



Unaudited Interim Financial Statements – 31 January 2006

The New Zealand Racing Board is pleased to report a solid first half financial performance for the 2005/06 season.

In this reporting period the Industry has enjoyed turnover growth of approximately four percent through increasing interest on Sport and Fixed Odds Racing wagering as well as modest Totalisator growth. Total domestic is similar to the previous season with timing changes with the re-scheduling of the Auckland Cup yet to be realised.

Total expenses for the period are in line with that expected for this point in the season. The Board had anticipated increased costs over the previous season through improved services such as the introduction of Radio Trackside as well general inflationary and timing impacts on staff and property costs.

Pre-distribution earnings at this point of the season are in line with the same period last season. However, the Board is targeting a full season performance greater than the 2004/2005 season.

The Board is also very encouraged by progress on a number of key industry initiatives.

The launch of the NZ Still Destination Summer Holiday Racing programme was an excellent example of the industry working together to offer a consistent entertainment package on course. Further to this, the Board supported the provision of Big Screens to 32 on-course events.

The Thoroughbred Maiden Starter Incentive was paid to 6,689 starters. This category of races had improved starter numbers of approximately 0.8% over last season while all other classes have seen a 3.3% decline.

Management has also been working closely with the Codes on an important initiative known as the Industry Transparency Project. This is a significant financial and cost information sharing exercise driving a greater understanding of the wider industry cost infrastructure, which will be very valuable in forming future planning by the Board and the Codes.

The Board is committed to delivering information to the industry consistent with commercial best practice. The release of these interim statements is part of that commitment. In addition, the Board has included a remuneration schedule similar to the Companies Act format for the previous 2004/05 season.

A summary of the interim period result is included below.

	Unaudited Interim 2005/2006 \$'000	Unaudited Interim 2004/2005 \$'000
Turnover	701,963	673,990
Total Operating Revenue	102,385	99,285
Operating Expenses	58,196	54,997
Interest Income	2,930	2,657
Net Return before Industry Expenditure and Retentions	47,119	46,945

Warren Larsen
Chairman

NEW ZEALAND RACING BOARD

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

For 6 months ended 31 January 2006

	Notes	2006 \$'000	Budget \$'000	2005 \$'000
REVENUE				
Betting Turnover (including GST)	2	701,963	685,086	673,990
Dividends Paid to Customers (including GST)		(568,152)	(552,187)	(543,639)
Betting Deductions (including GST)	3	(38,148)	(37,825)	(36,634)
Net Betting Revenue (excluding GST)		95,663	95,074	93,717
Other Income	4	6,722	6,140	5,568
Total Operating Revenue		102,385	101,214	99,285
OPERATING EXPENDITURE				
Operating Expenses	5	58,196	58,156	54,997
OTHER INCOME				
Interest Income		2,930	2,621	2,657
NET RETURN BEFORE INDUSTRY EXPENDITURE		47,119	45,679	46,945
INDUSTRY EXPENDITURE				
Industry Operating Expenses	11	10,846	10,628	10,023
Industry Revitalisation Expenses		919	1,745	-
NET SURPLUS		35,354	33,306	36,922

STATEMENT OF MOVEMENTS IN EQUITY

For 6 months ended 31 January 2006

	2006 \$'000	Budget \$'000	2005 \$'000
Reserves at Beginning of Year	101,664	101,664	101,980
Net Surplus for the Year	35,354	33,306	36,922
Distribution from Reserves for Industry Expenses	919	1,745	-
Net Surplus Available for Distribution	36,273	35,051	36,922
Distributions to Codes	(33,327)	(33,487)	(35,021)
	2,946	1,564	1,901
Distribution from Reserves	(919)	(1,745)	-
NET INCREASE IN RESERVES	2,027	(181)	1,901
Reserves at End of Year	103,691	101,483	103,881

STATEMENT OF FINANCIAL POSITION
As at 31 January 2006

	Notes	2006 \$'000	Budget \$'000	2005 \$'000
EQUITY				
Reserves		103,691	101,483	103,881
Total Equity		103,691	101,483	103,881
<i>Represented By:</i>				
CURRENT ASSETS				
Cash and Bank	6	14,114	3,538	6,405
Short Term Investments	6	56,691	56,725	56,638
Receivables and Prepayments	7	3,128	6,780	5,804
		<u>73,933</u>	<u>67,043</u>	<u>68,847</u>
CURRENT LIABILITIES				
Payables	8	19,058	24,889	17,926
Account Betting Deposits and Vouchers		10,679	11,056	10,540
Unpaid Dividends and Jackpot Retentions		5,774	6,442	5,659
		<u>35,511</u>	<u>42,387</u>	<u>34,125</u>
WORKING CAPITAL		38,422	24,656	34,722
NON CURRENT ASSETS				
Loans and Advances to Clubs	9	1,921	1,945	2,304
Long Term Investments	6	10,271	14,670	13,670
Fixed Assets		51,093	58,640	52,423
Broadcasting Licences		4,306	4,722	762
		<u>67,591</u>	<u>79,977</u>	<u>69,159</u>
NON CURRENT LIABILITIES		2,322	3,150	-
NET ASSETS		103,691	101,483	103,881

The Members of the New Zealand Racing Board authorise these Financial Statements for issue on 27 February 2006.



Warren Larsen
Chairman of New Zealand Racing Board



Anne Urlwin
Chairman of Audit and Finance Committee
New Zealand Racing Board

STATEMENT OF CASH FLOWS
For 6 months ended 31 January 2006

	Notes	2006 \$'000	Budget \$'000	2005 \$'000
OPERATING ACTIVITIES				
<i>INFLOWS</i>				
Betting Turnover		702,013	683,960	673,688
Interest Received		2,945	2,168	2,532
Other Income		4,052	3,481	1,603
Racing Services Income		2,497	2,444	2,466
		<u>711,507</u>	<u>692,053</u>	<u>680,289</u>
<i>OUTFLOWS</i>				
Dividends Paid		568,546	552,437	543,638
Industry Distributions		35,618	33,891	36,591
Industry Operating Expenses		10,846	10,628	10,023
Industry Revitalisation Expenses		919	1,745	-
Net Goods and Services Tax		13,826	11,178	13,385
Payments to Employees		12,839	13,349	11,864
Payments to Suppliers		39,178	43,609	37,301
Sporting Bodies' Levies		858	671	769
Totalisator Duty Paid		22,948	19,150	22,424
		<u>705,578</u>	<u>686,658</u>	<u>675,995</u>
Net Cash from Operating Activities	10	<u>5,929</u>	<u>5,395</u>	<u>4,294</u>
INVESTING ACTIVITIES				
<i>INFLOWS</i>				
Disposal of Fixed Assets		122	-	86
Repayments of Club Loans		100	150	99
Repayments of Long Term Investments		4,509	11	9,186
		<u>4,731</u>	<u>161</u>	<u>9,371</u>
<i>OUTFLOWS</i>				
Purchase of Fixed Assets		5,506	10,920	3,601
Purchase of Long Term Investments		-	22	50
		<u>5,506</u>	<u>10,942</u>	<u>3,651</u>
Net Cash from Investing Activities		<u>(775)</u>	<u>(10,781)</u>	<u>5,720</u>
Net (Decrease)/Increase in Cash Held				
		<u>5,153</u>	<u>(5,386)</u>	<u>10,014</u>
Cash Brought Forward		65,665	65,665	53,034
Effect of Exchange Rate Change on Foreign Currency Balances		(14)	(16)	(5)
		<u>70,805</u>	<u>60,263</u>	<u>63,043</u>
Represented By:				
Cash and Bank	6	14,114	3,538	6,405
Short Term Investments	6	56,691	56,725	56,638
		<u>70,805</u>	<u>60,263</u>	<u>63,043</u>

Notes to the Financial Statements

For 6 months ended 31 January 2006

NOTE 1 ACCOUNTING POLICIES

Interim Financial Statements

The New Zealand Racing Board Financial statements for the six months ended 31st January 2006 have been prepared in accordance with FRS 24 Interim Financial Statements, and should be read in conjunction with the previous annual report.

The accounting policies used are consistent with those used in the previous annual report, and there have been no changes to the accounting policies in the six months ended 31st January 2006.

Comparative information has been reclassified, where necessary, to achieve consistency in disclosure with the current year.

NOTE 2 ANALYSIS OF BETTING TURNOVER (INCLUDING GST)	2006	Budget	2005
	\$ 000's	\$ 000's	\$ 000's
Off-course Racing - Totalisator (Tote)	578,302	580,554	576,889
Off-course Racing - Fixed Odds Betting (FOB)	26,948	14,237	9,337
On-course Racing	45,894	45,747	45,565
Total Racing Turnover	651,144	640,538	631,791
Sports - Totalisator (Tote)	770	857	801
Sports - Fixed Odds Betting (FOB)	50,049	43,691	41,398
Total Sports Betting	50,819	44,548	42,199
Total Analysis of Betting Turnover	701,963	685,086	673,990

NOTE 3 BETTING DEDUCTIONS (INCLUDING GST)	2006	Budget	2005
	\$ 000's	\$ 000's	\$ 000's
Totalisator Duty	22,948	22,798	22,424
Goods and Services Tax	14,342	14,249	13,441
Sporting Bodies' Levies	858	778	769
Total Betting Deductions	38,148	37,825	36,634

NOTE 4 OTHER INCOME	2006	Budget	2005
	\$ 000's	\$ 000's	\$ 000's
Racing Services Income	2,496	2,410	2,466
International Racing	1,845	1,815	1,910
Other Income	2,381	1,915	1,192
Total Other Income	6,722	6,140	5,568

NOTE 5 OPERATING EXPENSES	2006	Budget	2005
	\$ 000's	\$ 000's	\$ 000's
Amortisation of Intangible Assets	417	417	52
Depreciation	5,754	5,909	6,096
Insurance	454	424	418
Other Operating Expenses	15,529	16,901	15,010
Overseas Racing Rights	6,080	5,767	5,740
Problem Gambling Levy and Expenses	733	645	645
Property and Equipment Leases	1,763	1,763	1,616
Retail and Internet Fees	12,398	12,517	12,210
Staff Costs	15,068	13,813	13,210
Total Operating Expenses	58,196	58,156	54,997

NOTE 6 CASH AND INVESTMENTS	2006	2006	2005
	Actual	Budget	Actual
	\$ 000's	\$ 000's	\$ 000's
Call Deposits	13,426	4,451	6,900
Foreign Currency Bank Accounts	913	400	454
Foreign Currency Betting Accounts	253	112	188
NZ Dollar Bank Accounts	(572)	(1,500)	(1,211)
NZ Dollar Cash Floats	94	75	74
Cash and Bank	14,114	3,538	6,405
Corporate Notes	56,691	56,725	56,638
Short Term Investments	56,691	56,725	56,638
Corporate Bonds	10,271	14,670	13,670
Long Term Investments	10,271	14,670	13,670
Total Cash and Investments	81,076	74,933	76,713

Effective interest rates at 31 January 2006 range between 6.00% and 8.07%.

Note that \$13,000,000 is held in Trust to cover the amounts owing to customers for Account Deposits and Unpresented Betting Vouchers. The balance of these items as at 31 January 2006 was \$10,678,729.

NOTE 7 RECEIVABLES AND PREPAYMENTS	2006	Budget	2005
	\$ 000's	\$ 000's	\$ 000's
Inventory	205	160	198
Sundry Debtors and Receivables	2,383	5,881	3,583
Trade Debtors	540	739	2,023
Total Receivables and Prepayments	3,128	6,780	5,804

NOTE 8 PAYABLES	2006	Budget	2005
	\$ 000's	\$ 000's	\$ 000's
Code Liability	3,032	4,408	4,467
GST and NRWT	1,545	1,244	1,781
Sundry Creditor Accruals	7,739	11,099	5,149
Trade Creditors	4,514	6,283	4,700
Annual and Long Service Leave:			
Balance at Beginning of Year	2,006	2,016	1,789
Leave Earned by Employees	1,087	589	785
Leave Paid Out to Employees	(865)	(750)	(745)
Balance at End of Year	2,228	1,855	1,829
Total Payables	19,058	24,889	17,926

NOTE 9 LOANS AND ADVANCES TO CLUBS

	2006	2005
	\$ 000's	\$ 000's
Avondale JC	1,772	1,944
Canterbury JC	70	105
Christchurch GRC	-	24
Race Inc	40	60
Racing Southland	40	54
Waikato GRC	-	22
Wanganui GRC	251	265
Total Loans and Advances to Clubs	2,173	2,474
Current Portion of Loans and Advances to Clubs	252	170
Non Current Portion of Loans and Advances to Clubs	1,921	2,304
	2,173	2,474

Interest rates on these loans range from 0% to 8%. The New Zealand Racing Board is satisfied as to the ultimate collectability of these loans.

NOTE 10 STATEMENT OF CASH FLOWS

Reconciliation of Net Surplus to Net Cash Flows from Operating Activities	2006 \$ 000's	Budget \$ 000's	2005 \$ 000's
NET SURPLUS	35,354	35,051	36,922
Impact of Non Cash Items:			
Amortisation of Intangible Assets	417	417	52
Depreciation	5,754	5,909	6,096
Impact of Movements in Reserves	(746)	(1,572)	172
Investment Premiums	(99)	-	-
Impact of Movements in Working Capital:			
Account Betting Deposits and Vouchers	(377)	-	(372)
Interim Distributions to Codes	(33,327)	(33,487)	(35,021)
Inventories	(44)	-	31
Payables	(3,921)	(887)	(3,149)
Receivables and Prepayments	2,650	(1,099)	(934)
Unpaid Dividends and Jackpot Retentions	381	1,049	564
Impact of Items Classified as Investing Activities:			
Loss/(Gain) on Disposal of Assets	(113)	14	(67)
Net Cash from Operating Activities	5,929	5,395	4,294

NOTE 11 INDUSTRY OPERATING EXPENSES

	2006 \$ 000's	Budget \$ 000's	2005 \$ 000's
Final Field FOB Racing Levies	1,207	602	101
Local Club Payments - International Racing	1,562	1,681	1,662
On-course Commission Payments to Clubs	5,969	5,947	5,923
Other Industry Expenses	591	708	707
Owners/Breeders Incentives	480	480	480
Ownership Development Support	-	-	(56)
Premier Marketing Subsidies	1,015	1,105	1,105
Research, Training and Education	22	105	101
Total Industry Operating Expenses	10,846	10,628	10,023

REMUNERATION APPENDIX 2004/05

As at 31 July 2005, the NZ Racing Board employed the following staff:

Salaried full time employees	211
Phonebet operators (rostered shift work)	422
Hourly rate staff - part time	179
- casual	124

A number of individuals employed by the NZ Racing Board received over \$100,000 in total remuneration, including "at risk" components, as explained below. For the full year ended 31 July 2005, the salary bands and number of employees within each band were as follows:

Total Remuneration for the year ended 31/7/05

2005 \$ 000's	No. of employees
100-110	1
111-120	2
121-130	2
131-140	1
141-150	1
151-160	2
161-170	1
171-180	1
181-190	0
191-200	0
251-300	1
301-400	0
401-500	0
501-550	1
	13

The remuneration of some employees includes an "at risk" component, the payment of which is dependent upon attainment of specific performance targets. The Compensation and Development Committee of the Board oversees (1) the level of remuneration, including any "at risk" component, for senior management, (2) the annual establishment of performance targets and measures related to the "at risk" component of senior management remuneration, (3) annual assessment of senior management performance against targets and measures, (4) recommendations to the full Board on the amounts of "at risk" components payable (if any) to individual senior management.

Such payments, although made after 31 July, are included in the total remuneration figures above.

Readers should note that a number of staff in these bands were employed part way through the financial year. Therefore future reporting will have changes in banding as full year remuneration is recognised.

Board Members Remuneration

Total Directors Remuneration	Meetings attended			
	Board Meetings	Audit & Finance Committee	Dates Committee	Compensation & Development Committee
Warren Larsen	56,000	12		5
Alan Jackson	31,000	11		5 *
Anne Urlwin	31,000	11	8 *	
Jim Wakefield	33,500	9		9
Julie Crengle	31,500	10	8	9 *
Murray Acklin	31,000	11	8	9
Thayne Green	33,500	12		9
	\$247,500	12	8	9
				5

An asterix denotes chairperson of the committee.