



NEW ZEALAND THOROUGHBRED RACING PERFORMANCE REPORT 2012

Draft NZTR Performance Report 2012 pending determination of the final FY12 code funding allocation by the Board of the NZ Racing Board at its October 2012 meeting



NZTR Board

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Chairman's Introduction

This is the first annual Performance Report delivered by New Zealand Thoroughbred Racing.

It records our performance against the 2012-2014 Business Plan to date. We will release these reports annually to all stakeholders after the close of each season.

The Board takes very seriously NZTR's obligation to be transparent and accountable against the targets we set last year.

The 2012-14 Business Plan was the first comprehensive Plan provided by NZTR. It contained 54 key performance indicators (KPI's) for 22 principal objectives.

Importantly NZTR has:

- Implemented a financially sustainable structure of racing and prizemoney on 1 March 2012
- Put in place a structure to cap NZTR operational expenditure below FY11 levels
- Supported an improved trading performance by NZRB

When we presented the 2012-14 Business Plan at the AGM in December 2011, seven months after the appointment of the new Board, we deliberately set ambitious targets. We were also aware that we were setting ourselves a difficult task with six months of the year already behind us.

Of the 16 KPI's under NZTR's direct control we:

- met or exceeded targets on 11 of the 16 (69%);
- improved on FY11 but failed to meet FY12 targets or materially completed them outside the time required on 4 of the 16 (25%); and
- are yet to complete on 1 of 16 (6%)

With regard to our 10 headline KPI's, listed on page 3 of this report, we:

- met or exceeded targets on 4 (40%);
- improved on FY11 but failed to meet FY12 targets or materially completed them outside the time required on 3 (30%); and
- failed to improve on FY11 and failed to meet FY12 targets for 3 (30%)

Of the 52 unique KPI's in our 2012-14 Business Plan, we:

- met or exceeded targets on 21 (40%);
- improved on FY11 but failed to meet FY12 targets or materially completed them outside the time required on 17 KPI's (33%); and
- failed to improve on FY11 and failed to meet FY12 targets or have not yet materially completed on 14 of the 52 KPI's (27%)

These results have been achieved in a compressed timeline of seven months between the 2012-14 Business Plan's publication and the end of the season. We will continue to work hard to achieve FY13 objectives.

I trust you find this report informative and helpful in meeting NZTR's duty to be accountable and transparent.

The Board is encouraged that many of the KPI's have been met, particularly those under our direct control. Where KPI's have not been met, the reasons have been analysed and will be incorporated into the 2013-15 business plan.

Yours in racing,

Matthew Goodson

Chairman

Monday 17 September 2012

NZTR FY12 Profit and Loss Statement – Variance between FY12 Forecast and Actual

DESCRIPTION	FY12 BUSINESS PLAN	FY12 ACTUAL*	FY12 VARIANCE
Number of race meetings (actual/scheduled)	354	350	(4)
Number of races conducted	3,040	3,061	21
Number of starters	32,832	32,425	(407)
Average field size	10.8	10.6	(0.2)
Average prizemoney funding	\$14,199	\$14,187	(\$12)
Aggregate funded minimum prizemoney	\$43,164,000	\$43,427,073	+\$263,073
Aggregate funded prizemoney (including iconic race funding)	\$44,214,000	\$44,414,023	+\$200,023
<hr/>			
NZRB funding (net RIU costs)	\$69,475,000	\$69,631,686	+\$156,686
NZTR nomination & acceptances	\$2,440,009	\$2,527,255	+\$87,246
NZTR stud book, registration, & publishing	\$2,372,500	\$2,313,217	(\$59,283)
Gaming income (non NZRB and excluding infrastructure)	\$77,268	\$77,268	+\$0
Other income	\$538,513	\$725,942	+\$187,429
<hr/>			
Stakes funding	(\$44,214,000)	(\$44,414,023)	(\$200,023)
Club and meeting funding	(\$15,234,345)	(\$15,252,872)	(\$18,527)
NZRB servicing charges	(\$7,121,439)	(\$7,198,826)	(\$77,387)
NZTR operational expenses (net RIU costs)	(\$5,468,984)	(\$5,446,633)	+\$22,351
Special projects	(\$500,000)	(\$185,000)	+\$315,000
<hr/>			
NZTR Surplus (for Prizemoney and Infrastructure etc)	\$2,364,522	\$2,778,014	+\$413,492

Source: NZTR Management Accounts

Note 1: FY12 actual is based on the pre-audited NZTR profit and loss statement excluding race club infrastructure costs

Note 2: The NZRB Board will determine the final FY12 code funding allocation at their October board meeting. The NZRB management has provided written advice confirming that it will be recommending an allocation of at least \$132.0m, producing a distribution to NZTR of at least \$69.63m

Summary of NZTR's Key Performance Indicators from the 2012-14 NZTR Business Plan

DESCRIPTION	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
	FY11 ACTUAL	FY12 FORECAST	FY12 ACTUAL	RESULT
1. NZRB distributions to NZTR	\$64.1m	\$69.5m	\$69.6m	✓
2. Base prizemoney paid	\$40.8m	\$43.2m	\$43.4m	✓
3. Average prizemoney funding	\$13,384	\$14,199	\$14,187	±
4. Field size	10.7	10.8	10.6	✗
5. Females as % of individual winners	45.0%	46.7%	45.8%	±
6. NZTR expenses (excluding RIU)	\$5.42m	\$5.47m	\$5.45m	✓
7. Ownership participation	12,504	12,600	12,462	✗
8. Race meeting attendance	508K	525K	480K	✗
9. Average track rating	6.18	6.00	5.52	✓
10. NZRB thoroughbred international royalties	\$9.2m	\$11.0m	\$9.6m	±

Source: NZTR Analysis

✓	Met or improved on FY12 Business Plan targets / Achieved KPI	40%
±	Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	30%
✗	Failed to improve on FY11 and failed to meet FY12 Business Plan targets	30%

NZTR Performance against all KPI's in the 2012-14 Business Plan

MEET OR EXCEEDED TARGET 21/52 = 40%		DID NOT MEET TARGET BUT EXCEEDED PRIOR YEAR OR MATERIALLY COMPLETED OUTSIDE TIME REQUIRED 17/52 = 33%		DID NOT MEET TARGET OR PRIOR YEAR OR NOT YET MATERIALLY COMPLETE 14/52 = 27%	
NZRB distribution (100.2%)*					
Base prizemoney (100.6%)		Average prizemoney (99.9%)			
NZTR expenses (100.4%)		Average starts/horse (96.7%)			
Races conducted (100.7%)		Female starters as % (98.9%)			
Individual starters (102.8%)		Female winners as % (98.1%)		Field size (98.1%)	
Female starts per year (100%)		International royalties (87.3%)		Races >8 starters (85.9%)	
Number jumps horses(103.9%)		Races before noon (91.0%)		International growth (25.0%)	
Average track rating (108.7%)		Sky 1 Mon/Tuesdays (57.6%)		Strategic track trained (99.7%)	
Races 10+ venues (105.5%)		Monday north tote (92.7%)		Jumps field size (95.5%)	
Races 3-9 venues (115.8%)		Tuesday north tote (88.6%)		Grow owners 0.25>1 (94.6%)	
Races 1-2 venues (101.5%)		Tuesday central tote (93.8%)		Jump starts per year (88.9%)	
Attendance 2,500+ (125.7%)		Tuesday south tote (93.3%)		Studbook revenue (97.5%)	
Review funding model (100%)		Stakeholder survey (100%)		Meeting attendance (91.4%)	
Race day reporting (100%)		Horse adoption plan (100%)		Oncourse tote spend (95.8%)	
Assess welfare models (100%)		Grow owners <0.25 (99.1%)		Ownership particip'n (98.9%)	
Horse injury data (100%)		Establish club benchmarks		Level 3 stable hands (15.8%)	
Pattern races as % (101.0%)		Comprehensive gaming review		NZRB broadcast strategy	
Apprentice jockeys (112.0%)		Complete marketing strategy		Track master plans	
Monday central tote (102.0%)					
Monday export sales (115.0%)					
Tuesday export sales (101.0%)					

Note: NZRB Distribution of 100.2% is based a distribution of \$69.63m. NZRB management has provided written advice confirming a management recommendation of at least \$132.0m which would result in a distribution to NZTR of at least \$69.63m.

NZTR Key Actions and Timelines from the 2012-14 NZTR Business Plan

SIX-MONTH DELIVERY 25 MAY 11 – 6 DEC 11	YEAR 1 DELIVERY 6 DEC 11 – 31 JUL 12	YEAR 2 DELIVERY 1 AUG 12 – 31 JUL 13	YEAR 3+ DELIVERY 1 AUG 13 – 31 JUL 14+
Implement NZTR governance reform with new Board on 25-May-11 ✓	Establish an Auckland review group (Avondale) by 31-Jan-12 ✓	Roll out marketing plan by 1-Aug-12 ±	Allocate race dates on performance benchmarks from 1-Aug-14
Review handicapping system and implement reforms on 14-Nov-11 ✓	Establish marketing working group by 31-Jan-12 ✓	Establish race date performance benchmarks from 1-Aug-12 ✓	Align racing to horse populations at strategic venues from 1-Aug-14
Review race programming to align to horse population from 14-Nov-11 ✓	Establish a Waikato review group (all weather surface) by 29-Feb-12 ✓	Implement further fillies and mares incentives from 1-Aug-12 ±	Support the renegotiation of international broadcast contract post 2015
Increase allowances for fillies and mares on 14-Nov-11 ✓	Increase prize money and implement new race programme on 1-Mar-12 ✓	Investigate new ownership initiatives by 1-Aug-12 ✓	Establish new code-led industry governance model
Identify marketing as critical and assess scope of work by 6-Dec-11 ✓	Introduce fillies and mares race series from 1-Mar-12 ✓	Review prizemoney structure for Saturday racing by 31-Jul-13	Review Section 16
Review EqITO and commence merger with AgITO by 6-Dec-11 ✓	Assess race meeting performance and develop benchmarks by 31-Mar-12 ±	Finalise an Auckland solution (Avondale) by 31-Jul-13	
Review 2012-13 race dates and implement ✓	Develop a domestic broadcast strategy by 30-Apr-12 ×	Finalise Waikato solution business case (all weather surface) by 31-Jul-13	
Negotiate Asian Pattern Committee Ground Rules and agree transition times ✓	Develop an industry wide infrastructure strategy by 31-Jul-12 ±	Commence new race club funding model from 31-Jul-13	
Review all 2YO and 3YO NZ pattern races for international peer review ✓	Review all on-course services and standards by 31-Jul-12 ±	Increase returns derived from thoroughbred intellectual property	

✓	Met or exceeded on FY12 Business Plan targets / Achieved KPI	73%
±	Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	23%
×	Failed to improve on FY11 & failed to meet FY12 Business Plan targets	4%

1 Marketing

The 2012-14 Business Plan established the following Key Performance Indicators for Thoroughbred Marketing:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
	FY11 ACTUAL	FY12 FORECAST	FY12 ACTUAL	RESULT
1. Develop a marketing strategy to be completed by 31 July 2012				±
2. Attendance	508K	525K	480K	×
3. Meetings with attendance +2,500	35	35	44	✓
4. On-course totalisator spend per customer	\$80	\$80	\$76.62	×

✓	Met or improved on FY12 Business Plan targets / Achieved KPI	25%
±	Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	25%
×	Failed to improve on FY11 and failed to meet FY12 Business Plan targets	50%

KPI 1: Develop marketing strategy

While significant progress has been made, the thoroughbred racing marketing strategy is yet to be completed.

To achieve a coordinated approach to thoroughbred marketing, NZTR established an industry marketing steering group during the 2011/12 season. The marketing steering group is made up of representatives from NZTR (Greg Purcell and Campbell Moncur), NZTM (Chris Weaver and Andrew Birch) NZB (Petrea Vela), Racing Clubs (Jason Fleming), NZRB (Janice Hill), along with Penny Clydesdale from Norwest Advertising, George Simon and Karyn Fenton-Ellis from Trackside and Patrick MacFie from Socialize.

The marketing steering group identified that the thoroughbred industry needs to:

- Redefine thoroughbred racing as a more exciting, relevant and engaging to generate growth in ownership, on-course attendance and wagering;
- Concentrate funds and efforts on creating and marketing the best of what thoroughbred racing can deliver;
- That the degree of change required is significant rather than slight;
- Maintain greater control over the quality of delivery

Five key elements have been identified which are now being developed by representatives from the marketing steering group:

▪ Thoroughbred brand

A brand brief has been developed with the ultimate objective of positioning thoroughbred racing as a top-of-mind sport and entertainment option that competes alongside the many other options in these categories and captures its share of participation to achieve an overall increase in the numbers involved in racing. The brand brief will be placed with an Agency during the first quarter of the 2012-13 season.

▪ Ownership participation

An ownership brief is being developed to identify various ownership initiatives including the use of a website platform where ownership opportunities can be offered and ownership promotional campaigns are run.

Ownership initiatives are being developed in conjunction with NZTM and Socialize (NZTR Digital Business partner).

▪ On-course attendance and event development

A number of opportunities have been identified and are being worked up to build on the success of Christmas at the Races and Summer Festival events. New events are being developed in conjunction with the NZRB on-course events and marketing team and will be worked into the racing calendar over the next 18 months.

- **Social media**

The need to have greater engagement with social media is being driven by the overall NZTR Digital Business Strategy, which includes the redevelopment of the NZTR website, the first stage of which is due by the end of the year, ongoing video content and other digital and social media opportunities. The NZTR Digital Business Strategy has been developed in conjunction with Socialize.

- **Media desk**

The establishment of a thoroughbred media desk is a key initiative that will deliver high quality content across a wide range of media platforms to grow awareness and participation in thoroughbred racing, champion its strengths and celebrate its successes. The establishment of a thoroughbred media desk is being evaluated with NZTM and the NZRB.

KPI 2: On-course attendance

In FY12:

- 350 meetings were attended by 480,437 people, down 27,424 (or 5.4%) as compared to 323 meetings attended by 507,861 in FY11 and down 44,563 (or 9.2%) on the Business Plan target
- Average race meeting attendance for all meetings of 1,373, down 200 or (12.7%) as compared to 1,573 in FY11

Weather affected a number of the major race days, which had a negative impact on on-course attendance at those events, and the Rugby World Cup had a negative impact on corporate hospitality.

Average attendance was also affected by the increase of 27 mid-week industry fixtures.

Table 1.1 Highest Attended NZ Thoroughbred Race Meetings FY12 v FY11

RANK FY12	RANK FY11	DATE FY12	CLUB/MEETING	RACES FY12	RACES FY11	ONCOURSE TOTE FY12	ONCOURSE TOTE FY11	ONCOURSE TOTE VARIANCE	ATTEN-DANCE FY12	ATTEN-DANCE FY11	ATTEN-DANCE VARIANCE
1	2	Mon 26/12/11	Auckland/Boxing Day	10	10	1,190,924	1,229,082	(38,158)	25,000	20,000	+5,000
2	1	Sat 12/11/11	Canterbury/NZ Cup	11	10	1,039,381	1,238,922	(199,541)	17,483	20,438	(2,955)
3	3	Sat 28/01/12	Wellington/Wellington Cup	10	10	1,027,331	1,100,520	(73,189)	11,580	15,848	(4,268)
4	6	Sat 10/12/11	Waikato/Waikato Cup	10	10	442,715	428,540	+14,175	7,584	8,520	(936)
5	4	Mon 02/01/12	Wairarapa/2nd January	8	8	289,488	476,876	(187,389)	6,450	10,360	(3,910)
6	7	Sat 01/10/11	Hawke's Bay/Spring Classic	10	10	662,086	903,925	(241,839)	5,935	8,340	(2,405)
7	10	Tue 01/11/11	Otago/Melbourne Cup	10	10	293,566	300,864	(7,298)	5,831	6,810	(979)
8	8	Sun 01/01/12	Auckland/New Years Day	10	10	586,330	801,107	(214,777)	5,779	7,500	(1,721)
9	16	Mon 02/01/12	Tauranga/Summer Festival	10	10	265,892	356,456	(90,563)	5,549	4,982	+567
10	5	Sat 03/03/12	Auckland/NZ Derby	10	10	581,501	660,496	(78,994)	5,500	8,700	(3,200)
(IN TOP 10 LAST YEAR)											
18	9	Sun 27/11/11	Cromwell/Christmas	10	10	197,127	207,211	(10,083)	4,469	7,153	(2,684)

Source: NZTR analysis, NZRB attendance and turnover data

Notes: FY11 attendance data from Business Plan included

FY12 data is NZRB actual on-course attendance data with some meetings estimated based on ticket sales. FY11 attendance data from Business Plan included NZTR estimates for a number of meetings, based on on-course turnover.

Christmas at the Races and Summer Festival brands continue to perform well.

Table 1.2 Highest Attended NZ Thoroughbred Venues FY12 v FY11

RANK FY12	RANK FY11	CHANGE	CLUB/VENUE	MTGS FY12	MTGS FY11	MTGS VAR	ATTENDANCE FY12	ATTENDANCE FY11	ATTENDANCE VARIANCE
1	1	0	Ellerslie	27	25	+2	89,021	92,484	(3,462)
2	2	0	Riccarton Park	23	20	+3	45,608	48,886	(3,278)
3	4	+1	Te Rapa	20	19	+1	33,325	36,141	(2,816)
4	3	(1)	Trentham	12	12	0	33,093	37,429	(4,336)
5	5	0	Awapuni	19	17	+2	24,655	25,605	(950)
6	7	+1	Tauranga	11	10	+1	22,580	21,642	+937
7	8	+1	New Plymouth	15	15	0	19,454	17,965	+1,489
8	6	(2)	Hastings	14	11	+3	18,768	24,529	(5,760)
9	11	+2	Otaki	13	13	0	13,678	13,840	(161)
10	10	0	Tauherenikau	5	3	+2	13,580	13,883	(303)

Table 1.3 Average Attendance by Category of Day of the Week

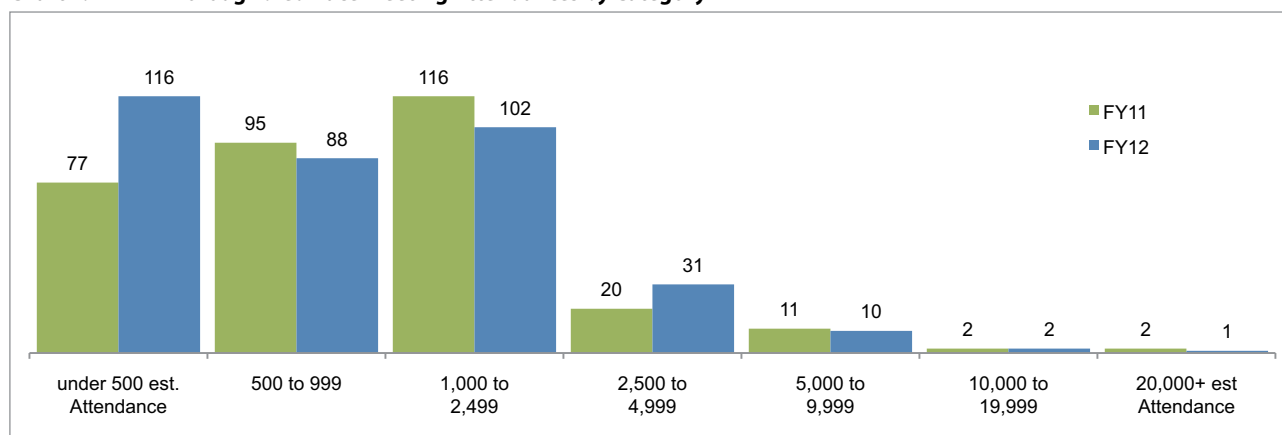
	FY12	FY11	VARIANCE
Public Holidays and other significant days	3,623	3,523	+100
Saturdays	2,080	2,383	(303)
Sundays	1,130	921	+209
Mid week	558	644	(86)

The average Sunday attendance rose due to the deletion of poorly attended non-summer meetings.

KPI 3: Meetings with attendance +2,500

In FY12 44 thoroughbred race meetings attracted crowds of 2,500 or more, up 9 meetings (or 25.7%) from 35 meetings in FY11.

Chart 1.1 FY12 Thoroughbred Race Meeting Attendances by Category



Source: NZTR analysis, NZRB attendance and turnover data

NZTR is encouraged that racing has lifted its popularity.

KPI 4: Average on-course totalisator spend per customer

In FY12 the average on-course totalisator spend reduced by \$3.38 from \$80 to \$76.62 per person (down 4.2%).

During this period the aggregate number of betting tickets issued on-course dropped by 8.2% from 3,502,887 in FY11 to 3,213,901 in FY12.

2 Domestic Broadcasting

The 2012-14 Business Plan established the following Key Performance Indicators for Domestic Broadcasting:

		PERFORMANCE REPORT
		RESULT
5.	Participate in the NZRB's review of the broadcast channel mix and reach agreement on a thoroughbred broadcast strategy	x
✓	Met or improved on FY12 Business Plan targets / Achieved KPI	0%
±	Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	0%
x	Failed to improve on FY11 and failed to meet FY12 Business Plan targets	100%

KPI 5: Participate in the NZRB's broadcast review & reach agreement on a strategy

In January 2012 management of the codes and the NZRB met and agreed upon the key issues facing the industry and set common objectives to base future planning. One of the eight areas included a Broadcast Review.

While an initial meeting of the Broadcast Review Group was organised by the NZRB in July, no further meetings were conducted by the NZRB. As such no progress has been made in the evaluation of an equine or thoroughbred only channel, or the option of having dedicated thoroughbred only segments on Trackside to showcase thoroughbred racing.

NZTR will be working actively with the new NZRB board and management team on this issue.

Other broadcast related issues

Since 1 August 2012 Trackside has launched some programme changes, including the launch of a new thoroughbred breeding show called Kiwi Bred and a new look and format around First Call on Saturday morning.

The NZRB is investigating the live streaming of domestic races and NZTR is working towards having the race replay available on www.nzracing.co.nz within 30 minutes of the race finishing.

Trackside switched off the UHF broadcast signal during the season with no material impact on turnover. There has been an increase in their digital platform Freeview viewer numbers since the UHF broadcast signal was switched off.

NZTR has a strong commitment to work closely with Trackside to achieve the best possible broadcast arrangements for New Zealand thoroughbred racing.

As part of the NZTR Digital Business Strategy, NZTR has been producing, in association with Socialize, a series of short video clips suitable for posting on Facebook and on the NZTR Website. The footage from some of these clips was used to produce three 30-minute thoroughbred 'story style' programmes which were broadcast on Trackside in April and May this year. The production of the video clips is continuing into the 2012-13 season with a focus on different aspects of thoroughbred racing.

Sky Racing (Australia) is undertaking a National Race Scheduling Review, which NZTR has contributed to through the NZRB. The final outcome of this review may impact on the race scheduling arrangements (the race clock) between New Zealand and Australia. TVN currently holds the rights to all Victorian and NSW thoroughbred racing.

3 Race Club Performance

The 2012-14 Business Plan established the following Key Performance Indicators for Race Club Performance:

		PERFORMANCE REPORT
		RESULT
6.	Establish Performance Benchmarks	±
7.	Review FY13 funding model	✓
8.	Establish management system for collection of accurate raceday data	✓

✓	Met or improved on FY12 Business Plan targets / Achieved KPI	67%
±	Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	33%
×	Failed to improve on FY11 and failed to meet FY12 Business Plan targets	0%

KPI 6: Establish performance benchmarks

NZTR has developed race meeting benchmark methodology and race meeting rankings 1 to 350 for each event conducted in FY12.

The race meeting benchmark methodology will shortly be released to clubs for consultation.

The race meeting benchmarks provide a mechanism to rank and compare all New Zealand race meetings through a weighted assessment across a number of quantitative criteria including:

- Race meeting profitability
- Bar and catering and functions trading performance
- Aggregate admissions
- Gate revenue
- Net sponsorship
- Average field size
- Off-course wagering turnover per race
- On-course wagering turnover per race
- Export wagering turnover per race
- Average on-course turnover per starter

The meeting benchmarks enable relative comparison and assessment of race meetings by:

- Category of meeting
- Day of the week
- By region

At the same time, NZTR has also been developing a balanced scorecard assessment process for race clubs.

The balanced scorecard methodology overcomes the problems of comparing clubs with highly variable operations, scale, location, opportunity, performance and efficiency by providing:

- Improved visibility of both direct and indirect performance
- Allow each race club the ability to benchmark current performance so to identify areas of improvement and then measure the impact the improvement initiatives have on performance
- Ability for NZTR to assess the impact that potential decisions would have over the race club performance of all clubs
- Allow NZTR to identify race clubs that are underperforming and therefore direct support to those with the most need

The balanced scorecard aims to provide a review of race club performance across four main areas including:

- Club financial performance (total revenue, members funds, net profit, return on assets)
- Level of Community engagement (level of community engagement, stakeholder satisfaction, community facility usage, FTE employees)
- Race meeting performance (number of meetings, average field size, average stakes per race, attendance)
- Membership and employee satisfaction (number of members, membership satisfaction, membership age, members attending race meetings, employee satisfaction)

Clearly the success of a balanced scorecard process is dependent on the quality of implementation, with a structured and collaborative approach from NZTR required to create a process that is embraced by race clubs. NZTR will work closely with thoroughbred race clubs to finalise the methodology and a process for implementation.

KPI 7: Review FY13 funding model

NZTR has reviewed the FY13 funding model and made a number of changes to the:

- Structure of race meetings within categories
- Days of the week on which races are conducted
- Structure of race club payments

Specific amendment for the FY13 NZTR funding policy include:

- Three less meetings to be conducted (3 Tuesday meetings deleted)
- Reallocation of 23 Tuesday industry races and 15 other industry races to higher prizemoney Saturday premier and feature races resulting in a prizemoney uplift of \$589K compared to the 2012-14 Business Plan
- Upgrade of seven Tier 2 feature meetings to feature meetings compared to the 2012-14 Business Plan
- Upgrade of one industry meeting to a Tier 2 feature meeting compared to the 2012-14 Business Plan
- Increase in the per meeting fee to \$30,000 to providing clubs the flexibility to cover any race meeting and venue related costs
- Standardisation in the meeting fee so all meeting types receive the same payment, previously premier and feature meetings received \$1,500 less than industry fixtures
- Introduction of venue minimum standard support payment targeted to assist venues matching the minimum standards expected of each category of venue. In FY13 strategic venues will receive \$3,500 per meeting and significant venues \$1,500 per meeting
- Removal of \$160,000 carnival funding support to be replaced by \$100,000 marketing funding for the five iconic race meetings (Hawkes Bay Spring Classic, New Zealand Cup, Elleslie Boxing Day, Wellington Cup and New Zealand Derby)
- Recalibration of iconic funding for 10 iconic races to increase transparency about industry, club and owners' contribution to the stakes for these races
- 17% club funding allocation for all of totalisator and fixed odds racing bets placed on-course
- Increase in transparency around NZTR's cost to operate race meetings with the introduction of the NZTR race meeting service charge of \$2,500 plus GST to cover National Racing Bureau, handicapping, IT and other costs
- Increase in transparency around NZRB's costs to service race meetings with the introduction of the NZRB race meeting broadcast charge of \$11,000 plus GST to cover the cost of Trackside and radio coverage of each race meeting

KPI 8: Establish management system for collection of accurate race day data

NZTR has established a mandatory standardized race day reporting process which has been adopted by all race clubs since 1 August 2011.

The two-page race day report provides a summary of nominations, acceptances, scratchings, number of starters, distances, class and prizemoney per race, meeting category, number of races, track conditions, weather, on-course wagering sale by race fixed odds and totalisator, off-course wagering sales by race fixed odds and totalisator, export wagering sales by race and attendance. Race day income and expenditure including income from admissions, on-course commissions, NZTR meeting payments, nomination and acceptances, race book sales, sundry income, sponsorship, bar, catering and function and hospitality and expenditure including stakes paid, trophies, travel and other subsidies, complementary bar and catering, advertising and promotion, race meeting printing, race book printing, race day wages and services, public address systems, starting stalls, entertainment, totalisator costs and sundry items.

NZTR has received 337 of 350 (96.3%) race day reports for the FY12 season, with 11 of the remaining 13 race day reports relating to meetings conducted in June and July. NZTR is working to ensure full compliance for the FY12 racing season by 30 September 2012.

NZTR intends to incorporate non-race day information to this process in FY13.

NZTR has scheduled a meeting with major race clubs and cluster managers in October 2012 to review the process, data and the matrix NZTR has developed to assess race day performance.

This information will be available to be used to support race date allocation from 1 August 2014 with a view to maximizing total racing industry returns.

Northern region venue strategy

The Avondale Jockey Club's (AJC) future is central to any wider decisions in the northern region.

The AJC is well advanced on a venue Spatial Plan, which is aimed to realise some of the considerable value inherent in the site and ensure the venue's long term financial viability. The ability for the AJC to implement the venue spatial plan will be the key determinant to the future or otherwise of racing at Avondale in the medium term.

The AJC has met a series of conditions previously set out by NZTR for a resumption of racing. This was disappointingly delayed to give the track time to consolidate following its sand-slitting and drainage work. Recent feedback from gallops on the course proper has been excellent, with a full trials meeting held on 4 September and a race meeting on 1 October, after an absence of more than two years.

Collective insurance proposal

The traditional process of each club arranging its own insurance cover is inefficient as the benefits of scale and geographic risk diversity are lost to the industry, post-Christchurch earthquakes. It is now all but impossible for some clubs with older buildings in high risk areas to arrange earthquake cover or it is on unacceptable commercial terms. NZTR has been working to put in place a group scheme covering all clubs on a first loss basis. Such schemes are common to many other industries.

We have strong indications that this will be at cheaper premia, lower deductibles and better terms and conditions. Clubs in low risk areas will not be subsidising clubs in high risk areas. A premium allocation scheme will ensure that all clubs will pay lower premia with better terms and conditions than they would have otherwise. NZTR is aiming to have this scheme in place during the FY13 season for the benefit of all clubs.

4 Pattern Racing

The 2012-14 Business Plan established the following Key Performance Indicators for Pattern Racing:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
		FY11 ACTUAL	FY12 FORECAST	FY12 ACTUAL
9. Number of Pattern Races to total flat races	4.91%	4.90%	4.95%	✓

✓	Met or improved on FY12 Business Plan targets / Achieved KPI	100%
±	Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	0%
×	Failed to improve on FY11 and failed to meet FY12 Business Plan targets	0%

KPI 9: Number of pattern races to total races

The number of Pattern Races for each season is expected to equate to a maximum of 5% of flat races run. There were 2,949 flat races run in the 2011-12 season and 146 Pattern races conducted which represents 4.95%.

Summary of pattern races conducted in New Zealand

As a result of the 2012 Annual New Zealand Pattern Committee (NZPC) Review the number of Group and Listed races scheduled for 2012-13 will be 145, one less than 2011-12.

STATUS	2008-09	2009-10	2010-11	2011-12	2012-13
Group 1	22	22	22	22	22
Group 2	23	23	23	23	22
Group 3	33	33	33	33	36
Listed	68	68	66	68	65
Total	146	146	144	146	145

Asian Pattern Committee Ground Rules

This was the first year that the NZPC had operated under the new Asian Pattern Committee (APC) Ground Rules, which were approved last December by NZTR in consultation with the NZPC and the industry. The APC requires all Asian Racing Federation members to adhere to strict guidelines based on international race ratings for the first four placed in Group One, Two and Three races. NZTR was initially very concerned that NZ races, in particular NZ three-year-old races, had received unduly low international ratings, placing their future status in the pattern system at risk. NZTR is now satisfied that following consultation with other ARF Member countries and a review of the APC ground rules that the future of the NZ Pattern racing system is now secure.

NZTR Focus of Black Type Development

As identified by the NZ Pattern Committee, NZTR is working to identify and develop an expanded number of quality fillies and mares and 3YO races, for a potential increase in or upgrade of black type status. This may come at the cost of poorer quality open handicap black type races.

International rankings for New Zealand horses

Two New Zealand Horses – Jimmy Choux and Mufhasa achieved an International Rating of 120 which ranks them in the top 50 horses on the International Federation of Horseracing Authorities world thoroughbred rankings at 31 July 2012, headed by Frankel (140) and Black Caviar (130). As well as Jimmy Choux and Mufhasa, the best 50 horses in the world also includes the New Zealand bred So You Think (125), Ambitious Dragon (122), More Joyous (122), Little Bridge and Super Easy (120).

THE HIGHEST INTERNATIONALLY RANKED NZ TRAINED HORSES ARE:	
Jimmy Choux	120
Mufhasa	120
Veyron	118
Lion Tamer	118
Wall Street	116
Ocean Park	116
Hold It Harvey	116
Red Ruler	114
Sangster	114
Silent Achiever	113
Booming	113
Scarlett Lady	113
Shez Sinsational	113

The Hawkes Bay Windsor Park Plate (1600m) was New Zealand's top rated race in 2011-12 and was amongst the top ten rated races in Australasia. With an ANZ international rating of 117.8 the Windsor Park Plate exceeded the ANZ international rating for the 2011 Cox Plate and Caulfield Cup and was just 0.2 rating points behind the 2011 Melbourne Cup.

NEW ZEALAND'S GROUP ONE RACES RANKED BY ANZ INTERNATIONAL RACE RATING:	
Hawkes Bay Windsor Park [Horlicks] Plate (1600m)	117.8
Hawkes Bay Makfi Challenge S (1400m)	116.8
Hawkes Bay New Zealand Bloodstock Insurance Spring Classic [Ormond Memorial] (2040m)	115.0
Auckland RC Lindauer New Zealand [Second Century] S (2000m)	113.8
Waikato RC Darci Brahma International S (2000m)	113.5
Waikato RC Waikato Draught Sprint (1400m)	113.3
Auckland RC Zabeel Classic [Galaxy] S (2000m)	113.3
Wellington RC Westbury Stud Captain Cook S (1600m)	113.0
Auckland RC Stella Artois Auckland Cup (3200m)	113.0
Otaki-Maori RC Haunui Farm Otaki-Maori WFA Classic (1600m)	112.8
Auckland RC Telecom New Zealand Derby (2400m)	111.3
Auckland RC Manco Easter H (1600m)	110.3
Wellington RC Wellfield New Zealand Oaks (2400m)	109.5
Levin RC Levin Classic (1600m)	109.0
Racing Te Aroha Fiber Fresh NZ Thoroughbred Breeders S (1600m)	109.0
Canterbury JC Sothys 2000 Guineas (1600m)	108.8
Canterbury JC New Zealand Bloodstock 1000 Guineas (1600m)	108.0
Wellington RC J&N Berkett Telegraph H (1200m)	107.5
Auckland RC Blandford Lodge Railway S (1200m)	107.0
Wellington RC Harcourts Thorndon Mile (1600m)	106.8
Manawatu RC The Oaks Stud Manawatu Sires Produce S (1400m)	106.3
Auckland RC Haunui Farm Diamond [Ellerslie Sires Produce] S (1200m)	104.5

5 Communications

The 2012-14 Business Plan established the following Key Performance Indicators for Communications:

	PERFORMANCE REPORT
	RESULT
10. To commence six-monthly Stakeholder Survey by 31 January 2012	±

✓ Met or improved on FY12 Business Plan targets / Achieved KPI	0%
± Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	100%
✗ Failed to improve on FY11 and failed to meet FY12 Business Plan targets	0%

KPI 10: Stakeholder survey

The business plan targeted the release of a stakeholder survey by 31 January 2012, however the survey was not launched until July.

NZTR initiated a stakeholder survey to help improve services, enhance communication about NZTR's roles and responsibilities and assist in delivering objectives of the 2012-14 NZTR Business Plan.

The survey was sent to 8,672 participants and 395 club personnel. Data was collected from 1,272 participants (14.7%) and 64 (16.2%) club management and committee members. Feedback from the survey included:

- When asked to assess the NZTR's performance compared to 3 years ago, 42% of stakeholders stated NZTR's performance had 'improved', 45% of stakeholders indicated that NZTR's performance was 'unchanged' and 13% stated that NZTR's performance had declined
- When asked to list challenges facing NZ racing, Owners, Trainers and Breeders all listed low prizemoney as the most important. Clubs saw their primary challenges including their ability to self-fund, self-manage and govern effectively, providing an attractive product, retaining owners, attracting younger people to the races and maintaining facilities

The stakeholder survey is currently being reviewed by the NZTR board and management and will be a basis for improvements across NZTR's strategic planning and service delivery.

Results of the survey are available on the NZTR website at www.nzracing.co.nz

NZTR website upgrade

Our website – www.nzracing.co.nz – attracts more than 3.1 million hits a year, accessing an average 6.28 page impressions per visit and achieving average customer engagement of 5.30 minutes per visit.

NZTR is significantly advanced in a major upgrade of its website. Release one of a website redevelopment designed to enhance usability, search and navigation and provide improved video and social media intergation is due to be rolled out in December 2012.

Work is also advanced on subsequent releases to:

- Significantly enhance the on-line Trainers' Service Centre and on-line Breeders' Service Centre
- Introduce an Owners' Service Centre
- Improve and customize horse form and fields

Other communication initiatives

NZTR has tried to improve its stakeholder communications by:

- Conducting a series of regional meetings in Palmerston North, Hamilton, Auckland, Invercargill, Dunedin, Christchurch, New Plymouth and Cambridge

- Commencing monthly teleconference with the executive of the New Zealand Trainers' Association (NZTA), New Zealand Jockeys' Association (NZJA), New Zealand Thoroughbred Breeders' Association (NZTBA), the New Zealand Thoroughbred Racehorse Owners' Federation (NZTROF) and New Zealand Thoroughbred Marketing (NZTM)
- Hosting a race club conference prior to the NZTR AGM on 23 November 2012
- Holding quarterly meetings with race club cluster managers
- Holding quarterly regional programming meetings
- Publication and presentation of a comprehensive Annual Business Plan with detailed KPI's and actions
- Publication and presentation of a comprehensive Annual Performance Report against the Business Plan
- Providing more pertinent reports and information in the New Zealand Thoroughbred Monthly
- Working with Socialize to develop and implement NZTR's digital media strategy
- Evaluating the establishment of a thoroughbred media desk to be managed by NZTM

6 Gaming Revenue

The 2012-14 Business Plan established the following Key Performance Indicators for Gaming Revenues:

	PERFORMANCE REPORT
	RESULT
11. Undertake a comprehensive review of gaming activities by 31 July 2012, including ensuring NZTR's funding strategy optimises the ability of racing clubs to legitimately access gaming grant funding	±

✓ Met or improved on FY12 Business Plan targets / Achieved KPI	100%
± Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	0%
✗ Failed to improve on FY11 and failed to meet FY12 Business Plan targets	0%

KPI 11: Review of gaming activities and optimising racing club access to gaming grant funding

NZTR has undertaken a significant amount of work in relation to gaming activities:

- Ensuring full compliance regarding gaming grants allocated by NZRB to the thoroughbred code
- Putting in place, from 1 August 2012, arrangements to optimize racing club applications for gaming grant funding

The charging of existing and legitimate costs direct to race clubs is a new initiative and has been implemented to enable clubs to realise the true costs of running their race meetings. Until this season NZTR and NZRB costs have been absorbed by NZTR and not passed on to clubs in any way. The charging of these costs falls under the authorised purpose as set out in the Gambling Act 2003, Section 4.

NZTR is yet to finalise its comprehensive review.

Gambling Harm Amendment Bill

NZTR has lobbied against and made detailed submissions to the Commerce Select Committee with regard to the Gambling Harm Amendment Bill.

NZTR opposes this Bill on the primary grounds that:

- It singles out racing for exclusion, while all other sports will continue to receive gaming grants;
- In 2003, the Gambling Act was amended and racing was aligned with other sports to be allowed to apply for funding from gaming trusts. Nothing has changed since then which requires reversal;
- In contrast to the Bill's statement that "racing... is inconsistent with the community benefit tenor of the rest of the Principal Act," racing clubs are an integral part of their local communities. Across the codes, over 1,000 race-days were attended by over 1m people and over 270 community organisations and charities use racing club facilities every year;
- There is a view that racing receives special consideration but the facts are that thoroughbreds received just 2.7% of all grants in 2011, well below professional sports such as rugby at 10.6%, soccer at 3.7% and cricket at 3.2%

NZTR presents to the Commerce Select Committee on 20 September 2012 together with the NZRB and the other codes.

7 Animal Welfare

Increasing Efficiency and Effectiveness

The 2012-14 Business Plan established the following Key Performance Indicators for Animal Welfare:

KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
		RESULT
12.	Assess other equine welfare models, potential resources required, and potential partnerships by 30 April 2012	✓
13.	Implement, with the RIU, mechanisms for managing data on horse fatalities, injuries and retirements by 31 July 2012	✓
14.	Develop a plan in consultation with relevant sector groups and agencies, for an NZTR thoroughbred adoption programme, including an education programme, by 31 July 2012	±

✓	Met or improved on FY12 Business Plan targets / Achieved KPI	67%
±	Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	33%
✗	Failed to improve on FY11 and failed to meet FY12 Business Plan targets	0%

KPI 12: Assessment of other equine welfare models

NZTR has carried out a comprehensive assessment of other equine welfare models from around the world and consulted with welfare agencies and industry partners. As a result of this NZTR has adopted guidelines for racehorse welfare from the International Group of Specialist Racing Veterinarians' (IGSRV) – *New Zealand Thoroughbred Racing Horse Welfare Guidelines*, which set out a number of actions to:

- Ensure the maintenance of high levels of horse welfare in thoroughbred racing
- Provide a benchmark for welfare standards deemed acceptable by NZTR
- Provide clarity and accountability around racehorse welfare before, during, and also after racing

NZTR is also proposing some Rule amendments aimed at strengthening Rule 417 'Notification on Horse's Death' and proposed new Rules requiring notification of horses leaving racing/breeding.

KPI 13: Implementation of mechanisms for managing data on horse (and rider) incidents

In June 2012, the Australian Racing Board approved NZTR's application to join the Australian Racing Incident Database (ARID) for Riders and horses on racedays and at trials. Racing Victoria, who hosts the system, is setting up access codes for NZTR. This follows approval from the Australian National Jockeys' Safety Review Committee (a sub-committee of the Australian Racing Board).

The benefits of New Zealand participating in ARID, rather than creating its own system, include creation of a larger data set for analysis and the ability to identify incident trends. NZTR is working with Racing Victoria, which hosts the system, on implementation of ARID in New Zealand.

KPI 14: Development of a plan for an NZTR thoroughbred rehabilitation/adoption programme

The RNZSPCA received 1,118 horse welfare complaints last year. The RNZSPCA estimates complaints concerning thoroughbreds retired from racing activities comprised approximately 250 of these complaints.

NZTR has approved in principle the formation and purposes of a thoroughbred rehabilitation group comprising key sectors of the Thoroughbred industry. The over-arching objectives of the group will be to:

- Assess, monitor the effectiveness of, and recommend to the NZTR Board for approval amendments to welfare policies and procedures adopted by the thoroughbred code
- Accredite and support rehabilitation centres caring for former racehorses and periodically monitor their performance
- Develop fund- raising from within and outside the racing industry to support rehabilitation of former racehorses
- Establish and advance a programme to promote the adaptability of former racehorses for other equestrian activities
- Develop and monitor an education plan for re-training and re-homing former racehorses

NZTR will be seeking to implement these initiatives in FY13.

8 Industry Training and Development

Increasing Efficiency and Effectiveness

The 2012-14 Business Plan established the following Key Performance Indicators for Industry Training and Development:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
	FY11 ACTUAL	FY12 FORECAST	FY12 ACTUAL	RESULT
15. Apprentice Jockeys	48	50	56	✓
16. Level 3 Stablehand Certificate	25	120	19	✗

✓	Met or improved on FY12 Business Plan targets / Achieved KPI	50%
±	Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	0%
✗	Failed to improve on FY11 and failed to meet FY12 Business Plan targets	50%

KPI 15: Apprentice Jockeys

56 apprentices were registered with NZTR in FY12, compared to 48 in FY11, an increase of 8 (or 16%).

KPI 16: Level 3 Stablehand Certificate

At 31 July 2012 there were 19 trainees undertaking the Level 3 Stable Procedures certificate, significantly short of the target of 120.

The failure is due to the delay in the finalization of the course design and marketing campaign of the level 3 Stable Procedures Qualification following the merger of EqITO with the AgITO.

AgITO training advisers did not begin their role until March 2012 and the induction phase for the training advisers has taken 3 months. As a result the marketing campaign for the Level 3 qualification did not begin until August 2012.

NZTR anticipates that it will meet or exceed the 120 target in FY13.

The level 3 Stable Procedures qualification is undertaken on a voluntary basis and is available for any licensed stablehand or trackwork rider to gain a formal nationally recognized qualification.

Mandatory training for new stable hands

NZTR has made it a mandatory licensing requirement that all new stable hand licensees complete a 'Limited Credit Programme' covering horse welfare, grooming a horse, cleaning a stable and occupational health and safety.

This mandatory training is based on keeping a work diary of tasks and will ensure a basic level of competence and knowledge. There is a requirement to complete this programme within 12 months in order to retain the stable hand licence.

The mandatory training provides 20 credits out of the 100 credit credits required to complete the voluntary Level 3 Stable Procedures Certificate.

Equine Industry Training Organisation

The former Equine Industry Training Organisation (EqITO) has been merged into the much larger Agriculture Industry Training Organisation (AgITO) and, accordingly, formal qualification pathways are in place for all areas such as apprentice jockeys, stable hands, stable managers, racecourse managers and track-work riders. NZTR has appointed three regional Training Advisors, who are sub-contracted to AgITO, to manage and monitor this strengthened training programme.

The 2012-14 Business Plan established the following Key Performance Indicators for Racing Structure:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
	FY11 ACTUAL	FY12 FORECAST	FY12 ACTUAL	RESULT
17. Prizemoney funded by NZTR	\$40.8m	\$43.2m	\$43.4m	✓
18. Average prizemoney funding	\$13,384	\$14,199	\$14,187	±
19. Races before noon on Saturdays and 12.30pm other days	463	172	189	±
20. Average domestic tote turnover per race Mondays (Northern)	\$0	\$55K	\$51K	±
21. Average domestic tote turnover per race Mondays (Central)	\$0	\$50K	\$51K	✓
22. Average exports turnover per race Mondays	\$0	\$80K	\$92K	✓
23. Average domestic tote turnover per race Tuesdays (Northern)	\$0	\$70K	\$62K	±
24. Average domestic tote turnover per race Tuesdays (Central)	\$0	\$65K	\$61K	±
25. Average domestic tote turnover per race Tuesdays (South)	\$0	\$60K	\$56K	±
26. Average exports turnover per race Tuesdays	\$0	\$100K	\$101K	✓

✓	Met or improved on FY12 Business Plan targets / Achieved KPI	40%
±	Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	60%
✗	Failed to improve on FY11 and failed to meet FY12 Business Plan targets	0%

KPI 17: Prizemoney Funded by NZTR

NZTR implemented a new increased minimum prizemoney levels from 1 March 2012.

In FY12 aggregate base prizemoney paid (excluding iconic race funding) was \$43.4m an increase of \$2.6m (or 6.4%) over the \$40.8m paid in FY11 and \$0.2m (or 0.5%) in excess of the business plan target of \$43.2m for FY12.

In FY12 aggregate prizemoney paid by race clubs was \$47.4m a reduction of \$0.8m (or 1.7%) to the \$48.2m paid in FY11 (which included \$2.1m of the Minister of Racing's high stakes funding which was discontinued at the end of the FY11 season).

KPI 18: Average Prizemoney

Average base prizemoney in FY12 was \$14,187 an increase of \$803 (or 5.7%) over the \$13,384 in FY11 and \$12 (or 0.1%) below the FY12 business plan target of \$14,199.

The reduction to FY12 business plan target was based on an increased 21 lower grade races conducted over budget in FY12, given the lack of races abandoned due to wet weather in May and June 2012.

Average prizemoney paid by race clubs in FY12 was \$15,479, a reduction of \$340 (or 2.1%) over the \$15,819 in FY11.

Aggregate prizemoney paid in FY12 was \$47.4m, down \$0.8m (or 1.7%) on \$48.2m in FY11. This reduction was primarily due to:

- The elimination of \$2.1m of the Minister for Racing's high stakes funding which was discontinued at the end of the FY11 season
- An increase of 21 races conducted over budget in FY12, given the lack of races abandoned due to wet weather in May and June 2012

KPI 19: Races before noon on Saturdays and 12.30pm other days

The number of races conducted on Saturdays before noon and on other days prior to 12.30pm was 189 in FY12, a reduction of 274 (or 59.2%) over the 463 conducted in FY11 and 17 (9.9%) more than the FY12 business plan forecast.

Races conducted before noon and on other days prior to 12.30pm provide significantly less wagering turnover than those conducted after this period.

NZTR will continue to work with the NZRB to optimise domestic and international wagering performance by conducting fewer races before 12.30pm midweek and before noon on Saturdays. Through the annual dates setting process NZTR will continue to align our racing activities with seasonal variations and reduce the number of races conducted on winter tracks.

KPI's 20-26: Average domestic turnover and export turnover per race Mondays and Tuesdays

Monday and Tuesday racing has met or exceeded business plan totalisator wagering forecasts on one of five categories and materially met targets on the remaining four categories.

Business plan targets did not include fixed odds betting which:

- Provided an average of \$16,790 per race in wagering turnover on Monday and Tuesday events
- Accounted for 24.4% of total domestic sales on Monday and Tuesday events

Since 5 March 2012 the average totalisator and fixed odds domestic turnover on Mondays and Tuesdays was \$74,102 per race, versus an average domestic turnover budget of \$64,771.

These figures exclude public holiday and other significant race meetings.

Table 9.1 Minimum Prizemoney Structure by Meeting Category

DESCRIPTION	OPEN	R85	R75	R65	3&4YO	2YO	MAIDEN
Premier	40,000	30,000	25,000	20,000	20,000	20,000	20,000
Feature	25,000	15,000	15,000	12,500	12,500	12,500	12,500
T2 Feature	15,000	12,000	10,000	8,000	8,000	8,000	7,000
Industry	12,000	8,000	8,000	7,000	7,000	7,000	7,000

Source: NZTR 2012/2013 Funding Policy

Business plan targets for export wagering sales on Mondays and Tuesdays have been exceeded despite only 57.6% of races being broadcast in Australia on Sky 1 (refer KPI 47).

10 Race Dates, Programming and Handicapping

Maximising Returns to Industry Participants

The 2012-14 Business Plan established the following Key Performance Indicators for Race Dates, Programming and Handicapping:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
	FY11 ACTUAL	FY12 FORECAST	FY12 ACTUAL	RESULT
27. Races conducted	3,048	3,040	3,061	✓
28. NZRB distribution to NZTR	\$64.1m	\$69.5m	\$69.6m	✓
29. Field size – flat races	10.7	10.8	10.6	✗
30. Average starts per horse	5.7	6.0	5.8	±
31. Races with less than 8 starters	484	420	489	✗
32. Number of individual starters	5,682	5,455	5,610	✓

✓	Met or improved on FY12 Business Plan targets / Achieved KPI	50%
±	Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	17%
✗	Failed to improve on FY11 and failed to meet FY12 Business Plan targets	33%

KPI 27: Races conducted

3,061 races were conducted in FY12, an increase of 13 races (0.4%) on the 3,048 races conducted in FY11 and 21 in excess of the FY12 business plan forecast.

NZTR had scheduled 3,079 races and anticipated conducting 3,040 races after abandonments, deletions and divisions. Race meetings abandoned due to wet weather in May and June were less than anticipated.

Table 10.1 Regional Variations of Horses, Races and Prizemoney in FY12

REGION	INDIVIDUAL STARTERS BY REGION TRAINED	TOTAL STARTS BY REGION TRAINED	RACES BY REGION	STAKES BY REGION
North	50.3%	47.1%	41.5%	44.9%
Central	30.3%	29.1%	32.5%	32.9%
South	19.4%	23.9%	26.0%	22.3%
Total	100.0%	100.0%	100.0%	100.0%

Source: NZTR Analysis

This illustrates the clear potential for a better regional match of races to horses.

KPI 28: NZRB distribution to NZTR

The minimum FY12 NZRB distribution to NZTR is expected to be at least \$69.6m, inclusive of \$1.9m of NZRB gaming grants.

This is a \$5.5m (8.6%) increase on the FY11 NZRB distribution of \$64.1m.

\$69.6m is 54.9% of the total distribution to the codes as compared to 53.8% of domestic market share as provided under the default mechanism of Section 16 of the Racing Act 2003.

The NZRB Board will determine the final FY12 code funding allocation at their October board meeting. NZRB management has provided written advice confirming that it will be recommending an allocation of at least \$132.0m, producing a distribution to NZTR of at least \$69.63m. There is a possibility that the NZRB's final distribution to NZTR for FY12 could be in excess of this amount.

KPI 29: Field size – flat races

The average field size for flat races in FY12 was 10.6, a reduction of 0.1 starters per race (or 0.9%) from the 10.7 average field size in FY11.

In FY12 the average field size on:

- Premier days was 12.1 with 5,534 starts across 457 races
- Feature and Tier 2 Feature days was 10.7 with 11,364 starts across 1,064 races
- Industry days was 10.1 with 15,527 starts across 1,540 races

The average field size on Mondays and Tuesdays industry fixtures since 5 March 2012 was 10.39 compared 10.36 for Wednesdays, Thursdays and Fridays over the same period.

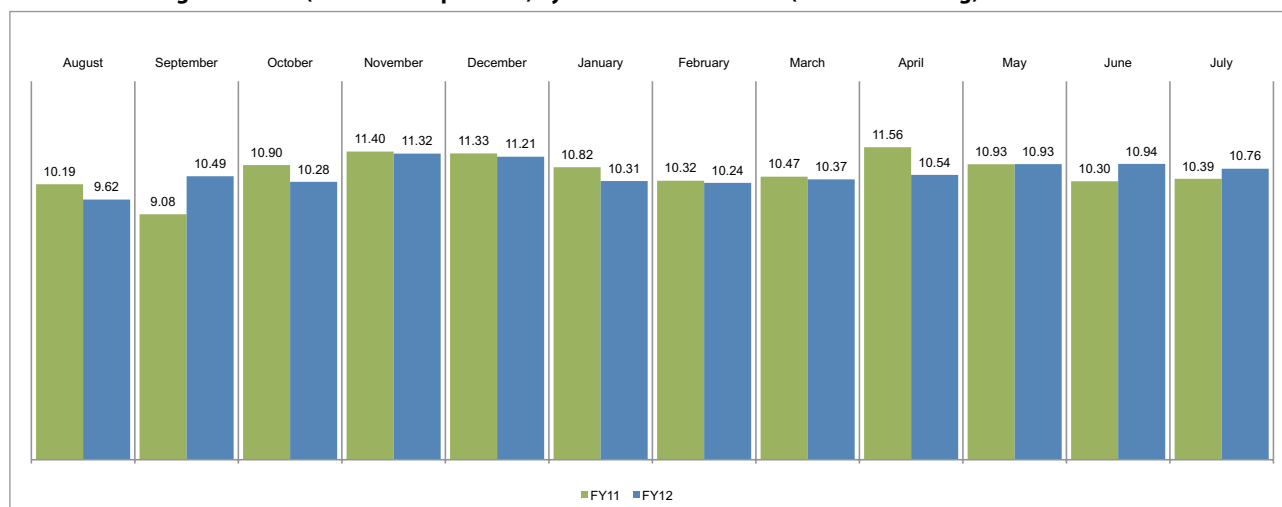
Table 10.2 Monday and Tuesday Performance v Other Midweek Meetings, 5 March to 31 July 2012.

All Monday/Tuesdays March – July 2012 excluding significant meetings, eg Easter Monday, Queens Birthday					
REGION	SUM OF MTGS	RACES	AVERAGE FIELD SIZE	TOTAL DOMESTIC TURNOVER PER RACE INCL MULTIPLES & PICK 6)	EXPORT TURNOVER PER RACE
Northern	14	105	10.48	74,381	90,236
Central	9	65	10.17	74,476	92,957
South Island	5	36	10.56	72,613	110,230
Grand Total	28	206	10.39	74,102	94,589
All Wednesday/Thursday/Fridays March – July 2012 excluding significant meetings eg Premiers, Public Holidays etc.					
Northern	20	171	10.95	98,907	99,495
Central	20	159	10.25	96,953	106,148
South Island	18	146	9.79	77,640	96,267
Grand Total	58	476	10.36	91,731	100,727

Average field size is a derivation of races conducted (+0.4%), plus total starts (-0.5%).

Variations to each of these factors can be found in the analysis of KPI 27, KPI 30 and KPI 31.

Chart 10.1 Average Field Size (Flat and Jumps Races) by Calendar Month FY11 (needs formatting)



Source: NZTR Analysis

In FY12 the total number of starts was 32,425 down 167 (0.5%) from 32,592 in FY11.

KPI 30: Average starts per horse

In FY12 the average number of starts per horse per annum was 5.78, up 0.04 (0.7%) from 5.74 times in FY11.

In FY12 males horses raced on average 5.89 times per annum compared to 5.90 times in FY11, and female horses raced on average 5.65 times per annum, up 0.1 (1.8%) from 5.55 times in FY11.

KPI 31: Races with less than 8 starters

In FY12 there were 489 races with less than 8 starters, 5 more races (1%) compared with 484 in FY11 and 69 races more (16.4%) than the business plan target.

In FY12 there were

- 441 flat races with less than 8 starters compared to 445 in FY11
- 48 jumps races with less than 8 starters compared to 39 in FY11

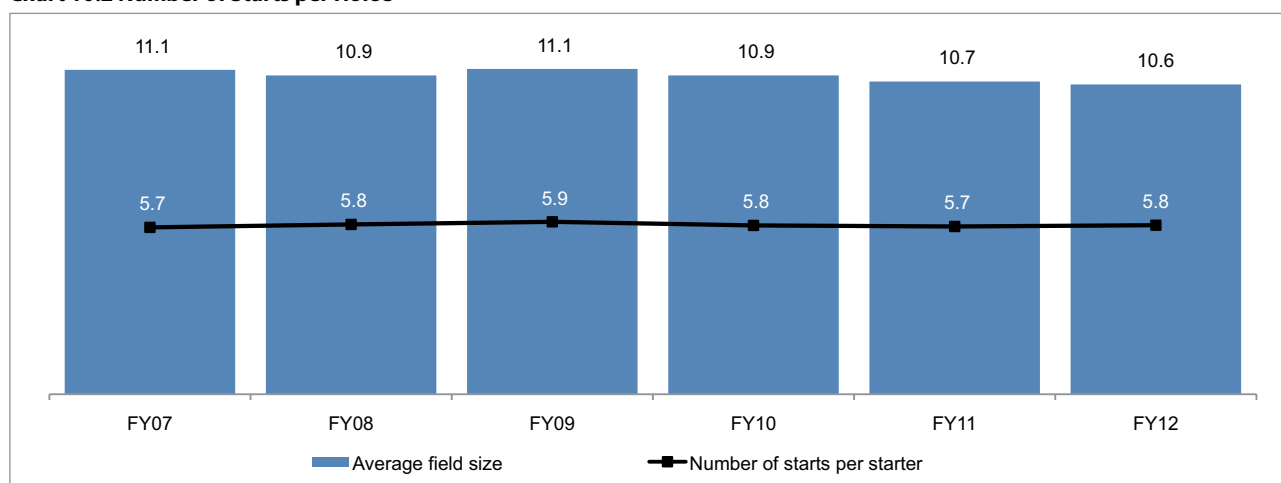
Races with less than eight runners per race have a significant negative impact on turnover.

KPI 32: Number of individual starters

There were 5,610 individual horses which started in at least one race in FY12 down 72 (1.3%) from the 5,682 individual horses which started in at least one race in FY11.

In FY12 the number of male horses which had one start fell by 73 and the number of female horses increased by 5.

Chart 10.2 Number of Starts per Horse

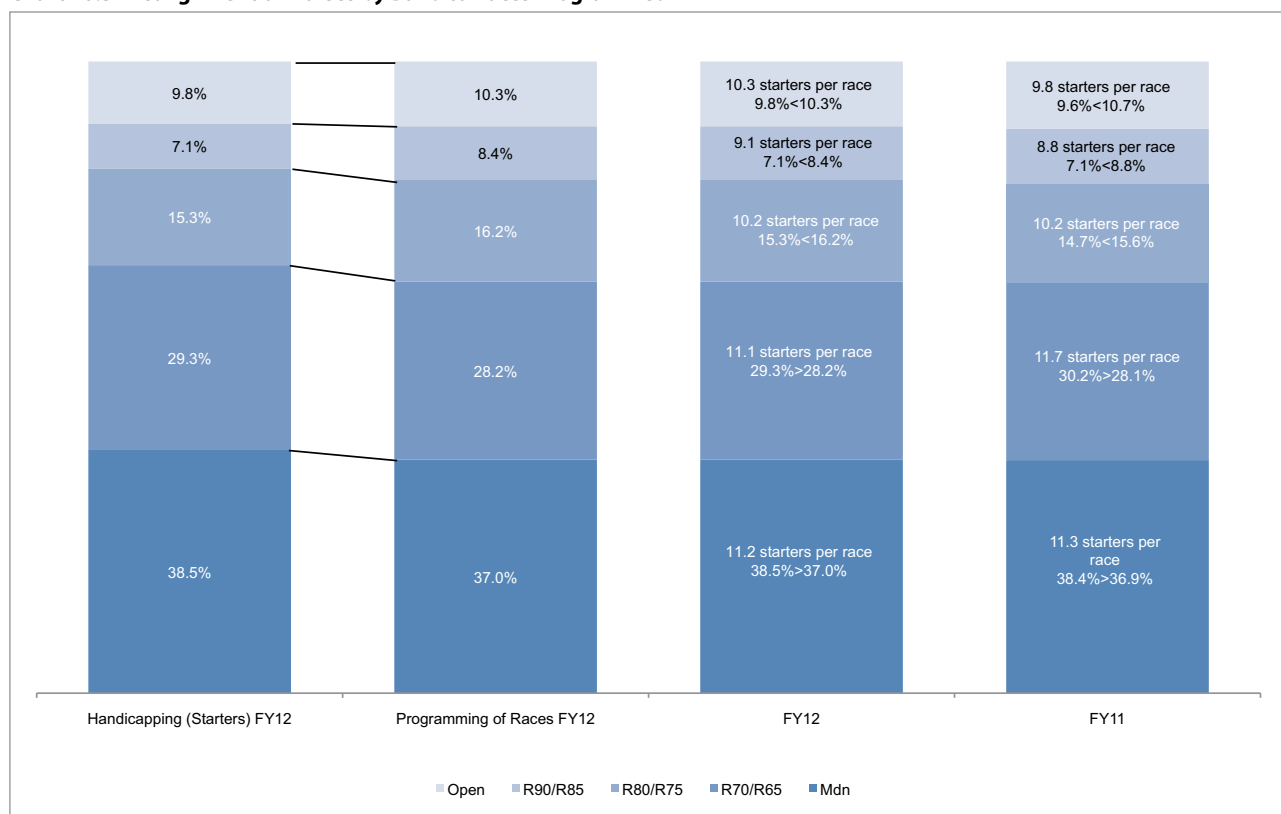


Source: NZTR

Handicapping review

The handicapping review, implemented in November 2011 and further improved in June 2012, has resulted in less bunching of horses in the rating 65-70 band which limited opportunities in that grade and led to consistently poor field sizes in the rating 80 and rating 90 grades.

Chart 10.3 Misalignment of Horses by Band to Races Programmed



Source: NZTR Analysis

Changes occurred progressively over the course of FY12, and we expect to see a further levelling out of field sizes in FY13. This will lead to more racing opportunities and better wagering outcomes as we reduce the number of races with less than eight starters.

The benchmark system introduced as a result of the handicapping review has lifted opportunities and bolstered field sizes in the rating 75 and rating 85 grades. From June, all rating 65-85 races became benchmarks, with the one proviso that 2 win+ horses that are rated 66 or higher cannot race in the rating 65 grade.

The benchmarking of all races also largely deals with the issue of placed horses which can be re-rated out of their class and then struggle to get a start in the higher band.

Table 10.3 Domestic and International Sales by Race Class (excludes multiples) in FY12

RACE CLASS	RACES	AVERAGE FIELD SIZE	OFF-COURSE TURNOVER PER RACE (\$)	ON-COURSE TURNOVER PER RACE (\$)	FIXED ODDS TURNOVER PER RACE (\$)	DOMESTIC TURNOVER PER RACE (\$)	EXPORT TURNOVER PER RACE (\$)
WFA	26	12.42	236,336	30,933	91,646	358,914	257,538
Open	250	10.10	130,286	16,534	35,828	182,647	147,262
R85	234	9.13	97,623	13,941	27,871	139,434	120,190
R75	447	10.19	94,041	10,266	24,046	128,354	124,921
R65	770	11.15	84,970	9,441	20,462	114,872	122,011
Maiden	1,018	11.16	67,291	6,207	16,957	90,455	102,796
Jumps	112	8.37	46,606	4,838	12,833	64,276	58,216

Source: NZTR Analysis and NZRB turnover data

11 Fillies and Mares Racing

The 2012-14 Business Plan established the following Key Performance Indicators for Fillies and Mares Racing:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
	FY11 ACTUAL	FY12 FORECAST	FY12 ACTUAL	RESULT
33. Females as % of individual starters	46.5%	47.7%	47.2%	±
34. Females as % of individual winners	45.0%	46.7%	45.8%	±
35. Number of starts per female starter per year	5.6	5.7	5.7	✓

✓	Met or improved on FY12 Business Plan targets / Achieved KPI	33%
±	Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	67%
✗	Failed to improve on FY11 and failed to meet FY12 Business Plan targets	0%

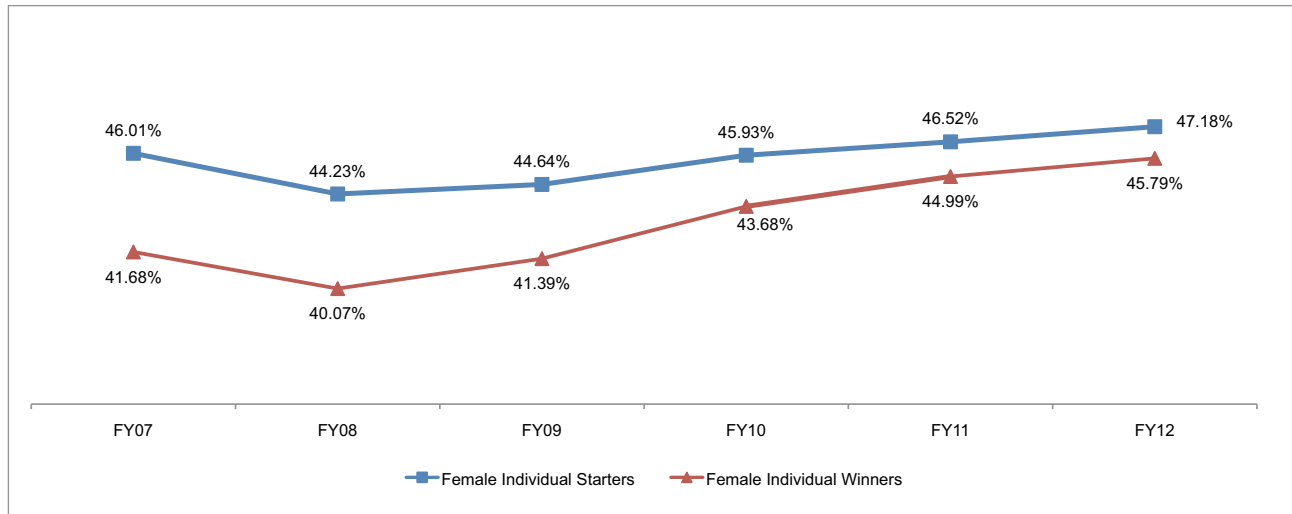
KPI 33: Females as % of individual starters

Fillies and mares make up between 54% and 57% of the available horse population after exports. However, in FY12 females comprised only 47.2% of individual horses that started in at least one race, up 0.7% from 46.5% in FY11.

KPI 34: Females as % of individual winners

In FY12 females comprised 45.8% of individual winners, up 0.8% from 45.0% in FY11.

Chart 11.1 Percentage of Female Individual Starters relative to Female Individual Winners

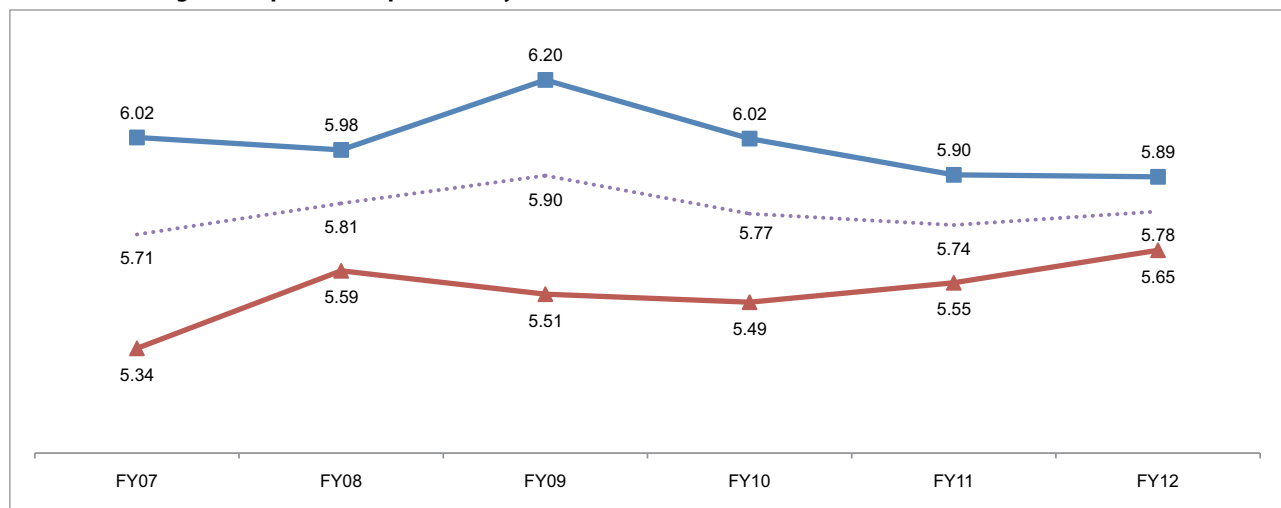


Source: NZTR Analysis

KPI 35: Number of starts per female starter per year

In FY12 female horses raced on average 5.65 times per annum, up 0.1 times (or 1.8%) from 5.55 times in FY11.

Chart 11.2 Average Starts per Annum per Horse by Sex



Source: NZTR Analysis

In November 2011 NZTR improved female opportunities by:

- Lifting the weight allowance from 1.5kg to 2kg
- Establishing a national series of lower grade fillies and mares races with higher prizemoney

Despite these initiatives, fillies and mares remained:

- Under-represented in terms of individual horses that had starts in FY12, and
- Under-performed in terms of starters to winners in FY12

NZTR is working with the:

- NZTBA and NZTM in supporting the introduction of a fillies and mares scheme designed to revive ownership interest in fillies and mares and reduce 'wastage' in the present and maintain horse numbers for the future
- NZTR is working to identify and develop an expanded number of quality fillies and mares (and 3YO) races, for a potential increase in or upgrade of black type status

12 Jumps Racing

The 2012-14 Business Plan established the following Key Performance Indicators for Jumps Racing:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
	FY11 ACTUAL	FY12 FORECAST	FY12 ACTUAL	RESULT
36. Field size – jumps	8.7	8.8	8.4	×
37. Number of jumps horses	278	280	291	✓
38. Average jumps starts per season per horse	3.6	3.6	3.2	×

✓	Met or improved on FY12 Business Plan targets / Achieved KPI	33%
±	Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	0%
×	Failed to improve on FY11 and failed to meet FY12 Business Plan targets	67%

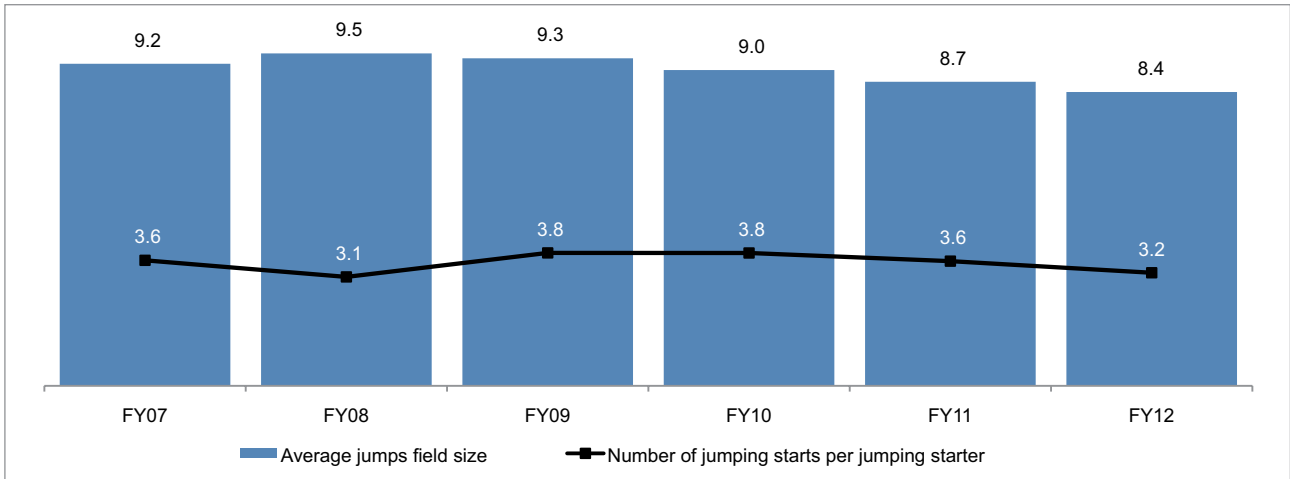
KPI 36: Field size – jumps

The average field size for jumps races in FY12 was 8.4, a reduction of 0.3 starters per race (3.5%) from the 8.7 average field size in FY11 and reduction of 0.4 starters per race (4.5%) from the 8.8 average field size targeted in the FY12 business plan.

Average field size is a derivation of jumps races conducted (-1.8%), and total horses that started.

Variations to two of these factors can be found in the analysis of KPI 37 and KPI 38.

Chart 12.1 Number of jumping starts per jumping horse FY07 to FY12



Source: NZTR Analysis

In FY12 the total number of jumps starts was 937, down 50 (5.1%) from 987 in FY11.

KPI 37: Number of jumps horses

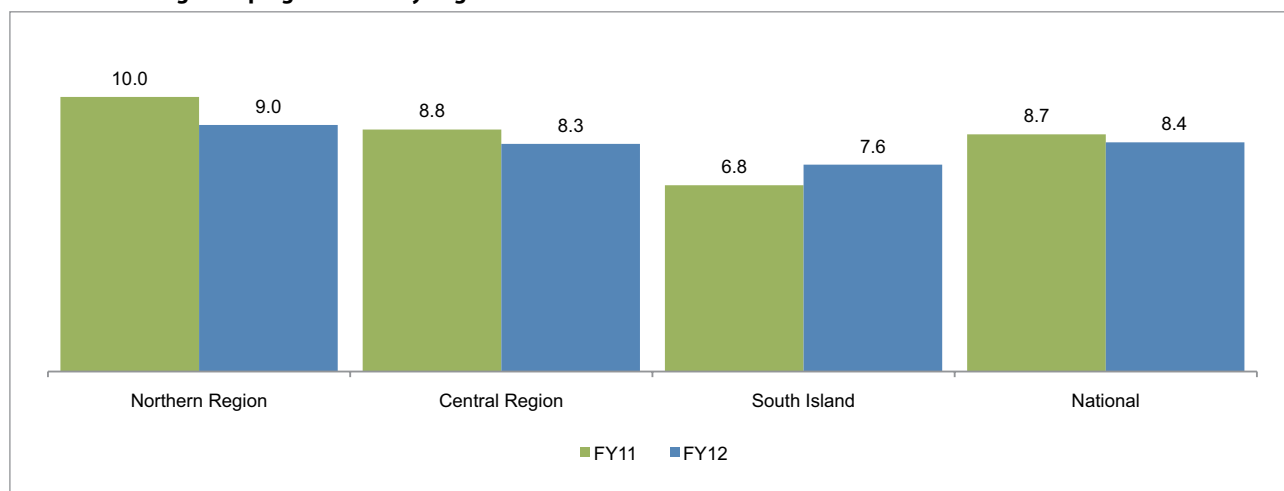
In FY12 there were 291 individual horses which started in at least one jumps race, up 13 (4.7%) from the 278 in FY11 and up 11 (3.9%) on the FY12 business plan.

KPI 38: Average jumps starts per season per horse

In FY12 the average number of starts per horse per annum was 3.2, down 0.4 (11.1%) from 3.6 in FY11.

The prevalence of hard tracks through May and June contributed to the lower average number of jumps starts this season.

Chart 12.2 Average Jumping Field Size by Region FY12 v FY11



Other Jumps Racing Initiatives

In FY12 NZTR:

- Increased stakes for jumping races (from 1 March 2012) with prizemoney for the Great Northern Steeplechase and Hurdle boosted from \$80,000 to \$100,000, along with supporting stakes increases for a number of Prestige Jumping Races and all Restricted Open Jumping races
- Funded \$1.74m in minimum jumps prizemoney in FY12, an increase of \$157,733 (10%) over the \$1.58m provided for jumping in FY11
- Supported NZ Jumps Inc's recommendations to increase the minimum riding weight to 68kg for all non-prestige jumping races, and provide a 2kg mares allowance for jumps races
- Scheduled the National Jumps Day licence at Te Rapa in September and programmed three midweek jumps only licences at Paeroa, Te Aroha and Hawera
- Continued to support clubs that conduct jumping days by paying an additional \$2,500 per day payment towards their costs
- Matched dollar-for-dollar funding from the Minister's Racing Safety Development Fund for two new sets of hurdle pads based at Te Rapa and Riccarton at a total cost of \$87,340
- Supported a rule change to ensure that when a horse has fallen or is pulled up in a jumping race it is not remounted or ridden until the horse has been examined by a veterinary surgeon and the rider has been cleared by medical authorities. NZTR will distribute any unallocated jumps race prizemoney equally among horses that do not complete any race
- Enhanced the amateur riders' series and provided introductory training for amateur riders

13 Infrastructure and Asset Optimisation

Increasing Efficiency and Effectiveness

The 2012-14 Business Plan established the following Key Performance Indicators for Infrastructure and Asset Optimisation:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
		FY11 ACTUAL	FY12 FORECAST	FY12 ACTUAL
39. Percentage of trained starters produced from Strategic training tracks	66.4%	66.4%	66.2%	×
40. Races conducted at venues that race 10+ meetings per annum	59.6%	67.4%	71.1%	✓
41. Races conducted at venues that race 3-9 meetings per annum	33.5%	25.7%	22.2%	✓
42. Races conducted at venues that race 1-2 meetings per annum	6.9%	6.9%	6.80%	✓
43. Completion of master plans at venues that race 10+ meetings per annum	20%	40%	0%	×
44. Average Track Rating	6.18	6.00	5.52	✓

✓	Met or improved on FY12 Business Plan targets / Achieved KPI	67%
±	Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	0%
×	Failed to improve on FY11 and failed to meet FY12 Business Plan targets	33%

In FY12 63 different clubs conducted thoroughbred racing at 49 different venues resulting in a wide variety of operational and financial performance across these clubs and race meetings. To standardise this, NZTR has introduced race meeting reporting templates which have already provided extremely useful information to identify operational and financial issues.

NZTR's focus is to gradually move the calendar to concentrate racing at key venues to spread the cost of their infrastructure and professional management, while ensuring that smaller volunteer-based clubs are able to handle and mobilise community engagement. NZTR has begun work on moving to more 10+ meeting venues, more 1-2 meeting venues and fewer venues running 3-9 meetings.

KPI 39: Percentage of trained starters produced from strategic training tracks

In FY12 66.4% of trained starters came from strategic training tracks, a decrease of 0.2% on both the FY11 actual and FY12 business plan budget of 66.4%.

KPI 40: Races conducted at venues that race 10+ meetings per annum

In FY12 71.1% of races were conducted at venues hosting ten or more race meetings per annum, up 11.5% on FY11 actual and up 3.7% on the FY12 business plan forecast.

KPI 41: Races conducted at venues that race 3-9 meetings per annum

In FY12 22.2% of races were conducted at venues hosting between 3 and 9 race meetings per annum. This reduction of 11.3% is an improvement on FY11 and 3.5% better than the FY12 business plan target.

KPI 42: Races conducted at venues that race 1-2 meetings per annum

In FY12 6.8% of races were conducted at venues hosting between 1-2 race meetings per annum. This reduction of 0.1% is an improvement on both FY11 and the FY12 business plan.

KPI 43: Completion of master plans at venues that race 10+ meetings per annum

During FY12, NZTR recognised that requiring all strategic and significant venues to undertake venue master plans immediately may be premature and might not suit individual club timing or decision making around future strategies.

NZTR will require race clubs to have undertaken a venue master plan process where NZTR grant funds are made available. NZTR will match the first \$10,000 of race club expenditure on a venue master plan process.

KPI 44: Average Track Rating

In FY12 the average track rating was 5.52, an improvement of 0.66 (10.7%) on FY11 and an improvement of 0.48 (8.0%) on the FY12 business plan.

Track conditions are a driver of wagering performance. In FY12, the average track condition was 5.52 (Dead) with approximately 34% of races conducted on slow or heavy tracks.

Improvements in the average track rating in FY12 have been primarily related to improved climatic conditions and improved track maintenance.

As part of its infrastructure plan, NZTR is looking to support a number of drainage and irrigation improvements in FY13.

Infrastructure issues

NZTR is well advanced in developing an NZTR Infrastructure Strategy Policy, which will be supported by the establishment of an NZTR Infrastructure Fund. The Infrastructure Strategy Policy will be released in the first quarter of the FY13 season.

The Infrastructure Fund will be a clear line item in the accounts funded from Board-approved allocations from NZTR surpluses. This will ensure that projects critical to our sustainability are not subordinated to short term except in the direst of situations.

During the FY12 season NZTR has, on behalf of the industry, coordinated and part-funded the purchase of:

- new Simtrack running rails to replace all pipe running rails on racing surfaces (8 venues)
- 17 new judicial and broadcast towers
- 2 new sets of hurdles to be based at Te Rapa and Riccarton
- plastic running rails for Ellerslie, which will be installed in the first quarter of FY13

NZTR funding of \$716,000 was supported by the Racing Minister's Racing Safety Development Fund and other race club and community funding.

Synthetic Track

NZTR is committed to the establishment of a synthetic track in the Waikato/Counties region.

During the FY12 season NZTR continued to evaluate the benefits, design and funding options around building a synthetic track.

NZTR has carried out considerable work on the technical aspects, costing and possible locations for a synthetic track. Evidence provided to NZTR suggests that a properly drained and laid synthetic surface outperforms a variable grass track during the wetter months of the year. A synthetic surface would be a work-horse track for the industry, capable of hosting trial meetings and significant numbers of horses in training. NZTR has been working on a funding model which recognises the revenue upside and cost savings that an artificial surface will provide.

As a first step, NZTR is now considering installing a 12 metre synthetic training and trialing surface at one of our major Waikato training centres in FY13, to ensure proof of concept before constructing a synthetic racing, trialing and training surface in FY14-15. This would provide significant benefits in terms of training and trialing capacity for a fraction of the full race surface cost. A key learning from overseas is that artificial training surfaces have proceeded race surfaces due to technical knowledge gained and the comfort provided to stakeholders that the tracks are safe.

Track maintenance

During FY12, NZTR continued to:

- Subsidise the 15 largest training centres at a total of \$385,000 in recognition of each of their contribution to the industry via the provision of training facilities and tracks
- Fund Turftech reports to help assist major racing and training venues continue to provide appropriate racing, trialing and training surfaces
- Provide race clubs with access to 'verti drain' and 'groundbreaker' machinery

14 Internationalisation

The 2012-14 Business Plan established the following Key Performance Indicators for Internationalisation:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
	FY11 ACTUAL	FY12 FORECAST	FY12 ACTUAL	RESULT
45. Grow Australian wagering royalties on New Zealand thoroughbred racing	+9.3%	+20.0%	+5.00%	×
46. International royalties on New Zealand thoroughbred racing	\$9.2m	\$11.0m	\$9.6m	±
47. Gain access to Sky 1 for all New Zealand Monday and Tuesday fixtures	0%	100%	57.6%	±

✓	Met or improved on FY12 Business Plan targets / Achieved KPI	0%
±	Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	67%
×	Failed to improve on FY11 and failed to meet FY12 Business Plan targets	33%

KPI 45: Grow Australian wagering royalties on New Zealand thoroughbred racing

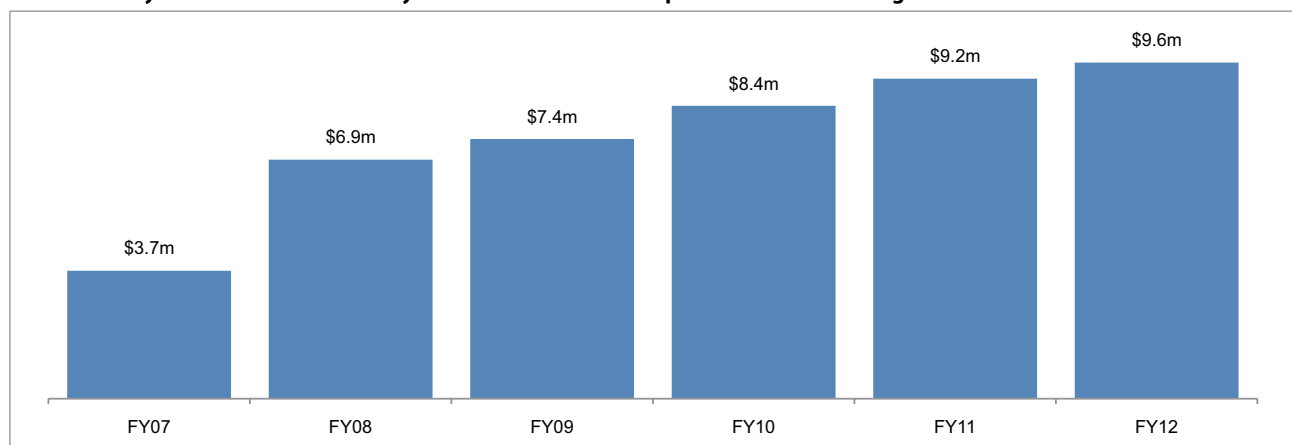
In FY12 Australian wagering royalties on New Zealand thoroughbred racing grew by 5.0%, a rate 4.3% lower than FY11 and 15.0% lower than the FY12 business plan forecast. A key headwind was that overall Australian totalisator wagering declined sharply.

During FY12 NZTR was advised by the NZRB not to engage directly with Sky Channel.

KPI 46: International royalties on New Zealand thoroughbred racing

In FY12 international royalties on New Zealand thoroughbred racing were \$9.6m, an increase of \$0.4m (or 4.3%) on FY11 and \$1.4m (or 12.7%) below the FY12 business plan target.

Chart 14.1 Royalties Paid to the NZRB by Australian Totalisators Operators on NZ Thoroughbred Races



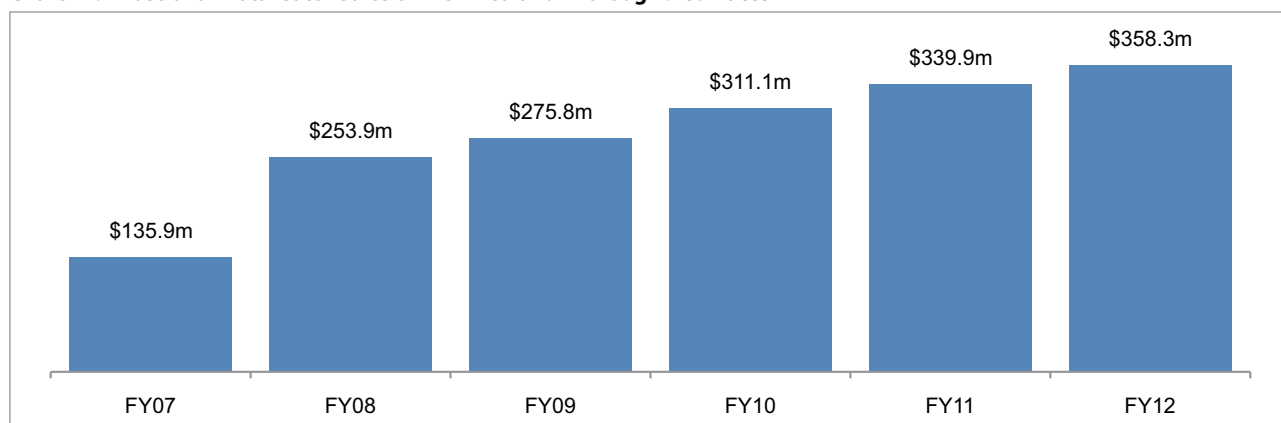
Source: NZTR Analysis

As anticipated in the 2012-14 Business Plan, totalisator wagering sales on New Zealand thoroughbred races in Australia exceeded New Zealand totalisator sales on New Zealand thoroughbred races for the first time in FY12.

KPI 47: Gain access to Sky 1 for all New Zealand Monday and Tuesday fixtures

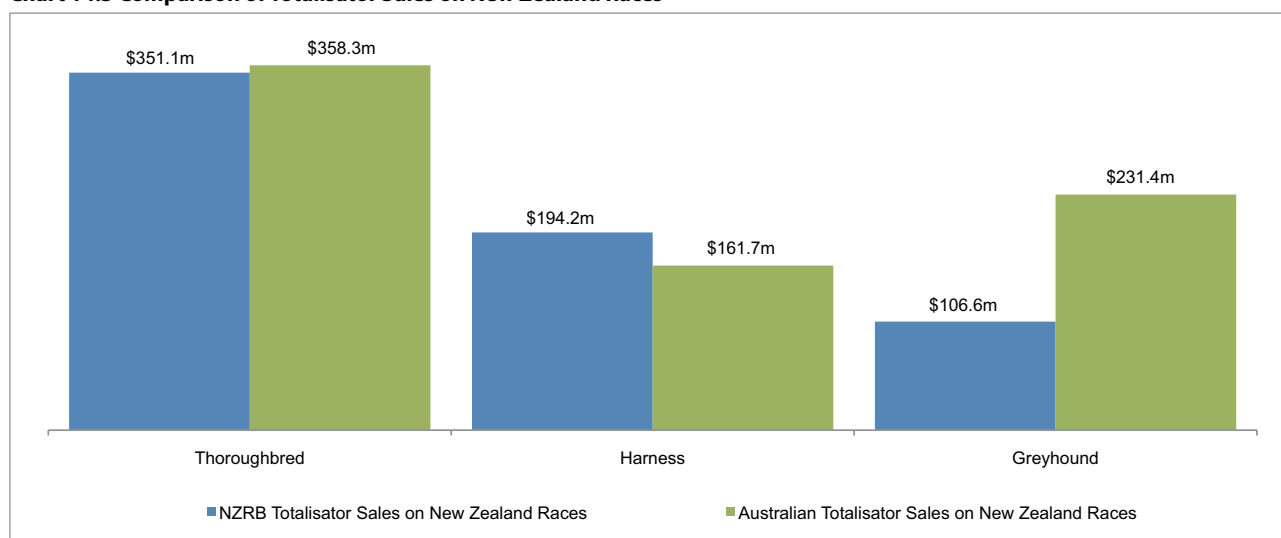
In FY12 Sky 1 broadcast 57.6% of Monday and Tuesday New Zealand thoroughbred races, 42.4% below the FY12 business plan forecast of 100%.

Chart 14.2 Australian Totalisator Sales on New Zealand Thoroughbred Races



Source: NZTR Analysis

Chart 14.3 Comparison of Totalisator Sales on New Zealand Races



Source: NZTR Analysis

Other international broadcast issues

Sky Channel Australia (owned by TABCorp) is undertaking a National Race Scheduling Review, which NZTR has contributed to with submissions to the NZRB. There have been significant changes in the Australia racing media rights landscape through FY12, when TVN (TVN is half-owned by Sydney's Australian Turf Club and the Victorian thoroughbred racing industry) announced plans in June 2012 to aggregate NSW and Victorian thoroughbred media rights. These changes are likely to play out during the first half of the FY13 season.

Sky Racing is still the dominant broadcaster of races in Australia, while TVN hold a strong hand as the rights holder for NSW and Victorian thoroughbred racing.

Coverage of New Zealand Thoroughbred racing in Australia is split between the four Sky Channels. Monday through Thursday New Zealand thoroughbred racing is split between Sky 1 and Sky 2, with the early races on Sky 1 and the later races on Sky 2, and the full card being carried on Sky Racing World and Sky International. On Fridays, Saturdays and Sundays the full card is carried on Sky 2 and Sky International.

The allocation and coordination of race start times between New Zealand and Australia (the race clock) is the most important issue to get right. A coordinated race clock between New Zealand and Australia provides the best opportunity to optimize the broadcast coverage on thoroughbred racing and the wagering potential for both Australia and New Zealand TAB's.

New Zealand racing represents 60.3% of Sky Channel's international revenue and therefore is a key player for Sky Channel and TABCorp to optimize its international revenue going forward.

New Zealand thoroughbred racing is currently being simulcast to the United States of America on the back of Australian racing. At this stage it has had little material impact due to limited coverage, awareness and pool size. Work is being carried out to bring the pools back to NSW and offer a broader range of betting products that U.S customers are used to.

The U.S. is a very difficult and fragmented market to break into but is one that is worth pursuing on the back of Sky Channel's experience in the U.S market place.

NZTR will continue to work with Hong Kong and Singapore to take feature New Zealand thoroughbred racing. While potentially extremely lucrative both markets are difficult to break into and have limited international race opportunities.

15 Ownership

The 2012-14 Business Plan established the following Key Performance Indicators for Ownership:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
	FY11 ACTUAL	FY12 FORECAST	FY12 ACTUAL	RESULT
48. Grow ownership	12,504	12,600	12,462	×
49. Grow number of owners with 0.25 > 1	3,327	3,400	3,218	×
50. Grow number of owners with < 0.25 shareholding	7,427	7,576	7,509	±

✓	Met or improved on FY12 Business Plan targets / Achieved KPI	0%
±	Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	33%
×	Failed to improve on FY11 and failed to meet FY12 Business Plan targets	67%

KPI 48: Grow ownership

In FY12 there were 12,462 unique owners with a participatory interest in a horse that started in at least one race. This was a reduction of 42 (0.03%) on FY11 and 96 less than the FY12 business plan target.

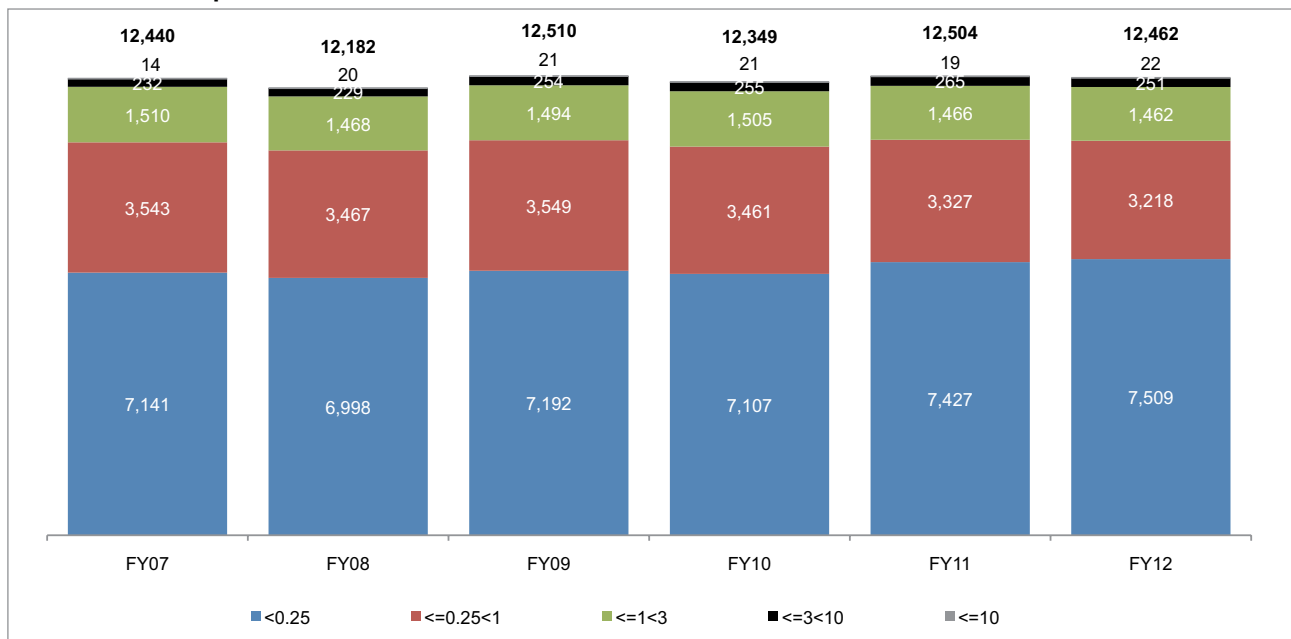
KPI 49: Grow number of owners with 0.25 > 1

In FY12 there were 3,218 unique owners with a participatory interest of between 0.25 > 1 full share in a horse, this was a reduction of 109 (3.3%) on FY11 and 182 (5.4%) less than the FY12 business plan target.

KPI 50: Grow number of owners with < 0.25 shareholding

In FY12 there were 7,509 unique owners with a participatory interest of less than 25% share in a horse, this is an increase of 82 (3.3%) on FY11 and 65 (0.9%) less than the FY12 business plan target of 7,576.

Chart 15.1 Ownership FY07-12



Source: NZTR Analysis

NZTR has not implemented any specific ownership strategies in FY12.

During FY12 NZTR:

- Engaged with NZTM, through the industry marketing steering group (refer KPI 1), to develop ownership strategies designed to retain and promote horse ownership
- Worked with Socialize and NZTM to work through the opportunities around a Social Racing website. This website will promote a range of ownership opportunities for existing and new owners and will simplify the process around becoming an owner

NZTR will launch a new syndication website platform in the second quarter of the FY13 season, in association with a new ownership participation initiative.

16 Participation

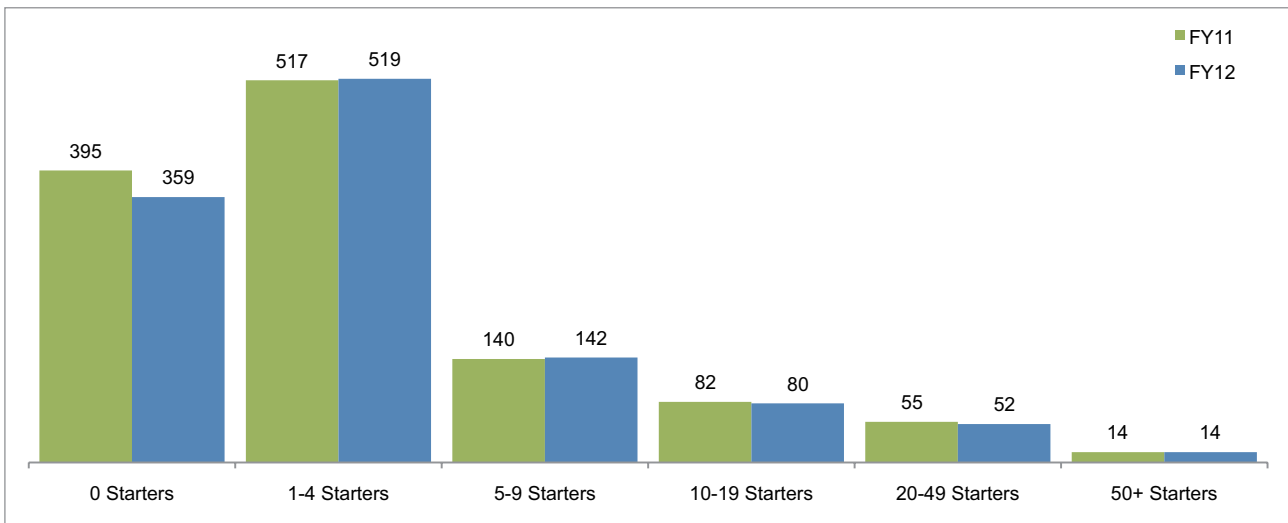
The 2012-14 business plan did not set any specific key performance indicators for participation.

Trainers

In FY12 the total number of registered trainers:

- Was 1,166 a reduction of 37 (or 3.1%) compared to 1,203 in FY11
- Who started at least one horse in a race was 808 a reduction of 1 (or 0.1%) compared to 807 in FY11
- Who did not have a horse that started during the year was 359 a reduction of 36 (or 9.1%) compared to FY11

Chart 16.1 Trainers by Number of Individual Horses that Started in a Race in FY11



Source: NZTR Analysis

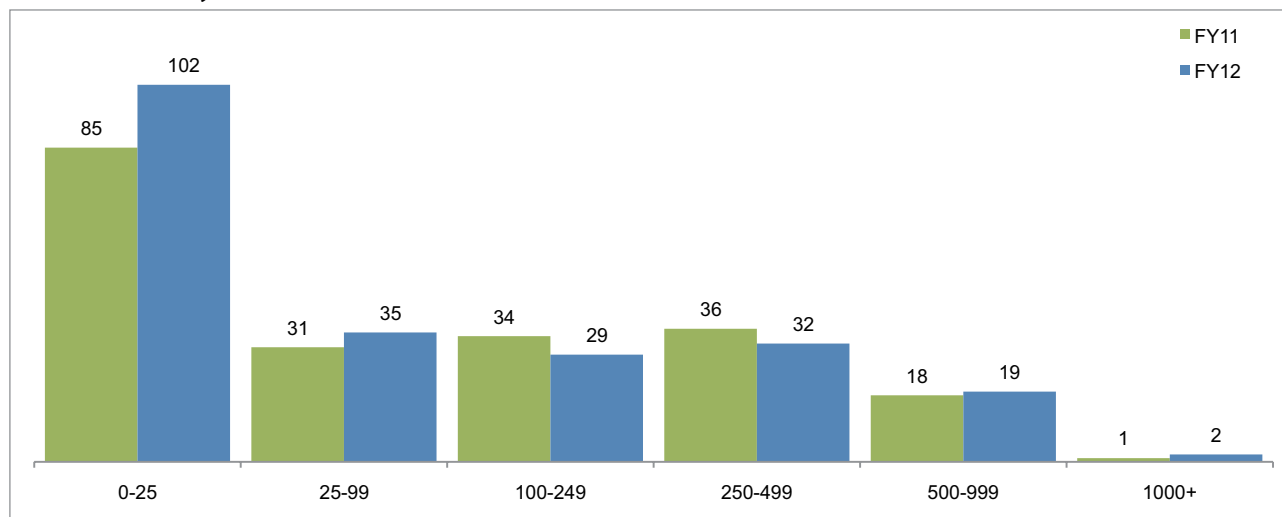
In FY12:

- 14 trainers started more than 50 individual horses in at least one race, providing 71.0% of trained starters
- 66 trainers started more than 20 starters individual horses in at least one race, providing 88.4% of trained starters
- 146 trainers started more than 10 starters individual horses in at least one race, providing 95.9% of trained starters
- 288 trainers started more than 5 starters individual horses in at least one race, providing 98.9% of trained starters

Jockeys

In FY12 the total number of registered jockeys and apprentices was 219 an increase of 14 (or 6.8%) compared to 205 in FY11.

Chart 16.2 Riders by number of rides FY12 v FY11



In FY12 82 jockeys rode in more than 100 races, compared to 89 in FY11

ACC Levies

NZTR, the NZ Trainers Association, NZ Thoroughbred Breeders Association and NZ Jockeys Association have worked together to improve work practices and have the nature of employee risk correctly defined by ACC.

As a result of this work and changes at ACC, levies will fall sharply in FY13. ACC costs have been a significant issue in recent years, with trainers and therefore owners facing a major cost burden due to the levy rate increasing from 6.28% in FY08, to 7.25% in FY09, 8.85% in FY10 and 11.17% in FY11. After a decline in the levy to 9.58% in FY12, it will fall further to 6.91% in FY13.

There may be potential to lower the impact of levies further and we will work with industry bodies in the coming period towards such an aim.

Rules of racing amendments

In 2011, NZTR consulted with stakeholders on proposed changes to the Rules of Racing regarding inconsistencies relating to the payment of prizemoney percentages to trainers and riders and to the long-standing practice of NZTR (on behalf of Clubs) paying prizemoney in three components, directly to owners, trainers and riders. These changes were intended to recognise the important services provided by trainers and riders to Clubs, resolve ambiguities and contradictions within the Rules, better reflect actual practice and align NZ with the equivalent rules in Australia. NZTR sought a binding ruling from Inland Revenue confirming the GST consequences of the proposed changes, being NZTR on behalf of Clubs could recover all GST added to trainer and rider payments. Inland Revenue adopted a contrary position.

NZTR remains committed to proceeding with these rule changes and to operating in accordance with the law and the Rules of Racing. It is likely NZTR will seek to have the matter resolved by a court before implementation can be completed. We are currently considering the most cost effective way to proceed.

17 Intellectual Property

Maximising Returns to Industry Participants

The 2012-14 Business Plan did not set any specific key performance indicators for Intellectual Property.

During FY12 NZTR:

- Reviewed and scoped a number of issues impacting on New Zealand's ability to increase the value of its broadcast and racing information, including copyright protection and commercialization opportunities
- Stayed abreast with Australian race field's legislation and reviewed its relevance to New Zealand and international broadcasting rights
- Monitored Australian broadcast rights negotiations between Sky Channel and TVN

NZTR remains deeply concerned that off-shore wagering operators are accepting bets on our races but making no payment. We have emphasised these concerns to the NZRB and to the Minister.

18 Supporting the NZRB's Business

Maximising Returns to Industry Participants

The 2012-14 Business Plan established the following Key Performance Indicators for Supporting the NZRB's Business:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
	FY11 ACTUAL	FY12 FORECAST	FY12 ACTUAL	RESULT
51. NZTR distributions from the NZRB	\$64.1m	\$69.5m	\$69.6m	✓

✓	Met or improved on FY12 Business Plan targets / Achieved KPI	100%
±	Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	0%
×	Failed to improve on FY11 and failed to meet FY12 Business Plan targets	0%

KPI 51: NZTR Distributions from the NZRB

The minimum FY12 NZRB distribution to NZTR is expected to be at least \$69.6m, inclusive of \$1.9m of NZRB gaming grants.

This amount is a \$5.5m (8.6%) increase on the FY11 NZRB distribution of \$64.1m.

The \$69.6m is 54.9% of the distribution to the codes as compared to 53.8% of domestic market share as provided under the default mechanism of Section 16 of the Racing Act 2003.

NZRB Board will determine the final FY12 NZRB code funding allocation at their October board meeting. NZRB management have provided written advice confirming that it will be recommending an allocation of at least \$132.0m producing a distribution to NZTR of at least \$69.63m.

There is a possibility that NZRB final distribution to NZTR for FY12 could be in excess of the \$69.63m.

New Race Structure

NZTR introduced a new structure of racing from 1 March 2012 designed to maximise domestic and international wagering on New Zealand thoroughbred racing, which targets racing 52 weeks of the year on Mondays, Wednesdays, Thursdays, Fridays and Saturdays, with racing on selected Tuesdays in the autumn and spring and on Sundays between November and March.

These prizemoney and programming amendments have provided a greater differentiation between quality Saturday racing and other days of the week. Under the new racing and programming structure that commenced on 1 March 2012, a greater proportion of higher class races will be conducted on Saturdays.

Our analysis showed that races prior to 12.30pm midweek and noon on Saturdays, as well as some non-summer Sundays generated very poor wagering turnover and that the new Monday meetings could therefore be formed from these races. NZTR also identified Monday as a day with fewer Australian meetings, with this potentially allowing more favourable placement in the Australian broadcast schedule. While we have made some progress in lifting the number of races on Sky 1, more remains to be done.

Monday racing began on 5 March 2012 with the underlying principle being that NZTR is paid above its domestic market share percentage to recognise the:

- Extra costs of holding more meetings;
- Money saved by HRNZ from holding fewer meetings with more races; and,
- Upside for overall wagering due to the most popular code holding more meetings across the week

Key indicators such as field size, market share and wagering turnover have all moved favourably since Monday racing began in March.

NZRB domestic thoroughbred totalisator and fixed odds sales for the period:

- 1 August 2011 to 4 March 2012 was down -\$11.8 million (-4.2%) compared to the prior year period

- 5 March 2012 to 31 July 2012 was up +\$7.4 million (+5.2%) compared to the prior year period
- 1 August 2011 to 31 July 2012 was down -\$4.2 million (-1.0%) compared to the prior year period

NZRB international thoroughbred totalisator and fixed odds sales for the period:

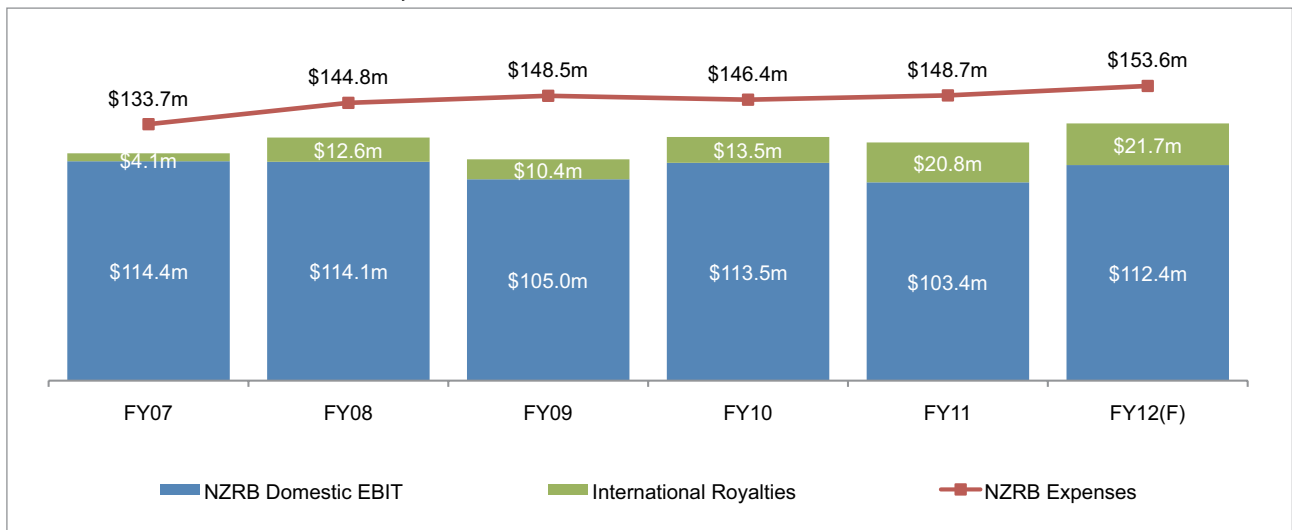
- 1 August 2011 to 4 March 2012 was up +\$10.4 million (+4.4%) compared to the prior year period
- 5 March 2012 to 31 July 2012 was up +\$19.1 million (+11.9%) compared to the prior year period
- 1 August 2011 to 31 July 2012 was up +\$29.4 million (+7.4%) compared to the prior year period

NZRB combined domestic and international thoroughbred totalisator and fixed odds sales for the period:

- 1 August 2011 to 4 March 2012 was down -\$1.4 million (-0.3%) compared to the prior year period
- 5 March 2012 to 31 July 2012 was up +\$26.6 million (+8.7%) compared to the prior year period
- 1 August 2011 to 31 July 2012 was up +\$25.2 million (+3.1%) compared to the prior year period

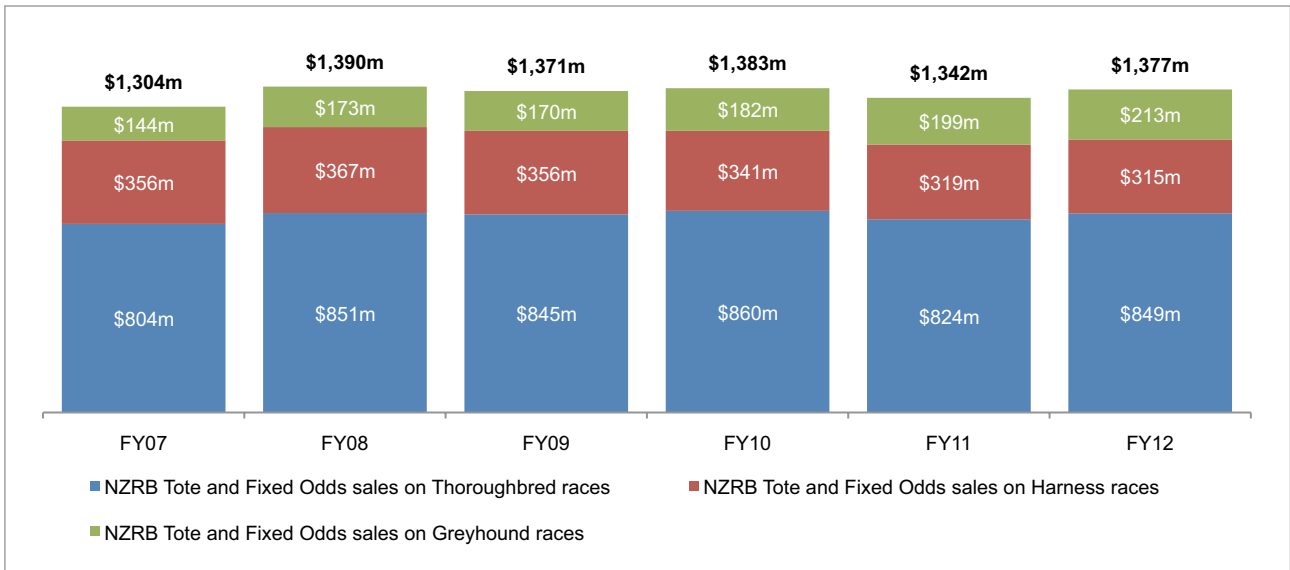
NZTR acknowledges that the New Zealand wagering environment is dynamic and other factors such as the introduction of fixed odds place betting, improved NZRB customer relationship management, changes in the racing schedule and changing economic conditions also impacted favourably during the period since the commencement of the Monday racing schedule on 5 March 2012.

Chart 18.1 NZRB Gross International Royalties and Domestic EBT 1



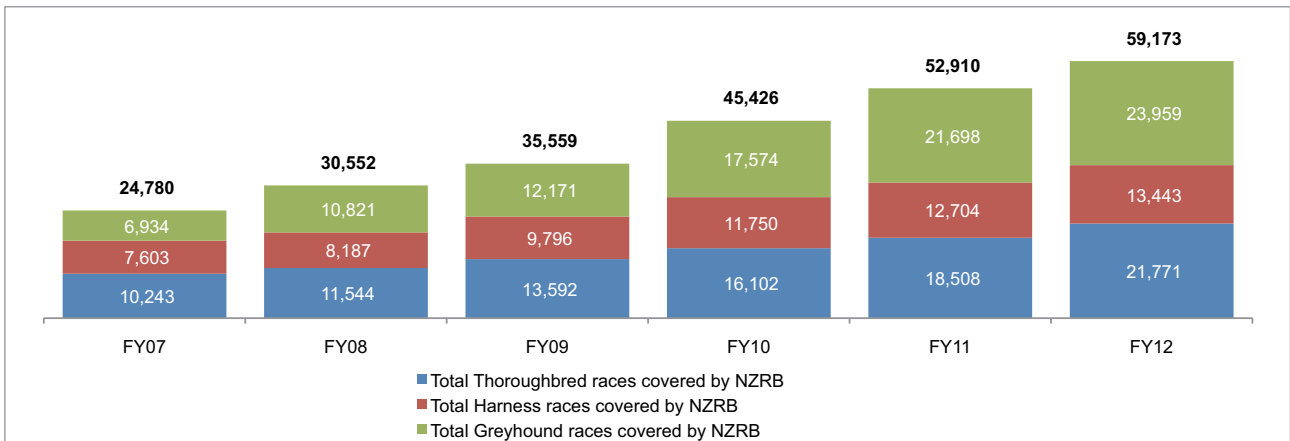
Source: NZTR Analysis and NZRB Reporting

Chart 18.2 Totalisator and Fixed Odds Sales on Domestic and International Events (Imported Races)



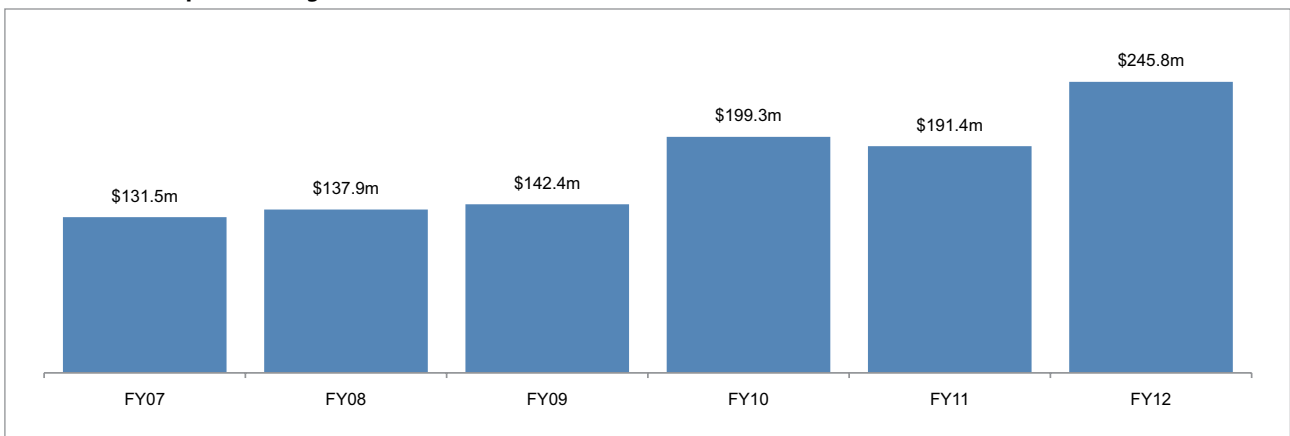
Source: NZTR Analysis

Chart 18.3 Races Covered by NZRB



Source: NZRB Financial Reports and NZTR Analysis

Chart 18.4 NZRB Sports Betting



Source: NZRB Reporting

19 Industry Governance

Increasing Efficiency and Effectiveness

The 2012-14 Business Plan did not set any specific Key Performance Indicators for Industry Governance.

NZTR maintains a high level of corporate governance. In FY12 the NZTR board conducted:

- 13 Board Meetings
- 7 Integrity Committee Meetings
- 7 Appointments & Remuneration Committee Meetings
- 6 Audit & Risk Committee Meetings
- 2 Formal Meetings with the Members' Council

The Company Secretary maintains a Register of Directors' Interests. Board members with perceived or real conflicts of interest are excluded from board discussions and decision making. A Board Charter was approved shortly after the Board met for the first time.

The Appointments & Remuneration Committee:

- Reviews all expense claims of the Chairman and Chief Executive
- Oversees a formal performance review process for all NZTR staff

NZTR has formalised and defined levels of delegated authority for expenditure for the Chairman, Chief Executive, senior managers and staff.

20 Section 16 of the Racing Act 2003

Increasing Efficiency and Effectiveness

The 2012-14 Business Plan did not set any specific key performance indicators for Section 16 of the Racing Act.

With the support of the NZRB, HRNZ and GRNZ, NZTR succeeded in getting agreement to a new Inter-code agreement in July 2011.

This makes a modest move away from the Section 16 allocation to a defined percentage in return for each code meeting various product supply criteria and provides a strong degree of downside protection regarding the NZRB's distribution. This was critical for NZTR, given the funding reversals and impact on prizemoney suffered in FY11.

The agreement is reviewed annually and expires on 31 July 2015. A number of elements are currently being reviewed to recognise that while field size is an important driver of wagering, actually conducting the targeted number of meetings/races and minimising the number of fields with less than eight starters are at least as important.

In FY12 NZTR was the closest of the codes in meeting its field size criterion and we comfortably scheduled the agreed number of races and meetings:

	THOROUGHBRED	HARNESS	GREYHOUND
FY12 Targeted field size target	10.80	11.50	7.99
FY12 Actual field size	10.59	10.72	7.81
Proportion of target	98.1%	93.2%	97.7%

21 Government Relations

Promoting the Sport of Thoroughbred Racing

The 2012-14 Business Plan did not set any key performance indicators in relation to government relations.

NZTR has pursued a bi-partisan approach.

The Chairman and Chief Executive have met with the Minister for Racing, the Honourable Nathan Guy MP. The Chief Executive has a regular scheduled meeting with Ministerial staff.

The recent NZTR Horse of the Year Awards were attended by the Racing Minister, the Labour Party racing spokesman, Mr Ross Roberston MP, and New Zealand First racing spokesman, the Rt. Hon Winston Peters.

It is clear that the most ambitious of NZTR's goals will require political assistance and we are determined to present our case in a balanced and consistent manner.

22 NZTR Governance, Accountability and Transparency

Increasing Efficiency and Effectiveness

The 2012-14 Business Plan established the following Key Performance Indicators for NZTR Governance, Accountability and Transparency:

	KEY PERFORMANCE INDICATORS			PERFORMANCE REPORT
	FY11 ACTUAL	FY12 FORECAST	FY12 ACTUAL	RESULT
52. NZRB distributions to NZTR	\$64.1m	\$69.5m	\$69.6m	✓
53. NZTR operational expenses	\$5.42m	\$5.47m	\$5.45m	✓
54. Studbook, registration and publications	\$2.43m	\$2.37m	\$2.31m	✗

✓	Met or improved on FY12 Business Plan targets / Achieved KPI	67%
±	Improved on FY11 but failed to meet FY12 Business Plan targets or materially completed outside the time	0%
✗	Failed to improve on FY11 and failed to meet FY12 Business Plan targets	33%

KPI 52: NZRB distribution to NZTR

The minimum FY12 NZRB distribution to NZTR is expected to be at least \$69.6m, inclusive of \$1.9m of NZRB gaming grants.

This amount is a \$5.5m (8.6%) increase on the FY11 NZRB distribution of \$64.1m.

The \$69.6m is 54.9% of total distribution to the codes as compared to 53.8% of domestic market share as provided under the default mechanism of Section 16 of the Racing Act 2003.

The NZRB Board will determine the final FY12 code funding allocation at their October board meeting. NZRB management has provided written advice confirming that it will be recommending an allocation of at least \$132.0m producing a distribution to NZTR of at least \$69.63m.

There is a possibility that NZRB final distribution to NZTR for FY12 could be in excess of this amount.

KPI 53: NZTR operational expenses

In FY12 NZTR's total operational expenses were \$5.45m, up \$0.03m (0.5%) from \$5.42m in FY11 and \$22,000 (0.3%) less than the 2012-14 Business Plan target.

Cost savings were realised in IT infrastructure and network costs, property and central overheads, departmental costs and sundry costs. These savings were partly offset by a \$219,000 increase associated with industry training which was integrated into NZTR's financial accounts from 1 January 2012 with an offsetting revenue benefit.

KPI 54: Studbook, registration and publications

In FY12 studbook, registration and publication revenue was \$2.34m, \$90,000 (3.7%) less than FY11 and \$30,000 less than the 2012-14 Business Plan target of \$2.37m.

In FY12:

- Stud book operational revenue was \$1.5m, down \$50,000 (3.3%) from FY11
- Registrations income was \$626,224, a decrease of \$30,892 (4.7%) from FY11
- Publications income of \$254,538 was in line with FY11 levels

NZTR made a conscious decision again not to increase fee levels in FY12.

Restructuring costs and special projects

In FY12 \$185,000 has been spent on non-operational special projects, down \$315,000 (or 63.0%) from the \$500,000 budgeted designed to implement the key objectives from the 2012-2014 Business Plan.

The NZTR board approved the following amounts:

- Restructuring, and business plan implementation costs \$120,000
- NZTR digital business strategy development \$40,000
- Television pilot from video content \$25,000



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