grants received</b>	<b>\$49.0 million</b>

Subsequent to 31 July 2020, \$6.6 million was received for disbursement to the Racing Codes and will consequently be treated in line with grants to the Racing Codes above.

## Notes to the financial statements continued

### 7. Turnover related expenses

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

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

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

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

	2020 \$000	2019 \$000
Advertising and promotions	6,247	7,713
Commingling fee	1,527	1,598
National sporting organisations	12,731	9,978
Overseas racing rights	30,265	28,386
Race form publications*	631	1,055
Retail fees	12,086	15,630
Other turnover related expenses	8,517	4,716
<b>TOTAL TURNOVER RELATED EXPENSES</b>	<b>72,004</b>	<b>69,076</b>

\* Race form publications includes \$1.0 million (2019: 1.1 million) recovered from the application of funds from Gaming to reimburse certain race form publication expenses under its Racing Authorised Purpose. Refer to note 4.

### 8. Operating expenses

#### 8a. Communication and technology expenses

Communication and technology expenses include IT managed service agreement fees of \$18.1 million (2019: \$17.1 million) and software licence fees which in part relate to the Fixed Odds Betting platform of \$2.5 million (2019: \$1.5 million).

#### 8b. Premises and equipment

	2020 \$000	2019 \$000
Rent	240	7,195
Repairs and maintenance	2,215	2,492
Other premises and equipment expenses	4,532	4,636
<b>TOTAL PREMISES AND EQUIPMENT EXPENSES</b>	<b>6,987</b>	<b>14,323</b>

Premises and equipment includes short term or low value charges exempt from the scope of NZ IFRS 16. Rent charges within the scope of NZ IFRS 16 are disclosed in note 24.

#### 8c. Staff expenses

	2020 \$000	2019 \$000
Salaries and wages (including contractors)	47,936	56,556
Termination payments	2,603	655
Other staff expenses	3,888	4,292
<b>TOTAL STAFF EXPENSES</b>	<b>54,427</b>	<b>61,503</b>

Termination payments incurred during the year related to the restructuring of RITA's operations, consequently reducing salaries and wages and other staff expenses. The completion of major projects in the prior year also resulted in a reduction of contractor costs included in the salaries and wages figure.

#### Compensation of key management personnel

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

Refer to note 8d.

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

	2020 \$000	2019 \$000
Salaries and other short-term employee benefits	2,809	2,916
<b>Total Chief Executive and leadership team remuneration</b>	<b>2,809</b>	<b>2,916</b>
Board members' fees	266	326
<b>TOTAL OTHER FINANCIAL ASSETS</b>	<b>3,075</b>	<b>3,242</b>

As at 31 July 2020, the RITA leadership team included nine members (2019: eight members). Subsequent to 31 July 2020, a review of the leadership team was completed with the revised structure, comprising five members, taking effect from 7 September 2020.

#### 8d. Other operating expenses

	2020 \$000	2019 \$000
Auditors remuneration		
- Audit and review services	254	226
- Taxation compliance services	15	12
- Other services <sup>1</sup>	5	52
Board members	266	326
Consultancy	498	1,171
Impairment	52	56
Interest <sup>2</sup>	2,256	637
Legal	406	364
Merchant	5,715	4,953
Printing and stationery <sup>3</sup>	173	245
RIU swabbing costs	1,238	1,458
Travel and accommodation <sup>3</sup>	1,834	2,805
Other operating expenses	2,674	2,273
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>15,386</b>	<b>14,578</b>

<sup>1</sup> Other services relates to the review of the gaming financial statements and forecast financial information for Class 4 relicensing purposes.

<sup>2</sup> A portion of the total interest expense for the year included interest expense on the lease contracts of \$1.2 million (2019: \$0.2 million).

<sup>3</sup> Printing and stationery and Travel and accommodation include costs of short-term and low value lease agreements during the period which were recognised as expenses over the lease term.

## Notes to the financial statements continued

### 9. Transactions with related parties

ENTITY	TRANSACTION	Transaction value		Balance outstanding	
		2020 \$000	2019 \$000	2020 \$000	2019 \$000
New Zealand Greyhound Association Incorporated	Distributions paid and payable	(21,442)	(25,275)	(139)	(257)
	On-course venue services, trackside operations and radio services	1,850	2,719	–	–
	Other services provided by RITA	1,275	1,197	93	4
	Other charges to / funding and transfers from RITA	(3)	(68)	–	–
Harness Racing New Zealand Incorporated	Distributions paid and payable	(34,892)	(44,918)	(630)	(196)
	On-course venue services, trackside operations and radio services	3,287	3,964	–	–
	Other services provided by RITA	–	367	–	20
New Zealand Thoroughbred Racing Incorporated	Distributions paid and payable	(63,454)	(80,710)	(1,656)	(461)
	On-course venue services, trackside operations and radio services	5,450	7,064	–	532
	Other services provided by RITA	219	346	5	28
	Other charges to / funding and transfers from RITA	(2)	(118)	(2)	(107)
Racing Integrity Unit Limited	Funding	(5,810)	(6,685)	(590)	(643)
	Other services provided by RITA	52	52	–	–

Refer to note 2 for further information regarding RIU. The balance outstanding with RIU relates to certain payments made to RIU employees, for which RIU will reimburse RITA. All related party transactions between RIU and RITA are eliminated on consolidation into RITA Group.

In addition to the above related party transactions, RITA had provided a loan to The Races Limited Partnership during the year. Details relating to the loan is disclosed in note 18.

Kristy McDonald ONZM QC is also a Director at ACC New Zealand to whom RITA pays ACC levies to. No other transactions occurred during the period and no amount was outstanding at year end.

### Operating assets and liabilities

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

#### 10. 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.

	2020 \$000	2019 \$000
Cash and cash equivalents – NZ currency	50,403	7,603
Cash and cash equivalents – Betting Accounts and Vouchers Trust	3,000	2,003
Cash and cash equivalents – foreign currencies	717	881
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>54,120</b>	<b>10,487</b>

Government grants of \$1.6 million received in advance are included in cash and cash equivalents. Refer to note 6 for further discussion on Government grants.

The Betting Accounts and Vouchers Trust account balance is not available for operational use by RITA. RIU cash and cash equivalents balance at year end was \$0.3 million (2019: \$0.3 million).

#### 11. Trade and other receivables

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

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

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

	2020 \$000	2019 \$000
Trade and other receivables	7,471	7,695
Provision for doubtful debts	(263)	(31)
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>7,208</b>	<b>7,664</b>

As at 31 July 2020, \$0.2 million of the total trade and other receivables were past due but not impaired (2019: \$0.2 million).

#### 12. Other assets

Other asset balances include prepaid licence support costs related to the operation of RITA's fixed odds betting platform of \$2.2 million (2019: \$1.6 million).

## Notes to the financial statements continued

### 13. Trade and other payables

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

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

	2020 \$000	2019 \$000
Accruals	8,044	8,296
Government grants received in advance	1,578	–
Amounts payable to Board members	1	22
Employee entitlements	3,990	4,868
Racing code distributions payable	2,420	626
Trade payables	11,998	21,308
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>28,031</b>	<b>35,120</b>

During the period, \$26.5 million of Government grants were applied to settle trade and other payables. Refer to note 6 for further information on Government grants.

### 14. Customer betting account deposits and vouchers

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

The customer betting account deposits and vouchers liability is non-interest bearing. The liability is derecognised when either a deposit or voucher is redeemed or used to place a bet, or in accordance with the Betting Rules, the betting account or voucher is deemed inactive. In the 2019/2020 year RITA deemed \$0.4 million (2019: \$0.6 million) of betting vouchers and \$0.9 million (2019: \$1.4 million) of betting accounts to be inactive and have been released from the liability consistent with accounting for breakages under NZ IFRS 15.

The balance of the customer betting accounts deposit and vouchers liabilities as at 31 July 2020 was \$22.1 million (2019: \$23.4 million). Short-term deposits and cash totalling \$27.0 million (2019: \$27.0 million) is held in trust to cover this liability in the Betting Accounts and Vouchers Trust.

### 15. 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 or sports 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. In the 2019/20 year, RITA released \$0.8 million (2019: \$1.8 million) of aged dividends unlikely to be settled. Breakages, as defined by NZ IFRS 15, meaning an estimation of dividends that remain unclaimed past the six month expiry date, are also recognised at the time of revenue recognition.

Unresulted turnover represents open totalisator and fixed odds betting positions. Open betting positions are those where customers have placed bets and where at balance date the event to which the bet relates has not occurred. These open betting positions are considered to be derivative financial instruments for financial reporting purposes. Unresulted turnover is initially measured at fair value on the date the bet is placed. Fair value is the amount placed on the bet. Subsequently, derivative financial instruments are re-valued to their fair value at each reporting date. RITA has determined that the value of the balance upon initial recognition approximates fair value at 31 July 2020.

	2020 \$000	2019 \$000
Jackpot retentions	812	955
Unclaimed dividends	1,194	854
Unresulted turnover	1,280	1,259
<b>TOTAL LIABILITIES FROM CONTRACTS WITH CUSTOMERS</b>	<b>3,286</b>	<b>3,068</b>

## Notes to the financial statements continued

### Fixed assets and intangibles

#### 16. Property, plant and equipment

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

##### Estimated useful life

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

Finance lease assets are depreciated over their respective lease terms.

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.

An impairment assessment was performed and no impairment 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
<b>AS AT 1 AUGUST 2018</b>									
<b>At cost</b>	38,568	47,147	8,572	44,488	9,369	–	6,824	2,141	157,109
<b>Accumulated depreciation</b>	(24,707)	(43,543)	(4,923)	(36,187)	(6,448)	–	(4,804)	–	(120,612)
<b>CARRYING AMOUNT</b>	<b>13,861</b>	<b>3,604</b>	<b>3,649</b>	<b>8,301</b>	<b>2,921</b>	<b>–</b>	<b>2,020</b>	<b>2,141</b>	<b>36,497</b>
Additions	676	689	2,746	4,482	749	–	1,015	3,935	14,292
Disposals	–	(1)	(567)	–	–	–	–	–	(568)
Net transfers between asset classes	–	3	–	–	(3)	–	–	–	–
Transferred from work in progress	110	403	160	941	–	–	383	(1,997)	–
Depreciation for the year	(3,115)	(2,202)	(769)	(2,076)	(1,426)	–	(630)	–	(10,218)
Impairment losses	(52)	–	–	(6)	2	–	–	–	(56)
<b>CARRYING AMOUNT AT 31 JULY 2019</b>	<b>11,480</b>	<b>2,496</b>	<b>5,219</b>	<b>11,642</b>	<b>2,243</b>	<b>–</b>	<b>2,788</b>	<b>4,079</b>	<b>39,947</b>
<b>AS AT 1 AUGUST 2019</b>									
<b>At cost</b>	38,908	47,943	9,173	49,854	9,887	42,022	8,199	4,079	210,065
<b>Accumulated depreciation</b>	(27,428)	(45,447)	(3,954)	(38,212)	(7,644)	–	(5,411)	–	(128,096)
<b>CARRYING AMOUNT</b>	<b>11,480</b>	<b>2,496</b>	<b>5,219</b>	<b>11,642</b>	<b>2,243</b>	<b>42,022</b>	<b>2,788</b>	<b>4,079</b>	<b>81,969</b>
Additions	356	304	1,172	2,096	567	–	30	291	4,816
Disposals	(242)	(6)	(128)	(59)	(3)	–	–	–	(438)
Transferred from work in progress	494	214	925	2,410	–	–	27	(4,070)	–
Depreciation for the year	(3,063)	(1,223)	(1,004)	(2,839)	(1,122)	(5,518)	(550)	–	(15,319)
Lease adjustments	–	–	–	–	–	(162)	–	–	(162)
<b>CARRYING AMOUNT AT 31 JULY 2020</b>	<b>9,025</b>	<b>1,785</b>	<b>6,184</b>	<b>13,250</b>	<b>1,685</b>	<b>36,342</b>	<b>2,295</b>	<b>300</b>	<b>70,866</b>
<b>At cost</b>	37,684	48,054	10,555	53,946	10,336	41,613	8,212	300	210,700
<b>Accumulated depreciation</b>	(28,659)	(46,269)	(4,371)	(40,696)	(8,651)	(5,271)	(5,917)	–	(139,834)
<b>CARRYING AMOUNT</b>	<b>9,025</b>	<b>1,785</b>	<b>6,184</b>	<b>13,250</b>	<b>1,685</b>	<b>36,342</b>	<b>2,295</b>	<b>300</b>	<b>70,866</b>

At 31 July 2020 the contractual commitment for acquisition of property, plant and equipment for the Group was \$0.4 million (2019: \$1.4 million). The NEP (ex NZ Live) finance lease of \$1.5 million as at 31 July 2020 (2019: \$2.0 million) is included in Operations and Trackside Equipment. There are no restrictions on property, plant and equipment assets or any assets pledged as securities for liabilities.

## Notes to the financial statements continued

### 17. Intangible assets

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

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

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

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

#### Estimated useful life

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

The carrying amounts of intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent, if any, of the impairment loss recognised in the statement of profit or loss. An impairment assessment was performed and no impairment was identified.

	Software \$000	Broadcasting licences \$000	Other intangible assets \$000	Work in progress \$000	Total intangible assets \$000
<b>AS AT 1 AUGUST 2018</b>					
<b>At cost</b>	67,230	2,925	1,326	20,284	91,765
<b>Accumulated amortisation</b>	(59,737)	(1,739)	(856)	–	(62,332)
<b>CARRYING AMOUNT</b>	<b>7,493</b>	<b>1,186</b>	<b>470</b>	<b>20,284</b>	<b>29,433</b>
Additions	18,233	–	–	4,377	22,610
Transferred from work in progress	20,248	–	–	(20,248)	–
Amortisation for the year	(5,828)	(123)	(365)	–	(6,316)
<b>CARRYING AMOUNT AT 31 JULY 2019</b>	<b>40,146</b>	<b>1,063</b>	<b>105</b>	<b>4,413</b>	<b>45,727</b>
<b>At cost</b>	90,115	2,925	1,326	4,413	98,779
<b>Accumulated amortisation</b>	(49,969)	(1,862)	(1,221)	–	(53,052)
<b>CARRYING AMOUNT</b>	<b>40,146</b>	<b>1,063</b>	<b>105</b>	<b>4,413</b>	<b>45,727</b>
Additions	2,272	–	–	3,197	5,469
Transferred from work in progress	4,422	–	–	(4,422)	–
Amortisation for the year	(6,692)	(123)	(85)	–	(6,900)
<b>CARRYING AMOUNT AT 31 JULY 2020</b>	<b>40,148</b>	<b>940</b>	<b>20</b>	<b>3,188</b>	<b>44,296</b>
<b>At cost</b>	96,807	2,925	1,326	3,188	104,246
<b>Accumulated amortisation</b>	(56,659)	(1,985)	(1,306)	–	(59,950)
<b>CARRYING AMOUNT</b>	<b>40,148</b>	<b>940</b>	<b>20</b>	<b>3,188</b>	<b>44,296</b>

At 31 July 2020 there were no contractual commitment for acquisition of software and other intangibles (2019: nil). There are no restrictions on intangible assets or any assets pledged as securities for liabilities. During the year \$0.4 million of interest costs were capitalised as part of software (2019: \$0.4 million).

## Notes to the financial statements continued

### Financial assets and liabilities

#### 18. Other financial assets

	2020 \$000	2019 \$000
Industry loans	–	848
Term deposits - Betting Accounts and Vouchers Trust	24,000	25,000
Lease receivable	3,182	–
Other	89	89
<b>TOTAL OTHER FINANCIAL ASSETS</b>	<b>27,271</b>	<b>25,937</b>
Disclosed as:		
Current	24,596	25,000
Non-current	2,675	937
<b>TOTAL OTHER FINANCIAL ASSETS</b>	<b>27,271</b>	<b>25,937</b>

Industry loan to The Races Limited Partnership (TRLP) of \$0.8 million was repaid during the year.

Betting Accounts and Betting Vouchers Trust short-term deposits are funds held in trust to cover the balance of customer betting accounts deposits and vouchers liability. The short-term deposit of \$24.0 million and \$3.0 million included in the cash and cash equivalents balance is held to cover the total owed to customers of betting account deposits and vouchers liability of \$22.1 million. The deposits and cash balance held in trust are not available for use by RITA in the ordinary course of business up to the value of the betting deposits and vouchers liability.

#### 19. Borrowings and other financial liabilities

RITA has an unsecured revolving credit facility of \$45.0 million with a full contractual term ending August 2021. Interest is payable based on prevailing market rate plus a margin; there are no guarantees or covenants attached to this facility. RITA assessed that it is in a position to negotiate a further extension of the term on the facility based on its current financial position, performance and other factors relevant to the lender.

As at 31 July 2020, total drawdown from the facility is \$45.0 million (2019: \$35.0 million); these have been classified as non-current liabilities as its expiry is after balance date. During the year there was \$10.0 million drawn down against the facility, there have been no other movements in respect of RITA's borrowings during the year.

Other financial liabilities includes cash bonds received from various site operators such as pubs and clubs that host TAB betting facilities. These operators may have a combination of screens and self-service terminals which provide their customers the ability to place bets and see the racing displays similar to those displayed at TAB sites.

#### 20. Provisions

Provisions are recognised when the following three conditions are met:

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

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

	Make good \$000	Employee benefit \$000	Redundancy \$000	Undistributed Gaming net profit \$000	Animal welfare \$000	Totalisator Duty savings \$000	Total provisions \$000
<b>BALANCE AT 31 JULY 2019</b>	<b>888</b>	<b>626</b>	<b>184</b>	<b>4,269</b>	<b>15</b>	<b>327</b>	<b>6,309</b>
Additional provisions	–	–	875	3,069	55	–	3,999
Provisions released	(86)	–	–	–	–	(327)	(413)
Provisions used	–	(154)	(184)	(1,739)	(70)	–	(2,147)
Provisions used for synthetic track	–	–	–	(1,232)	–	–	(1,232)
<b>BALANCE AT 31 JULY 2020</b>	<b>802</b>	<b>472</b>	<b>875</b>	<b>4,367</b>	<b>–</b>	<b>–</b>	<b>6,516</b>

	2020 \$000	2019 \$000
Disclosed as:		
Current	6,020	2,838
Non-current	496	3,471
<b>TOTAL PROVISIONS</b>	<b>6,516</b>	<b>6,309</b>

Provision	Description	Expected use
Make-good	Restoring leased premises to their original condition at the end of the lease term. Costs are included within the carrying amount of Leasehold Improvement assets. The actual payment dates and costs will be known once each lease reaches its expiry date and the extent of the corresponding make-good is ascertained.	Expiry dates up to 2024
Employee benefit	Long service leave entitlements and retirement gratuity entitlements on legacy employment contracts.	Expiry dates up to 2037
Undistributed Gaming net profit	Class 4 Gaming net profit must be distributed for authorised purposes and cannot be retained within the business. RITA is obligated to distribute this provision within 90 days.	First quarter of 2021
Animal welfare	Animal welfare fund was setup following RITA's commitment to promote and enhance the NZ Racing Industry. It accumulates at \$50,000 per annum. The Codes can apply to request funds for animal welfare initiatives.	On approval following request for funding
Totalisator Duty savings	Provision relating to the reduction in betting duty from 2.67% to 1.33% of Gross Betting Revenue (GBR) pursuant to the Racing Reform Act 2019.	In FY 2020/21

## Notes to the financial statements continued

### Financial risks

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

#### 21. Categories of financial instruments

		2020 \$000	2019 \$000
<b>Financial assets at amortised costs</b>			
Cash and cash equivalents	10	54,120	10,487
Trade and other receivables	11	7,208	7,664
Other financial assets	18	27,271	25,937
		<b>88,599</b>	<b>44,088</b>
<b>Financial liabilities at amortised costs</b>			
Trade and other payables	13	28,031	36,506
Liabilities from contracts with customers	15	3,286	3,068
Customer betting account deposits & vouchers	14	22,137	23,374
Borrowings	19	45,000	35,000
Leases	24	42,191	2,359
Other financial liabilities	19	1,513	1,386
		<b>142,158</b>	<b>101,693</b>
<b>Derivatives designated as hedging instruments</b>			
Derivative assets/(liabilities), foreign exchange contracts		(295)	(46)
		<b>(295)</b>	<b>(46)</b>

#### 22. Accounting policies related to financial instruments

##### Financial assets

###### Classification and measurement

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

###### Those measured at amortised cost

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

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

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

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

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

Financial assets that do not meet the criteria for amortised cost or FVOCI are classified and measured as FVPL. RITA only changes classification when and only when the business model for managing those assets changes.

###### Impairment of financial assets

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

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

##### Financial liabilities

###### Classification and measurement

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

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

###### Derivative financial instruments

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

###### Capital risk management

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

## Notes to the financial statements continued

### 22. Accounting policies related to financial instruments – continued

#### Financial risk management

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

#### Key risk management objectives

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

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

#### Key risk management strategy

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

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

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

Risk	Exposure arising from	Monitoring	Management
22a. Liquidity risk	Liabilities and financial guarantees	Cash flow forecasting	Maintaining adequate cash reserves of liquid short-term deposits and sufficient access to committed facilities.
22b. 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 and financial viability of TRLP.
22c. 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.
22d. Interest rate risk	Cash and cash equivalents, short-term deposits, borrowings and industry loans	Sensitivity analysis	Ongoing review by management.

### 22a. Liquidity risk

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

As RITA's revenues are principally transactions involving immediate cash receipts, short-term liquidity is covered by trading receipts and highly liquid bank deposits. RITA manages longer dated liquidity risk by maintaining adequate cash reserves of liquid short-term deposits to satisfy anticipated capital expenditure and distribution requirements. In addition, RITA manages this risk by ensuring sufficient access to committed facilities, continuous cash flow and working capital monitoring and maintaining prudent levels of short-term debt levels and maturities consistent with its written Treasury policies. As at balance date, RITA's working capital position is \$171 million. Additionally, the Government grants contributed to improvement of RITA's working capital level as at 31 July 2020.

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

		Carrying amount	Total contractual cash flows	On demand	Less than 3 months	3 months to 1 year	1-5 years	+ 5 years
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>FINANCIAL LIABILITIES 2020</b>								
Trade and other payables	13	28,031	28,031	–	28,031	–	–	–
Liabilities from contracts with customers	15	3,286	3,286	–	3,286	–	–	–
Customer betting account deposits & vouchers	14	22,137	22,137	22,137	–	–	–	–
Borrowings	19	45,000	45,854	–	–	–	45,854	–
Leases	24	42,191	50,440	–	1,820	5,279	23,189	20,152
Other financial liabilities	19	1,513	1,513	–	–	–	1,513	–
		<b>142,158</b>	<b>151,261</b>	<b>22,137</b>	<b>33,137</b>	<b>5,279</b>	<b>70,556</b>	<b>20,152</b>
<b>Unrecognised financial liabilities</b>								
RITA guarantee exposure	25	–	8,429	8,429	–	–	–	–
		<b>142,158</b>	<b>159,690</b>	<b>30,566</b>	<b>33,137</b>	<b>5,279</b>	<b>70,556</b>	<b>20,152</b>
<b>TOTAL CASHFLOWS FROM ALL FINANCIAL LIABILITIES</b>								

		Carrying amount	Total contractual cash flows	On demand	Less than 3 months	3 months to 1 year	1-5 years	+ 5 years
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>FINANCIAL LIABILITIES 2019</b>								
Trade and other payables	13	35,120	35,120	35,120	–	–	–	–
Liabilities from contracts with customers	15	3,068	3,068	–	3,068	–	–	–
Customer betting account deposits & vouchers	14	23,374	23,374	23,374	–	–	–	–
Borrowings	19	35,000	37,234	–	–	–	37,234	–
Leases	24	2,359	2,788	–	132	400	2,210	46
Other financial liabilities	19	1,386	1,386	–	–	–	1,386	–
		<b>100,307</b>	<b>102,970</b>	<b>58,494</b>	<b>3,200</b>	<b>400</b>	<b>40,830</b>	<b>46</b>
<b>Unrecognised financial liabilities</b>								
RITA guarantee exposure	25	–	9,245	9,245	–	–	–	–
		<b>100,307</b>	<b>112,215</b>	<b>67,739</b>	<b>3,200</b>	<b>400</b>	<b>40,830</b>	<b>46</b>
<b>TOTAL CASHFLOWS FROM ALL FINANCIAL LIABILITIES</b>								

As at 31 July 2020, it is not expected that the financial guarantees will be called.

## Notes to the financial statements continued

### 22. Accounting policies related to financial instruments – continued

#### 22b. Credit risk

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

RITA manages its credit exposure ensuring all borrowings, investments, cash management, interest rate risk management, and any foreign transactions are undertaken with counter parties 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, RITA's practice is to require either bank guarantees or cash bonds from non-RITA owned retail outlets of a value generally greater than a week's settlement.

	2020 \$000	2019 \$000
<b>Total financial assets (refer to note 21)</b>	<b>88,599</b>	<b>44,088</b>
<b>Unrecognised credit exposures:</b>		
Industry loan guarantees	4,610	4,462
Other third party guarantees	3,819	4,783
<b>Unrecognised credit exposures:</b>	<b>8,429</b>	<b>9,245</b>
<b>TOTAL CREDIT EXPOSURES</b>	<b>97,028</b>	<b>53,333</b>

#### Concentrations of credit risk

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

	2020		2019	
	%	\$000	%	\$000
<b>Trade and other receivables</b>				
<b>(Industry &amp; geographical concentrations)</b>				
Australian betting agencies	32.3%	2,414	17.7%	1,363
New Zealand retail TAB outlets	29.3%	2,187	11.3%	866
Bank and other banking institutions	4.0%	299	16.4%	1,263
Other New Zealand trade and other receivables	34.4%	2,571	54.6%	4,203
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>100.0%</b>	<b>7,471</b>	<b>100.0%</b>	<b>7,695</b>

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

#### 22c. 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. RITA is exposed to exchange rate fluctuations from certain foreign currency denominated transactions it undertakes.

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

When a derivative is entered into for the purpose of being a hedge, RITA negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of forecast transactions, the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency. As at 31 July 2020, RITA has total notional value of FEC hedges of \$11.5 million with fair value of \$14.0 million (2019: \$14.1 million notional value and \$17.4 million fair value) which are held to hedge AUD and GBP exposures.

#### 22d. Interest rate risk

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

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

#### Interest rate sensitivity

As at 31 July 2020, if the interest rates had increased/decreased by 50 basis points, with all other variables held constant, the net surplus before distributions would have been \$0.1 million (2019: \$0.1 million) higher/lower as a result of higher/lower net interest receipts and payments while there will be no increase/decrease in equity due to interest paid on borrowings being capitalised.

## Notes to the financial statements continued

### Commitments

#### 23. Non-cancellable operating commitments

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

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

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

	2020 \$000	2019 \$000
Within one year	27,369	24,761
Later than one year but no later than five years	48,116	52,353
Later than five years	12,168	16,680
<b>TOTAL OTHER NON-CANCELLABLE OPERATING COMMITMENTS</b>	<b>87,653</b>	<b>93,794</b>

Foreign-currency denominated commitments (related to RITA'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.

#### 24. Lease commitments

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

NZ IFRS 16 is effective for adoption by RITA from 1 August 2019. The standard has been applied using the simplified transition method, meaning comparative balances are not restated. The tables below show the impact at the start of the financial year 2019/20 and the balances as at 31 July 2020.

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 Other Financial Liabilities in the Statement of Financial Position.

	31 JULY 2020 \$000	1 AUGUST 2019 \$000
<b>Right of Use assets</b>	<b>\$000</b>	<b>\$000</b>
Properties	36,342	42,022
Equipment	1,547	1,926
<b>Total Right of Use Assets</b>	<b>37,889</b>	<b>43,948</b>

	31 JULY 2020 \$000	1 AUGUST 2019 \$000
<b>Lease Receivable</b>	<b>\$000</b>	<b>\$000</b>
Current	596	596
Non-Current	2,586	3,161
<b>Total</b>	<b>3,182</b>	<b>3,757</b>

	31 JULY 2020 \$000	1 AUGUST 2019 \$000
<b>Lease Liability</b>	<b>\$000</b>	<b>\$000</b>
Current	6,900	6,865
Non-Current	35,291	41,273
<b>Total</b>	<b>42,191</b>	<b>48,138</b>

During the period, RITA was affected by the Covid-19 pandemic lockdown. As a result, rental concessions on a range of property leases were availed of the landlords totalling \$0.5 million. The International Accounting Standards Board issued a practical expedient for IFRS 16 in May 2020 which RITA has accepted to account for rental concessions. The following conditions required by the practical expedient have been met.

- change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- there is no substantive change to other terms and conditions of the lease.

RITA therefore has not reassessed whether the Covid-19 related rent concessions are lease modifications. Consequently, it has not applied the lease modification requirements to those concessions. The concessions have instead been recognised directly in the Statement of Profit or Loss.

#### Impact of applying the new standard to items in the Statement of Profit and Loss

Application of the new standard affected the following items in the Statement of Profit and Loss; depreciation charge increased by \$5.5 million; interest expense increased by \$1.5 million which is offset by a decrease in rental charges of \$6.3 million.

## Notes to the financial statements continued

### 25. Contingent liabilities

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

#### Other third party guarantees

On 1 April 2014, RITA provided a guarantee to Windsor Park Leasing Limited over the payments of the NEP (ex NZ Live) leased premises, relating to RITA broadcasting activities. As at 31 July 2020, the amount payable under this guarantee has reduced to \$1.7 million (2019: \$2.1 million).

In 2015, RITA assigned two leased properties to third parties, whereby RITA continues to be liable for any outstanding rent in the event of default. As at 31 July 2020, the total amount payable under these agreements was \$2.2 million (2019: \$2.7 million). In the event of default by the third party, the Landlord and RITA must undertake their best endeavours to secure a new tenant to mitigate losses.

### 26. Subsequent events

#### Impact of the Racing Industry Act 2020 in establishing TAB NZ

Subsequent to balance date, effective 1 August 2020, RITA was disestablished. TAB NZ was established in RITA's place as a result of the change in the governing legislation of the New Zealand racing industry. The Racing Industry Act 2020 repealed the Racing Act 2003 (as amended) with consequential effect of disestablishing RITA; the new Act establishes TAB NZ with commercial focus on maximising profits from its betting, gaming and broadcasting activities. As part of the establishment of TAB NZ, the employees of RITA as well as its rights, assets and liabilities will be transferred to TAB NZ for no consideration.

Notwithstanding the legal distinction between RITA and TAB NZ, considering that the business operating model of TAB NZ is, in substance, the commercial operations of RITA - both in terms of its relevant activities of betting, gaming and broadcasting as well as in terms of operating the assets, rights and resources of RITA and the expected settlement of its obligations - i.e., the manner in which economic benefits are realised / settled from those assets, liabilities and operations, TAB NZ continues the operations and commercial objectives of RITA (consistent between the new and old legislation). Consequently, the carrying value of those assets and liabilities (as used in these financial statements) continue to fairly represent the realisation and consumption of economic benefits associated with these items even when these are operated by TAB NZ in the future.

Additionally, other industry-related activities (e.g., integrity services and other administrative services to the Codes) performed by RITA on behalf of the wider racing industry will be devolved from TAB NZ's operations consistent with the view that TAB NZ is set-up to operate more efficiently and in a commercial manner; the devolution of these activities does not constitute disposal of business or otherwise for financial reporting perspective.

On the basis of the foregoing, RITA, in substance, continues to operate its business operating model under TAB NZ and that the carrying value of the assets and liabilities to be transferred to TAB NZ represent the most appropriate values of how associated economic benefits will be realised or consumed on those assets and liabilities.

#### Impact of the Racing Industry Act on TAB NZ Group Consolidation

The Racing Industry Act 2020 also provides for the establishment of the Racing Integrity Board (RIB) which consolidates the operations of the Racing Integrity Unit (RIU) and the Judicial Conduct Authority. This results in RIU being governed and operated by another entity (RIB) independent of RITA; consequently RIU will be deconsolidated from TAB NZ Group when its operations are transferred to the RIB. The Net Assets of RIU amounts to \$0.1 million comprising \$1.6 million of Total Assets and \$1.5 million of Total Liabilities.

#### Other

There are no other subsequent events following balance date.

## Supplementary information

### Comparison against Budget 2020

#### Statement of Financial Performance

	UNAUDITED		
	ACTUAL NZ \$M	BUDGET NZ \$M	VARIANCE NZ \$M
<b>BETTING AND GAMING TURNOVER</b>	<b>2,630</b>	<b>3,196</b>	<b>(566)</b>
<b>REVENUE</b>			
Net betting revenue	264	310	(46)
Net gaming revenue	26	30	(4)
NZ racing shown overseas revenue	20	23	(3)
Other revenue	18	24	(6)
Government grants received	41	–	41
<b>TOTAL REVENUE</b>	<b>369</b>	<b>387</b>	<b>(18)</b>
Turnover related expenses	72	81	(9)
<b>PROFIT CONTRIBUTION</b>	<b>297</b>	<b>306</b>	<b>(9)</b>
<b>OPERATING EXPENSES</b>			
Broadcasting expenses	8	9	(1)
Communication and technology expenses	28	29	(1)
Depreciation and amortisation	22	24	(2)
Premises and equipment expenses	7	7	–
Staff expenses	55	55	–
Other expenses	15	17	(2)
<b>TOTAL OPERATING EXPENSES</b>	<b>135</b>	<b>141</b>	<b>(6)</b>
<b>NET PROFIT BEFORE DISTRIBUTIONS</b>	<b>162</b>	<b>166</b>	<b>(4)</b>
Made up of:			
BETTING REPORTED NET PROFIT	150	152	(2)
GAMING REPORTED NET PROFIT	18	21	(3)
RIU COSTS	(6)	(7)	1

#### Distributions

	UNAUDITED		
	ACTUAL NZ \$M	BUDGET NZ \$M	VARIANCE NZ \$M
<b>BETTING</b>			
Distributions to Racing Codes and TRLP	121	152	(31)
<b>TOTAL DISTRIBUTIONS FROM BETTING NET PROFIT</b>	<b>121</b>	<b>152</b>	<b>(31)</b>
<b>GAMING</b>			
Distributions applied to Racing Industry costs	15	19	(4)
Distributions to External Sporting Bodies	2	4	(2)
Distributions from prior year undistributed Gaming surplus	(2)	(3)	1
<b>TOTAL DISTRIBUTIONS FROM GAMING NET PROFIT</b>	<b>15</b>	<b>20</b>	<b>(5)</b>
Provision for undistributed Gaming surplus	3	–	3
<b>GAMING NET PROFIT</b>	<b>18</b>	<b>21</b>	<b>(3)</b>
<b>RIU</b>			
Distribution from gaming for RIU costs	(6)	(7)	1
RIU costs absorbed upon consolidation	–	–	–
<b>Total RIU costs</b>	<b>(6)</b>	<b>(7)</b>	<b>1</b>
<b>TOTAL DISTRIBUTIONS</b>	<b>130</b>	<b>165</b>	<b>(35)</b>

## Supplementary information

### Comparison against Budget 2020

#### Statement of Financial Position

	UNAUDITED		
	ACTUAL NZ \$M	BUDGET NZ \$M	VARIANCE NZ \$M
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	54	18	36
Trade and other receivables	7	9	(2)
Other financial assets	25	26	(1)
Other current assets	3	6	(3)
<b>TOTAL CURRENT ASSETS</b>	<b>89</b>	<b>59</b>	<b>30</b>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	71	73	(2)
Intangible assets	44	42	2
Other financial assets	3	4	(1)
Other non current assets	–	1	(1)
<b>TOTAL NON CURRENT ASSETS</b>	<b>118</b>	<b>120</b>	<b>(2)</b>
<b>TOTAL ASSETS</b>	<b>207</b>	<b>179</b>	<b>28</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	28	38	(10)
Customer betting account deposits and vouchers	22	24	(2)
Liabilities from contracts with customers	3	–	3
Lease liabilities	7	3	4
Derivative liability	–	5	(5)
Taxation payable	5	5	–
Provisions	7	3	4
<b>TOTAL CURRENT LIABILITIES</b>	<b>72</b>	<b>78</b>	<b>(6)</b>
<b>NON CURRENT LIABILITIES</b>			
Borrowings	45	35	10
Lease liabilities	35	37	(2)
Provisions	–	4	(4)
Other financial liabilities	2	–	2
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>82</b>	<b>76</b>	<b>6</b>
<b>TOTAL LIABILITIES</b>	<b>154</b>	<b>154</b>	<b>–</b>
<b>NET ASSETS/TOTAL EQUITY</b>	<b>53</b>	<b>25</b>	<b>28</b>

## Directory

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#### BOARD MEMBERS

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**Sir Peter Vela**  
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#### AUDITORS

**PwC**  
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#### BANK

**ANZ Limited**  
Wellington

**RACING INDUSTRY**   
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