

A high-contrast, black and white close-up photograph of a horse's eye. The eye is dark and reflective, with the eyelashes and surrounding skin texture clearly visible. The lighting creates a dramatic, almost ethereal effect.

NEW ZEALAND THOROUGHBRED RACING **BUSINESS PLAN 2015-2017**

THIS DRAFT STRATEGIC PLAN IS SUBJECT TO APPROVAL BY THE NEW ZEALAND RACING BOARD



This Strategic Plan sets out key improvement strategies for New Zealand Thoroughbred racing over the next three years focusing on the 2014-15 season. It should be read in conjunction with NZTR's 2014-2018 Strategic Plan. This Business Plan is formally reviewed and NZTR's Key Performance Indicators are measured against actual performance quarterly. Implementation of this plan is a fixed agenda item at NZTR Board meetings.



Key Messages

1

**NZTR's over-riding aim is to maximise returns
to all thoroughbred racing participants**

2

**Positive fundamental change means moving from a production
focus to a customer-led focus which grows the industry**

3

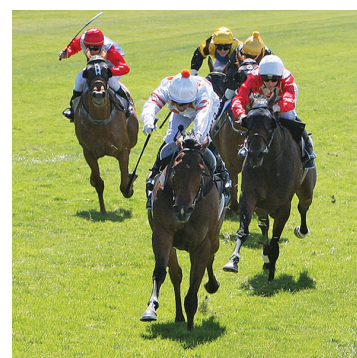
**Thoroughbred racing's success is dependent on positively
influencing NZRB performance**

4

**NZTR will be accountable and transparent in our consultation
and communications with all stakeholders**

Index of Contents

	PAGE
Introduction from the Chairman.....	2
NZTR's Key Strategies 2014-18.....	3
NZTR's Top 10 KPIs for FY14-17.....	4
NZTR Top 10 Actions for FY15.....	5
NZTR Forecast Revenue and Expenses for FY15-17.....	6
① Prizemoney.....	7
② Marketing.....	10
③ Race club performance.....	11
④ Pattern racing.....	13
⑤ Communications.....	15
⑥ Animal welfare.....	16
⑦ Industry training and development.....	17
⑧ Racing structure.....	18
⑨ Fillies and mares races.....	22
⑩ Jumps racing.....	24
⑪ Infrastructure and asset optimisation.....	26
⑫ Domestic Broadcasting/International Simulcasting.....	28
⑬ Owners, Trainers, Riders and Stablehands.....	31
⑭ Breeding.....	34
⑮ Supporting NZRB's performance.....	37
⑯ Government relations.....	40
⑰ NZTR governance, accountability and transparency.....	42
Appendix A: 2014-16 KPIs versus 2015-17 KPIs.....	46





Chairman's Introduction

New Zealand's Thoroughbred racing industry is continuing to make steady, sustainable progress. Average NZTR-funded stakes in FY15 will be 29.9% above the trough of FY11.

To keep growing requires careful cost-conscious investment by NZTR and the NZRB to increase our customer base. If the NZRB can grow distributions by 4-5%, (as Tabcorp is doing in the face of similar global competition in Australia), then we can grow prizemoney at a margin above this.

To help achieve this NZTR has retained its core operational costs at FY11 levels and intends to keep to this while it is necessary.

Steady, sustainable progress requires some of the major changes called for by NZTR in FY14 such as race field legislation. It was very heartening to see a unified push by the industry on this issue. This has resulted in race field legislation being incorporated in the policies of the key political parties. Post-election, this now needs to be translated into action.

Alongside prudent financial management and legislative change we need more customers. This requires a major change in thinking from our industry's almost exclusively internal focus.

Over the next three years NZTR will:

- Work with racing clubs and the NZRB Events Marketing and Logistics Team to create a vibrant and consistent programme of high quality racing events
- Broaden the appeal and interest in thoroughbred racing through digital media by providing information and stories to a fan base and igniting 'racing conversation' in social media to grow interest and investment among both new digital generations of New Zealanders and existing fans in the sport and on-course attendance
- Work with racing clubs and the NZRB Events Marketing and Logistics Team to achieve a material improvement in customers' experiences to compete in the sports and leisure markets
- Ensure all Strategic and Significant venues provide facilities that enhance customers' race-day experience and all Community venues attract sufficient financial returns and community support to ensure their long-term futures
- Improve racing club financial, event management and governance performance through a racing club partnership framework between NZTR and clubs
- Establish the New Zealand Thoroughbred sports brand as a nationally and internationally recognised brand to create value for the sport and to grow awareness, participation and investment in the industry

This Business Plan provides you with NZTR's key improvement strategies for New Zealand thoroughbred racing over the next three years focusing on the 2014-15 season. It should be read in conjunction with our five-year Strategic Plan, which sets out our longer-term thinking.

I look forward to receiving feedback on any of the items in this Business Plan.

Yours in racing,

Matthew Goodson

NZTR's Key Strategies 2014-18

The overriding purpose of NZTR is to govern, fund and direct the Thoroughbred racing industry in New Zealand and to meet the statutory requirements as set out in the Racing Act (2003).

This Business Plan provides our intentions and objectives for the financial year ending 31 July 2015 and these are centred on our six key strategies.

1 Racing Club Partnership – improving racing club financial, event management and governance performance

To develop and implement a partnership framework between New Zealand Thoroughbred Racing and racing clubs. This will improve club governance, management, marketing and event management while enhancing each club's essential place in its community.

2 Racing Structure – delivering a racing and prizemoney structure to grow participation

To work with the racing industry to create a vibrant and consistent programme of high quality racing events for our New Zealand customers and our international customers.

3 Infrastructure – developing high class facilities at the top 14 Strategic and Significant venues

To ensure all Strategic and Significant venues provide facilities that enhance customers' race-day experience and to have all Community venues attracting sufficient financial returns and community support to ensure their long-term futures.

4 Racing Innovation – enhancing customers' experiences and attracting new customers

To work with racing clubs to achieve a material improvement in customers' experiences, ensuring it is competitive within the sports and leisure markets.

5 Digital Media – broadening the appeal and interest in thoroughbred racing through digital media

To provide information and stories to a fan base that is hungry for information and to ignite 'racing conversation' in social media to grow interest and investment among both new digital generations of New Zealanders and existing fans in the sport and on-course attendance.

6 Branding – implementing a thoroughbred sports brand

To establish the New Zealand Thoroughbred sports brand as a nationally and internationally recognised brand to create value for the sport and to grow awareness, participation and investment in the industry.

NZTR's Top 10 Key Performance Indicators

NO	KEY PERFORMANCE INDICATOR	FY14 ACTUAL	FY15 BUDGET	FY16 FORECAST	FY17 FORECAST
1	Average NZTR funded prize money per race	\$16,652	\$17,872	\$18,478	\$19,288
2	Average field size – all races	10.45	10.58	10.55	10.34
3	Attendance at race meetings	467k	470k	480k	490k
4	Domestic Thoroughbred sales (Fixed odds & Tote)	\$422.7m	\$431.1m	\$439.8m	\$448.6m
5	Number of owners	12,360	12,400	12,500	12,600
6	International royalties on NZ Thoroughbred racing	\$8.0m	\$8.5m	\$10.0m	\$11.0m
7	Female horses as a percentage of individual starters	48.35%	49.56%	50.78%	52.00%
8	Live foals	3,542	3,471	3,402	3,334
9	Percentage of trained starters from Strategic training tracks	71.1%	70.0%	70.0%	70.0%
10	NZTR core operating expenses	\$5.74m	\$5.74m	\$5.74m	\$5.74m

NZTR's Top 10 Actions for FY15

1	Grow prizemoney consistently and sustainably
2	Continue to implement changes to the racing programme to increase returns, to establish clear differentiation between Saturday and mid-week fixtures and to better align our horse population to the structure of racing
3	Continue to work with clubs to implement the Racing Club Partnership Programme
4	Maintain NZTR core operational costs at FY11 levels net of training and development costs and excluding investments in marketing and special projects funding
5	Support race clubs to invest in venues, giving priority to projects co-funded by club and community organisations
6	Build stronger relationships with trainers and owners to improve their experience with the objective of increasing ownership investment year-on-year
7	Work with the NZRB and the other two codes in negotiations with Tabcorp on international arrangements post-June 2015 to grow the number and penetration of New Zealand thoroughbred races in the international market place
8	Continue to ensure the thoroughbred code receives an equitable distribution of NZRB funding which adequately recognises the higher profitability, investment, cost, asset intensity, scale, economic activity and popularity of the thoroughbred code from FY16 and beyond
9	Establish an industry marketing plan including working towards a New Zealand Thoroughbred sports brand as a nationally and internationally recognised brand to create value for the sport and to grow awareness, participation and investment in the industry
10	Increase digital capability and automation of services particularly through the website's online Trainers' Service Centre and the Breeders' Service Centre

NZTR Forecast Revenue and Expenses for FY15, FY16 and FY17

DESCRIPTION	FY14 ACTUAL	FY15 BUDGET	FY16 FORECAST	FY17 FORECAST
NZRB wagering funding to industry	\$137.3m	\$138.0m	\$142.1m	\$146.4m
NZRB gaming funding to industry	\$7.8m	\$8.8m	\$9.0m	\$9.3m
Number of race meetings (actual/scheduled)	345	329	329	329
Number of races (actual/scheduled)	2,875	2,776	2,776	2,776
Number of horse starts	30,031	29,366	29,293	28,707
Average field size	10.45	10.58	10.55	10.34
Average funded prizemoney per race	\$16,652	\$17,872	\$18,478	\$19,288
Avg prizemoney minus noms & accepts (NZTR)	\$15,869	\$17,077	\$17,682	\$18,493
Aggregate funded prizemoney	\$47,875,765	\$49,614,000	\$51,294,000	\$53,544,000
NZRB funding (net RIU costs)	\$72,618,306	\$72,748,575	\$74,931,032	\$77,178,963
NZTR nomination & acceptances	\$2,253,731	\$2,208,070	\$2,208,070	\$2,208,070
NZTR Race Day Services & other racing income	\$949,118	\$902,500	\$902,500	\$902,500
NZTR Operating Income	\$3,093,156	\$2,967,169	\$2,967,169	\$2,967,169
Stakes funding	(\$47,875,765)	(\$49,614,000)	(\$51,294,000)	(\$53,544,000)
Club & meeting funding	(\$19,679,186)	(\$18,854,393)	(\$18,854,393)	(\$18,854,393)
NZRB servicing charges	(\$3,276,649)	(\$3,023,032)	(\$3,023,032)	(\$3,023,032)
NZTR operational expenses	(\$5,735,248)	(\$5,706,138)	(\$5,706,138)	(\$5,706,138)
Special projects	(\$337,004)	(\$721,500)	(\$721,500)	(\$721,500)
Industry marketing initiatives	(\$426,265)	(\$400,000)	(\$400,000)	(\$400,000)
NZTR Surplus	\$1,584,194	\$507,251	\$1,009,709	\$1,007,640
Industry Infrastructure Funding	(\$756,325)	(\$500,000)	(\$1,000,000)	(\$1,000,000)
NZTR Surplus (after Infrastructure)	\$827,869	\$7,251	\$9,709	\$7,640

1 Prizemoney

MAXIMISING RETURNS TO INDUSTRY PARTICIPANTS

In FY15 NZTR will increase average funded prizemoney per race to \$17,872. This is 7.3% above last season's \$16,652 and will be 29.9% above the \$13,758 in FY11.

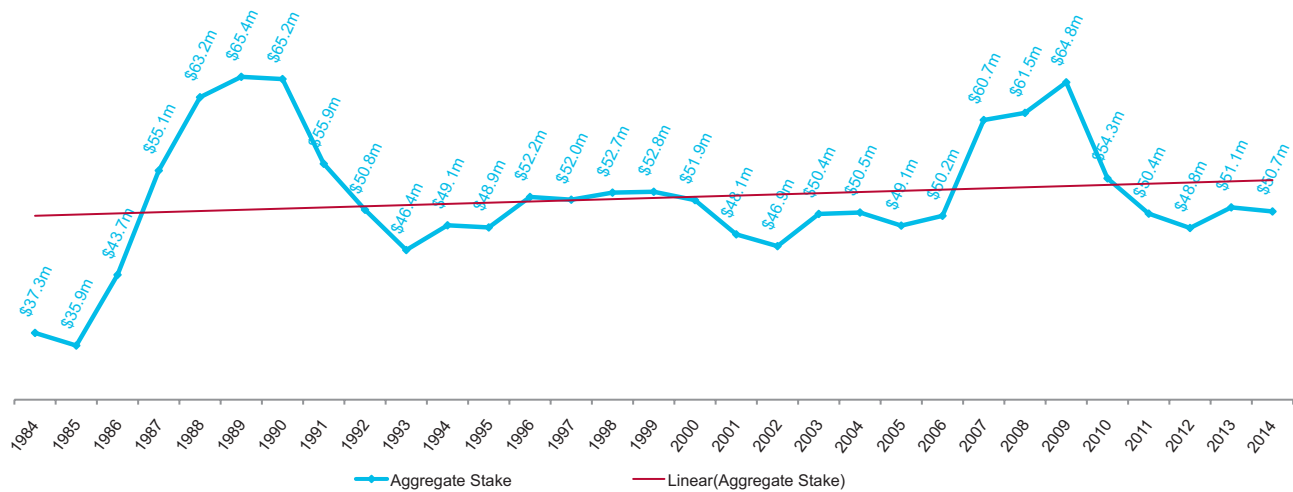
With additions by clubs and other sources, total prizemoney per race is nearly \$1,000 higher than this.

This increase is sustainable despite an almost flat NZRB distribution to the three codes. This is due to:

- NZTR holding its costs flat for the fourth consecutive year
- club costs being kept under similar restraint
- a modest reduction in the FY15 racing programme resulting in a small lift in income net of the revenue foregone

To put this in context, FY15 will be 32% above the trough of FY93 and only 3% below the all-time high of six years ago in FY09 (following changes to the tax regime and the Minister for Racing's High Stakes funding). The FY09 prizemoney peak was partially paid out of reserves rather than income and was unsustainable.

Chart 1.1 NZ Thoroughbred Racing prizemoney per race (Farm Expense Price Index Inputs excl. livestock adjusted) 1983-2015 Forecast

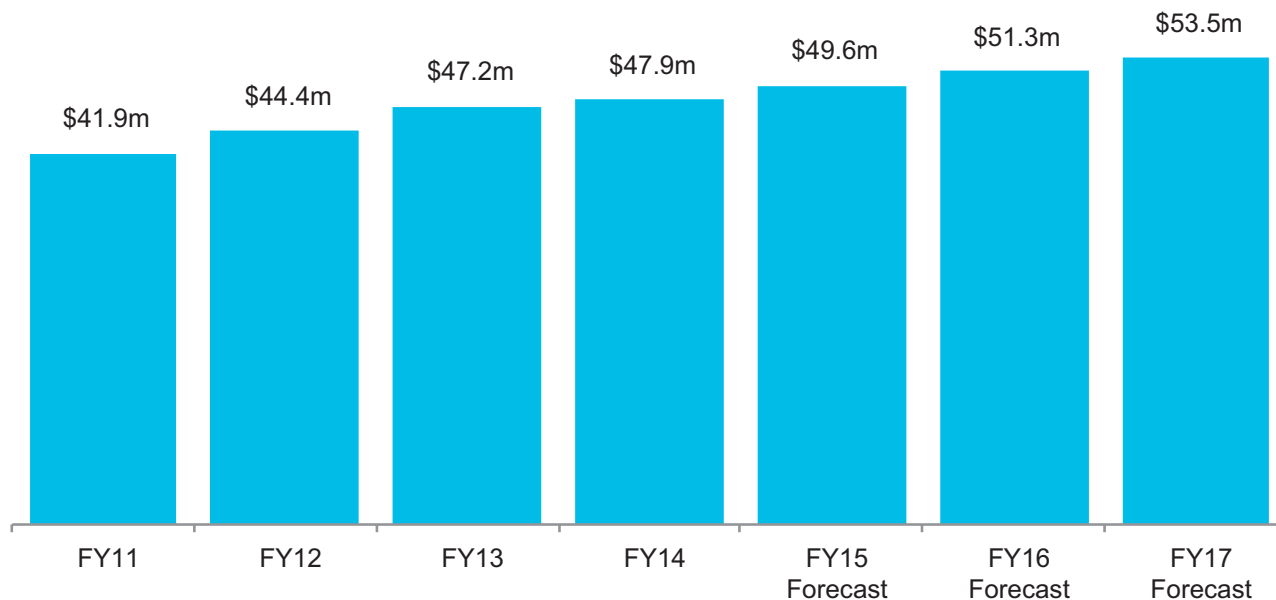


Note - Aggregate prizemoney expressed in 2014 \$.

In the meantime the industry's costs have been rising faster than Consumer Price Index (CPI) inflation, given they are driven by land (dairy prices), labour (wages rise faster than prices) and transport (petrol prices rises). This is the reason we have used the Farm Expense Price Index.

The challenge for NZTR, and the entire industry, is to grow prizemoney at a rate that is consistent and sustainable.

Chart 1.2 NZTR Funded Prizemoney FY11 to FY15



In the four years since FY11, NZTR funded prizemoney per race has risen by +5.4%, +8.2%, +6.2% and now a +7.3% forecast in the FY15 season. We are gradually climbing out of a difficult position but this needs to continue.

The forecast for FY16 is for a 3% increase, subject to income flows from the NZRB.

In FY15 we will continue to work with the NZRB on areas which have a rapid and high payback. These include optimising the fixed odds offer, international wagering, driving a continuation of the welcome upswing in new customers, and monetising the racing calendar between the Codes and between domestic export and import.

This aims to deliver 4-5% distribution growth per year. With this, NZTR and the clubs can hold costs and deliver prizemoney increases above that. Over time, this would see prizemoney reach more sustainable levels and modernise infrastructure.

In FY15 NZTR will increase prizemoney (effective 1 October 2014):

- Feature R85 races to \$20k (from \$17.5k)
- R75 races to \$18.5k (from \$17.5k)
- R65 races to \$17.5k (from \$15k)
- Supporting Iconic races from their pattern status, adding \$110k to ensure \$200k minimums for the Wellington Cup, New Zealand Cup and City of Auckland Cup
- Supporting Heritage Cup race funding, providing the Counties Cup, Manawatu Cup and Waikato Gold Cup with \$100k minimums.
- Supporting the next tier of races with \$75k minimums and four traditional winter handicaps to return them to \$40k.
- Supporting Country Cups with \$288k extra to enable every club in New Zealand to run their best race for at least \$20k (\$25k if it's an open handicap). The aim of this is to provide for every club to have an event that galvanises community support and gives fans throughout NZ an opportunity to connect to racing on an least one day every year.

Key Performance Indicators

		FY14 ACTUAL	FY15 FORECAST	FY16 FORECAST	FY17 FORECAST
1	Funded prizemoney	\$47.9m	\$49.6m	\$51.3m	\$53.5m
2	Actual prizemoney paid	\$50.7m	\$52.4m	\$54.1m	\$56.3m
3	NZTR nomination and acceptance charges to owners	\$2.3m	\$2.2m	\$2.2m	\$2.2m
4	Average funded prizemoney per race	\$16,652	\$17,872	\$18,478	\$19,288
5	NZRB Distribution to NZTR	\$72.6m	\$72.7m	\$74.9m	\$77.2m

2 Marketing

PROMOTING THE SPORT OF THOROUGHBRED RACING

Over the last three decades racing has lost considerable relevance in New Zealand society, in line with many sports, while competition for both scarce leisure time and the wagering dollar has grown and widened. Many New Zealanders view racing as traditional and unfashionable. Our sport's internal focus has led to reluctance to implement changes required to meet these perceptions and changing customer demands.

The challenge NZTR faces is to halt and reverse this customer decline. The various initiatives spelt out in this Business Plan are designed to make our sport more relevant and appealing to a greater number of customers.

To attract fans NZTR is, in FY15:

- changing the racing programme to ensure people can go racing when it suits them
 - racing later in the day when Saturday morning shopping, children's sport and work intrude less on our busy lives
 - racing less in winter
 - programming more twilight meetings
- pursuing franchise style events
- supporting Country Cups
- supporting clubs so they can deliver a consistent set of standards to fans
- lifting prizemoney on our 20 biggest days which provide top class racing and a great overall experience
- building on the re-launched Social Racing as a mechanism to introduce new owners with three fillies on a pay-to-participate basis. All three fillies in the first offering are fully subscribed.

Also in FY15 and over the next three years NZTR will focus on ensuring Thoroughbred racing is seen as an innovative sport by:

- funding the NZ Racing Desk which has successfully lifted Thoroughbred racing's presence in traditional media and online
- increasing traffic to and activity through www.nzracing.co.nz which had 3.52m visits in FY14 (up from 3.37m in FY13)
- improving form information (including sectional timing) on www.nzracing.co.nz
- further upgrades to the Trainers' Service Centre as one go-to portal which links trainers to owners
- working towards creating a distinctive Thoroughbred sports brand that can tell our story to a new generation of fans and deliver an experience consistent with the brand being delivered
- working with the NZRB to deliver a life-changing Jackpot bet type to connect with the lotto market. The Triple Trio was offered due to being possible within the limitations of the Jetbet system but it has not appealed to the mass market
- promoting the five iconic racing events at Auckland Cup Week, Karaka Million, New Zealand Cup Week, Wellington Cup Carnival and the Hawkes Bay Carnival
- expanding existing initiatives including twilight racing.

3 Race Club Performance

INCREASING EFFICIENCY AND EFFECTIVENESS

Race clubs are our industry's shop window. Last year, we highlighted the strategic focus on looking externally for customer growth. In FY14 467,000 attended race meetings versus 487,000 in FY13. This performance by clubs needs to be measured against almost every other sport, all of which are struggling to attract crowds, including rugby, and the record number of abandoned meetings.

To counter this we have to ensure customers have a great experience. Customer-focused businesses and sports have a very clear offer and consistently deliver on it. By contrast, New Zealand has 49 Thoroughbred racecourses, with overall co-ordination responsibilities in Wellington which has no historic marketing capability. The challenges are clear.

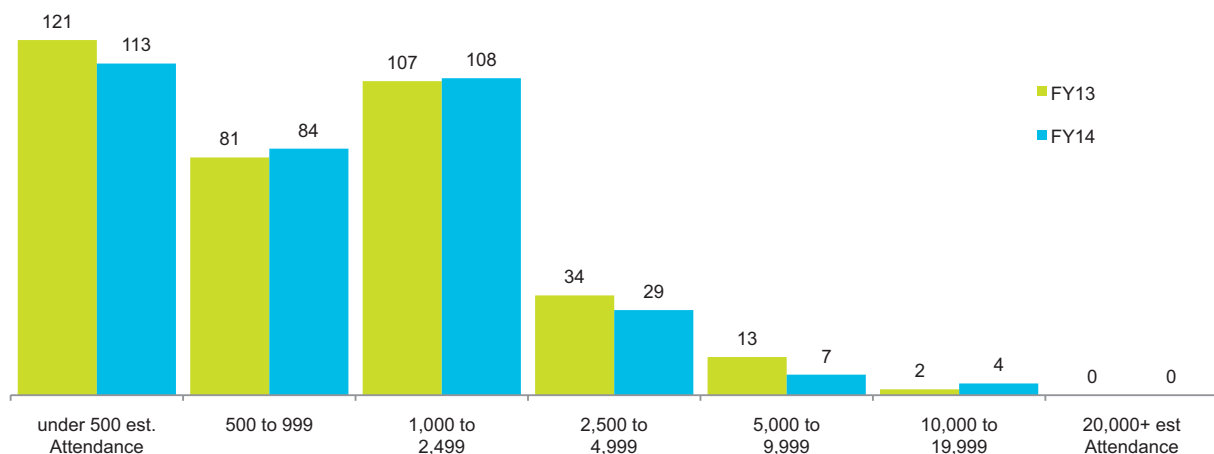
Three years ago NZTR introduced scorecards for every race meeting on every meaningful metric. The Racing Club Partnership Programme (RCPP) will take time to roll out but there are undeniable advantages for the whole industry if the weakest clubs and racedays in each category can be lifted up to the level of the strongest ones.

To help meet these aims NZTR has partnered with the NZRB Events Management and Logistics team, which has the resources to deliver national franchised events such as Christmas At The Races and the Summer Festival, an outstanding success.

In FY15 NZTR is also:

- devoting more resources to partner with the NZRB to help clubs deliver more major events
- continuing to move races from regions and months where field sizes are low
- increasing prizemoney, effective 1 October 2014 (see Section 1 - Prizemoney)
- continuing to help clubs to ensure they are compliant with Incorporated Societies and other reporting requirements including conditions of their betting licence, class 4 Gaming Audit and insurance

Chart 3.1 FY14 vs FY13 Thoroughbred Race Meeting Attendances by Category



Source: NZTR analysis, NZRB attendance and turnover data

In FY15 NZTR will work with clubs on the Racing Club Partnership Programme. This will involve:

- partnering with the NZRB On-course Events Management and Logistics team to develop and deliver a 'best practice' framework around clubs' promotable race meetings and facilitating investment priorities to enhance the customer experience
- working with clubs to improve club financial performance including reviewing all club annual reports and racemeeting P&Ls

- national venue inspections to ensure racing venues meet all necessary compliance requirements
- identifying infrastructure investment priorities
- surveying internal and external stakeholders to gauge experiences offered by clubs
- working with clubs to improve their rules/constitutions, particularly in light of the Law Commission's proposed amendments to the Incorporated Societies Act 1908 which includes the legal requirement for organisations to ensure their constitutions meet present day requirements
- reviewing the funding model to ensure it appropriately incentivises race club performance
- supporting on-course services for trainers and bettors such as sectional timing and weather stations

Key Performance Indicators

		FY14 ACTUAL	FY15 FORECAST	FY16 FORECAST	FY17 FORECAST
6	Club contribution to prizemoney	\$2.8m	\$2.8m	\$2.8m	\$2.8m
7	Total on-course attendance	467k	470k	480k	490k
8	Meetings with attendance +2,500	40	45	50	55
9	Meetings with attendance +5,000	11	12	14	16
10	Meetings with attendance +10,000	4	4	5	5

4 Pattern (Black Type) Racing

MAXIMISING RETURNS TO INDUSTRY PARTICIPANTS

As a target, the New Zealand Pattern Committee (NZPC) restricts the number of black type races in New Zealand to approximately 5% of the estimated number of flat races run during the season. This is in line with most other racing jurisdictions and is considered appropriate for New Zealand.

The NZPC also endeavours to establish and maintain the widely accepted 'pyramid' model used by most countries in Part 1 of the Blue Book. The ideal pyramid has more Group 2 races than Group 1 races, and the total number of Group 3 races should exceed the combined total of Group 1 and Group 2 races.

In the schedule of Black Type races for FY15, there have been five changes made. Under the revised schedule, the total number of Black Type flat races remains at 147. There are currently 21 races with 1st warnings (17 last year) and 8 races with 2nd warnings (14 last year).

Due to the reduction of total flat races, the 5% threshold has been exceeded and the 'pyramid' model has not been upheld. This has to be seen in the context of our increasing integration with Australian racing. The success of our horses in Australia lends confidence to our Pattern races achieving their required ratings.

Based on projected total flat races over the next three years, New Zealand will be required to cut Pattern races by 19 (to 128 in FY17) to meet the 5% threshold. To achieve the 'pyramid' model more downgrades will need to occur in Group 1 races than Group 2 races.

The Asian Pattern Committee (APC) Ground Rules were implemented on 1 August 2012. This is the second year the NZPC has operated under the new APC Ground Rules, which were approved by NZTR in consultation with the NZPC and the industry. Any race failing to attain the minimum race rating required in the past two runnings is very likely to be issued with a warning, in most cases a second warning.

In FY15 NZTR will:

- work with the New Zealand Pattern Committee to bring the number of Pattern races closer to 5% of total flat races to meet international benchmarks
- work with the New Zealand Pattern Committee to return the New Zealand Pattern to the 'pyramid' model used by most countries in Part 1 of the Blue Book
- implement recommendations in the New Zealand Pattern Review Committee's report
- represent New Zealand at meetings of the Australian and New Zealand Handicappers' Committee (ANZ), the Asian Racing Federation Handicappers' Committee and the World Thoroughbred Racehorse Rankings Committee
- represent New Zealand on the Asian Pattern Committee (APC) and the International Grading and Race Planning Advisory Committee (IRPAC). The latter is restricted to two nominees from the Asian Pattern Committee

STATUS	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Group 1	22	22	22	22	22	22
Group 2	23	23	23	22	21	22 [#]
Group 3	33	33	33	36	39	40
Listed	68	66	68	65	65	63
Total	146	144	146	145	147	147

[#] Note: The Group 2 status of the Foxbridge Plate will not actually take effect until August, 2015.

Key Performance Indicators

		FY14 ACTUAL	FY15 FORECAST	FY16 FORECAST	FY17 FORECAST
11	Number of Pattern Races to total flat races	5.26%	5.50%	5.50%	5.50%

5 Communications

INCREASING EFFICIENCY AND EFFECTIVENESS

NZTR recognises communication is a strategic issue and that there is a strong link between industry satisfaction and how well NZTR keeps its constituents informed. Since FY11 NZTR has worked hard to improve its communications to stakeholders.

NZTR's long-term aim is to build NZTR's reputation as an excellently managed governing body working for all stakeholders, providing the right information to the right people at the right time and via the right channels.

Special efforts have been made by NZTR to communicate with 'hard to convince' groups.

The aim is to continue to deliver this strategy within existing resources and to ensure all NZTR's communications strategy will:

- focus more on communicating outcomes and results, rather than processes
- increase positive coverage of our sport through the media, particularly via the NZ Racing Desk
- improve the quality of communications to enable stakeholders to better understand and contribute to our activities and future plans

In FY15 NZTR will:

- publish its 2015-2017 Business Plan and its 2014 Performance Report which measures our performance against key performance indicators set out in the 2014-16 Business Plan
- review in detail the follow-up stakeholder perception survey and develop further recommendations to support improvements to NZTR's activities
- make enhancements to the NZTR website, particularly the Trainers' Service Centre and a Breeders' Service Centre
- continue with monthly stakeholder reports and conference calls with all race clubs and stakeholder groups which was initiated in FY14
- continue to hold regional meetings with stakeholders throughout New Zealand
- continue to publish the weekly News Bulletin and the monthly Thoroughbred Racing Monthly
- continue to hold a number of workshops with race clubs sector organizations and other stakeholder groups on a wide range of key industry issues

6 Animal Welfare

INCREASING EFFICIENCY AND EFFECTIVENESS

There are more than 100,000 horses in New Zealand of which Thoroughbred horses comprise approximately 25%. Within New Zealand the expected level of welfare and care is upheld by the Animal Welfare Act 1999. This Act is in the process of being amended and will be supported with the release in FY15 of the Animal Welfare (Horses and Donkeys) Code of Welfare. As allowed in the Act, Codes of Welfare provide detailed information on the expected level of care that should be given.

In FY11 NZTR began the process of developing and introducing stronger welfare standards and practices and in FY12 adopted guidelines for racehorse welfare.

The number of horses leaving Thoroughbred racing and not being exported or joining the breeding population in New Zealand each year is approximately 600. The welfare priority is securing futures for retired racehorses. However, once they leave the industry they are no longer within the industry's jurisdiction and this presents a challenge.

Since FY11 NZTR has strengthened its Rules of Racing around de-registering horses leaving the racing industry and promoting second careers for retiring racehorses.

In FY15 NZTR's priorities for horse welfare are:

- expanding its Thoroughbreds in Equestrian Sport (TiES) partnership with Equestrian Sport New Zealand (ESNZ) across five equestrian disciplines; a programme aimed at increasing awareness of re-training and re-homing options for retiring racehorses and helping with this transition
- proposing amendments to the Rules of Racing to provide for mandatory reporting of horse retirement from racing (this does not include horses leaving racing and entering the Thoroughbred breeding population)
- working with Waikato University and the RIU to improve its Register of Racing Incidents on racedays and at trials and to review these results to determine any emerging horse welfare risks
- working with the NZ Equine Health Association and the Ministry for Primary Industries to review countries to which Thoroughbreds are exported but do not have comparable horse welfare laws including supporting on-the-ground monitoring by New Zealand-registered vets of overseas quarantine, racing and breeding facilities
- supporting NZRB funding of up to \$250,000 per annum for equine research and development by the NZ Equine Trust
- providing \$22,000 of funding to the NZ Equine Research Foundation and \$7,000 of funding to the NZ Equine Health Association for equine health and welfare research
- working with the NZ Equine Health Association to reach full signatory status on the Government-Industry Agreement on Biosecurity Readiness and Response

7 Industry Training and Development

INCREASING EFFICIENCY AND EFFECTIVENESS

In FY14 NZTR commissioned an independent assessment of the current Thoroughbred industry training strategy and methodology, and recommended a learning and development structure that engages with industry to meet educational outcomes and future NZTR licensing criteria.

This followed a number of changes to the Thoroughbred industry's training and development landscape including the Equine Industry Training Organisation (EqlITO) amalgamating with AgITO, which has since rebranded as the Primary ITO.

Historically the uptake in industry training by stablehands/stud grooms and track work riders has been minimal. NZTR in partnership with the Primary ITO has invested in developing and marketing qualifications for industry professions alongside its Apprentice Training Academy jockey qualifications.

NZTR's FY12 Business Plan had as one of its KPIs to increase the number of Level 3 Stablehand trainees from 19 to 200 by FY15. There are currently around 120 stablehands and track riders enrolled in the Level 3 certificate.

NZTR introduced a Limited Credit Programme (LCP) in FY12 to register and licence stable hands. This was viewed as a preliminary step towards the promotion of Level 3 training opportunities.

NZTR has been working with the NZ Equine Education Trust (NZEET) and the Primary ITO for the past two years to review the current qualifications held on the National Qualification Framework to ensure that they provide graduates with the necessary skills for long term future careers in the racing industry.

The Primary ITO has been working with NZTR (and HRNZ) to reform the delivery of industry training by aligning on-the-job and off-job training that more closely reflects how other comparable industries operate. This process has generated some challenges for NZTR's tutors, who are currently contracted by NZTR through NZEET to deliver the off-job training component of industry training. With the merger of our activities with the Primary ITO, the ITO and its Training Advisors are now directly responsible for the recruitment, retention and engagement with all industry trainees, as well as the assessment of all on-job training units.

In FY15 NZTR, in co-operation with the Primary ITO, will review industry Training within Thoroughbred racing, in particular mandatory training for new stablehands, and consult with the industry on proposed changes which come out of this review.

Key Performance Indicators

		FY14 ACTUAL	FY15 FORECAST	FY16 FORECAST	FY17 FORECAST
12	Apprentice Jockeys	63	>=50	>=50	>=50
13	Level 3 Stablehand Certificate	54	60	70	80

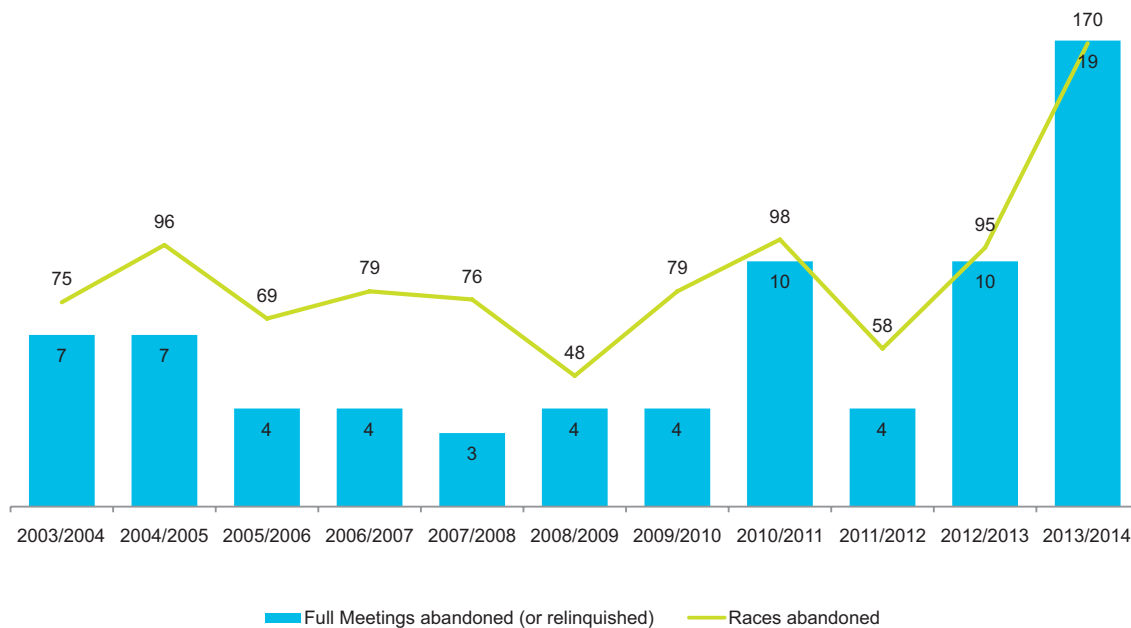
8 Racing Structure

MAXIMISING RETURNS TO INDUSTRY PARTICIPANTS

NZTR is slowly reducing the amount of racing in line with a gradual fall in the New Zealand horse population. This is declining at a lesser rate than most other major racing jurisdictions.

As set out in the NZTR 2014 Performance Report, this has been compounded by a record number of abandoned meetings in the last season due to bad weather. FY13 and FY11 were also badly affected by poor weather. This compares to FY06-FY10 which enjoyed unusually few abandonments due to good weather.

Chart 8.1 Racemeeting Abandonments FY04 - FY14



In FY14 Monday racing ceased. While it exceeded budgets set for it, two critical changes occurred from the time it was introduced. First, our racing programme shrunk slightly and it makes sense to remove the weakest racemeetings first. Secondly, the key initial driver of upside from Mondays was showing our racing on Sky1 in Australia and this was sharply curtailed in the FY14 season as Tabcorp had to deal with various domestic pressures.

There was a disappointing increase in sub-eight horse fields from 431 to 454 in FY14, although this was still well below the 489 in FY12. We expect good improvement in FY15 due to a slight reduction in race numbers and hopefully more normal weather patterns.

In addition, under the provisions of Section 16 of the Racing Act, the starting point for dividing TAB profits is domestic market share. If we have less racing we lose not only the betting on the foregone race but also a share of the profit on all exported racing, imported racing and other TAB income. NZTR is constructively working with our industry partners to see if we can solve the poor incentives for all of us that are created by this legislation.

To counter this, in FY15 NZTR is continuing to:

- programme more racing at a time and place that suits our existing customers and potential customers
- move start times later
- race less in winter
- race more at major urban venues
- maximise twilight opportunities (19 in FY15 versus 12 two years ago)

In addition in FY15 NZTR is focusing prizemoney increases to create events that market the best of our racedays and generate passion and interest.

Chart 8.2 Average Field Size (Flat and Jumps Races) by Calendar Month FY14 v FY13



Source: NZTR analysis

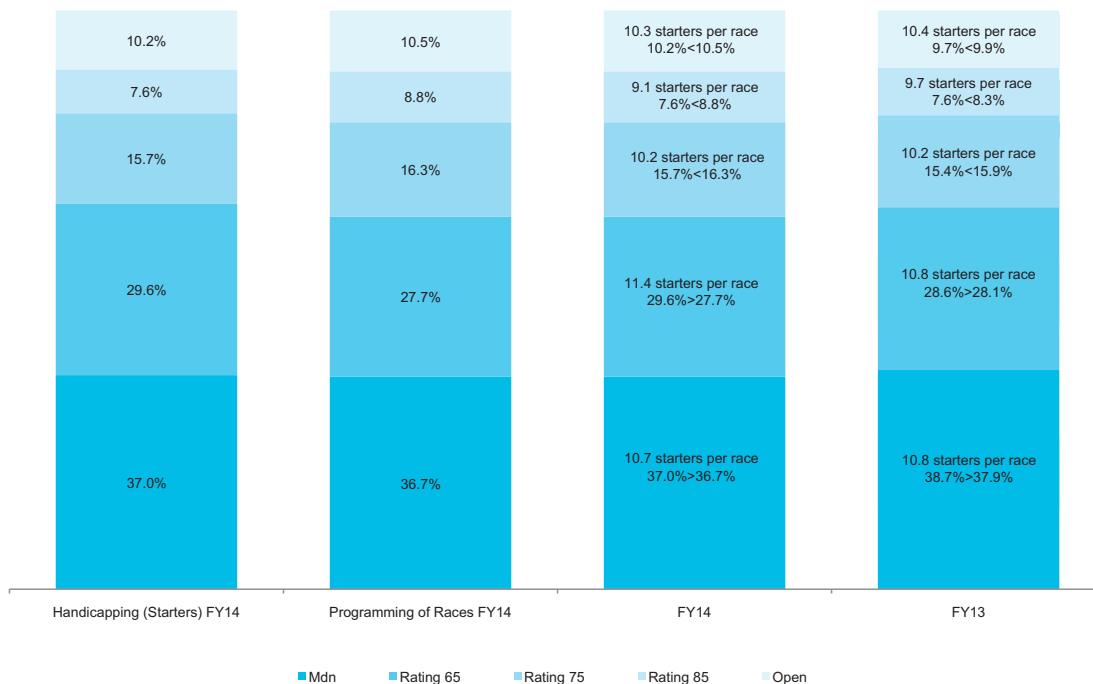
Handicapping

The outcome of any handicapping system aims to equalise the winning chance of horses to the maximum extent possible and to spread the horse population so that field sizes are even. It follows that rating upgrades out of the average race must equal downgrades adjusted for horses entering and exiting the system.

Most complaints naturally centre on upgrades being too fast and downgrades too slow but the reality is that bowing to those views would see a return to the old situation of tiny R80 and R90 race fields and horses not getting starts in R70 races.

The key to solving this is mobility between the rating bands so that a horse is not stuck on an uncompetitive mark. Introducing benchmark races has been a huge help to remedying this.

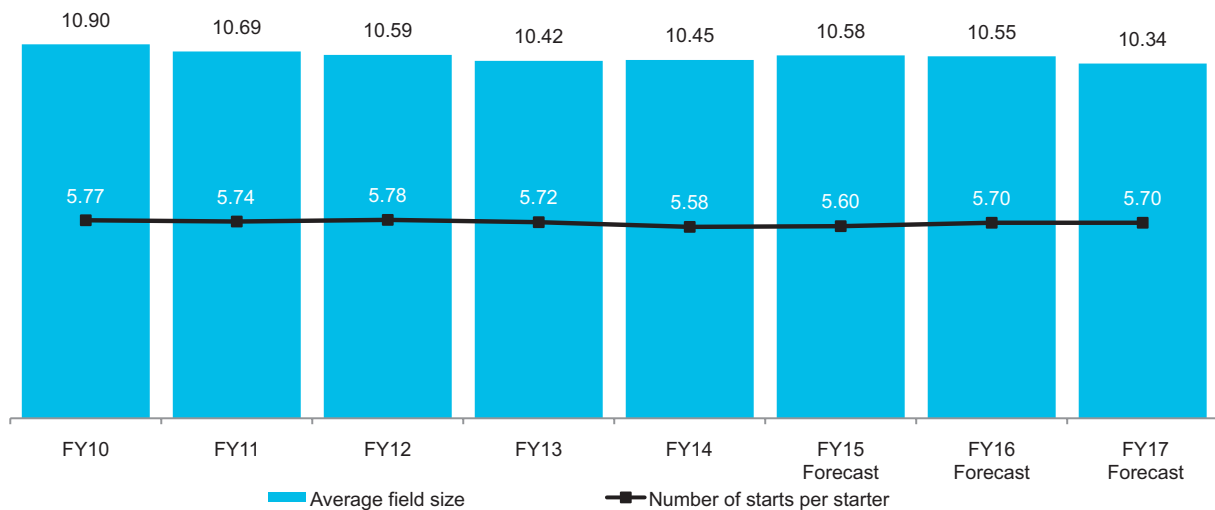
Chart 8.3 Alignment of horses by band to races programmed



In FY15 NZTR:

- eliminated dual banding (from 1 August 2015) to lift consistency in penalties for winning a race
- introduced a 2kg female allowance
- will run a trial in open handicaps at Industry meetings where R80 horses will carry no more than 54kg, with scaling occurring from there. Clear evidence shows higher weighted horses outperform those on the minimum weight due to many horses on the minimum being weighted well above their rating. There is concern around lifting the standard top-weight above 59kg and we lose too many of our best horses already. It must be considered there are jockey welfare and availability issues in moving below 54kg, especially now that we have more three meeting Saturdays
- will build stronger relationships with trainers

Chart 8.4 Number of Starts per Starter and Average Field Size FY10 to FY17 (Forecast)



Source: NZTR

Notes: Horses must have started at least once in New Zealand during each season.

Key Performance Indicators

		FY14 ACTUAL	FY15 FORECAST	FY16 FORECAST	FY17 FORECAST
14	Race meetings conducted	345	329	329	329
15	Races conducted	2,875	2,776	2,776	2,776
16	Races before noon on Saturdays and 12.30pm other days	135	125	120	115
17	Average field size - all races	10.45	10.58	10.55	10.34
18	Average starts per starter	5.58	5.60	5.70	5.70
19	Races with less than 8 starters	454	440	425	400
20	Total starts	30,031	29,366	29,293	28,707
21	Number of individual starters	5,382	5,244	5,139	5,036

9 Fillies and Mares Racing

MAXIMISING RETURNS TO INDUSTRY PARTICIPANTS

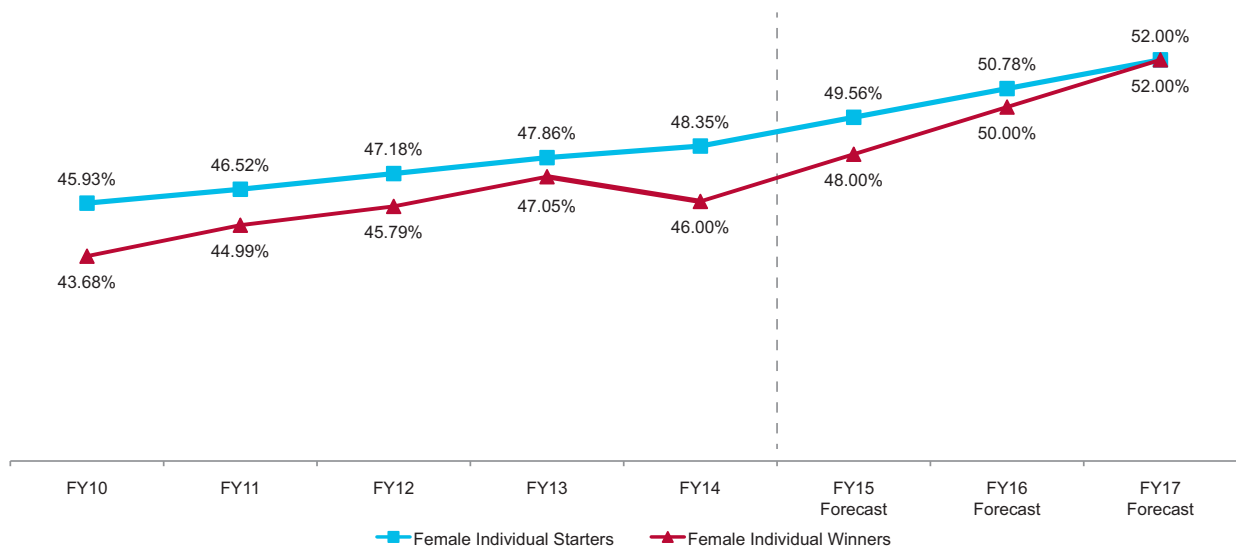
In FY14 female horses were 48.35% of total starters but only 46.00% of total winners, yet many promising male horses are exported after trial or maiden wins. In addition, female horses are outperforming in R85 and Open races and underperforming at maiden level. This reflects both male exports and the fact that many aged geldings continue to race at higher levels with below average success rates. Adjusted for age, female win rates in R85 and Open races are in line with their participation percentages, confirming NZTR's introduction of a 2kg female allowance is appropriate.

A total of 473 two-year-old fillies enrolled for the FY14 NZB Insurance Pearl Series (Series 2014), an incentive scheme which features bonus payments on designated races. This compares with 647 fillies enrolled in the 2013 Series (Series 2013).

In FY15 NZTR will:

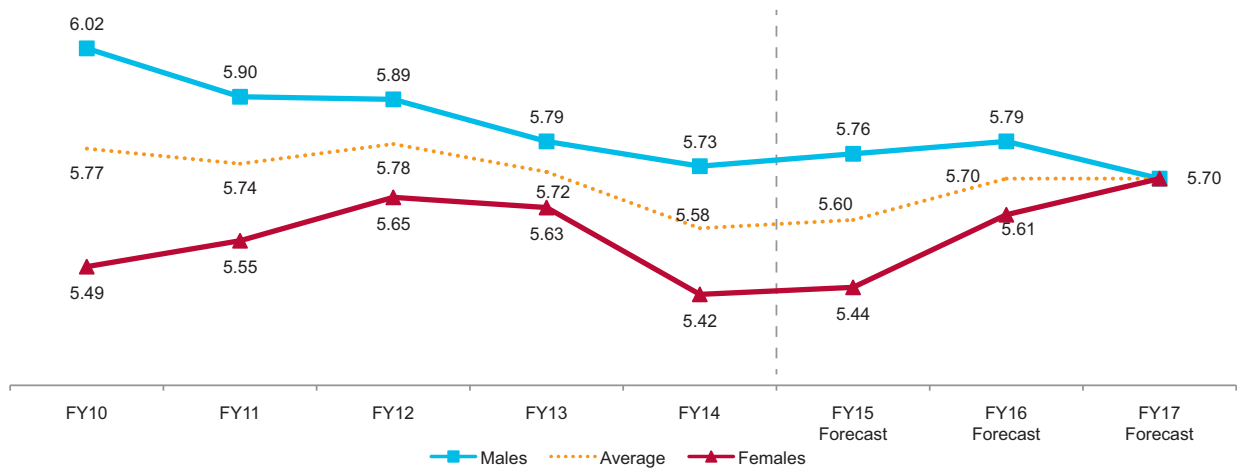
- maintain the number of national mid-week races for fillies and mares only at 100 to complement 10 \$25,000 special condition fillies and mares only races run on Saturdays
- support the NZB Insurance Pearl Bonus Series, which provides \$2.9 million in potential bonuses
- maintain the 2kg allowance for fillies and mares in open sex races, consistent with the weight-for-age scale

Chart 9.1 Percentage of Female Individual Starters relative to Female Individual Winners FY10 to FY17 (forecast)



Source: NZTR Database

Chart 9.2 Average Starts per Annum per Horse by Sex FY10 to FY17 (Forecast)



Source: NZTR Analysis

Key Performance Indicators

		FY14 ACTUAL	FY15 FORECAST	FY16 FORECAST	FY17 FORECAST
22	Females as % of individual starters	48.35%	49.56%	50.78%	52.00%
23	Females as % of individual winners	46.00%	48.00%	50.00%	52.00%
24	Number of starts per female starter per year	5.42	5.44	5.61	5.70
25	Females only \$12k mid-week races and \$25k Saturdays	87	97	97	97

10 Jumps Racing

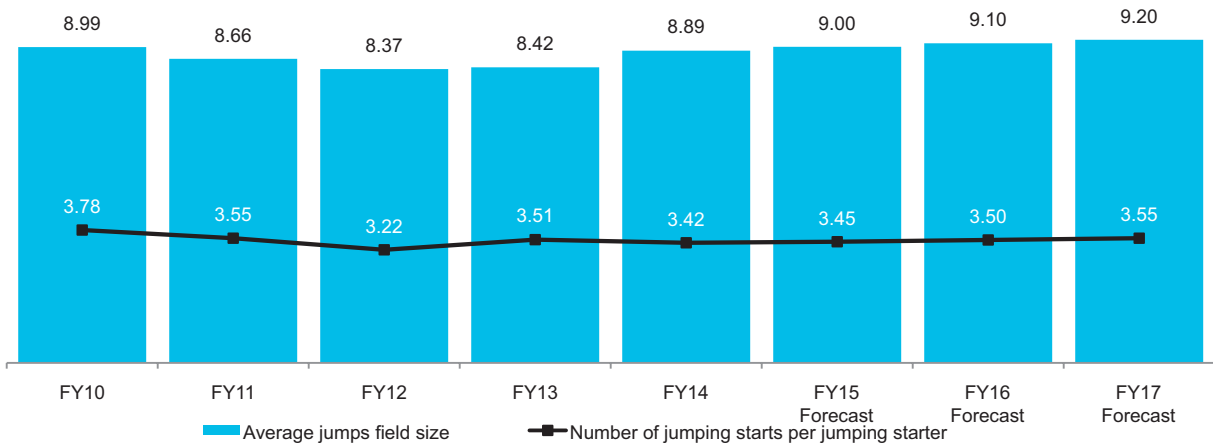
MAXIMISING RETURNS TO INDUSTRY PARTICIPANTS

Two key changes in FY14 have really worked. Firstly, open entry jump races have given certainty that a race will not be cancelled due to insufficient entries. Secondly, stakes have been lifted, with average prizemoney of \$21.6k in the second half of FY14 compared to \$16.2k in 2H13.

So far, field size has only lifted slightly to 8.89 in 2H14 from 8.42 in the 2H13 but the tone and feedback has completely changed. Strong numbers and divisions in maiden jumps fields lend confidence for the future.

Participation levels in South Island jumps racing remains a significant concern.

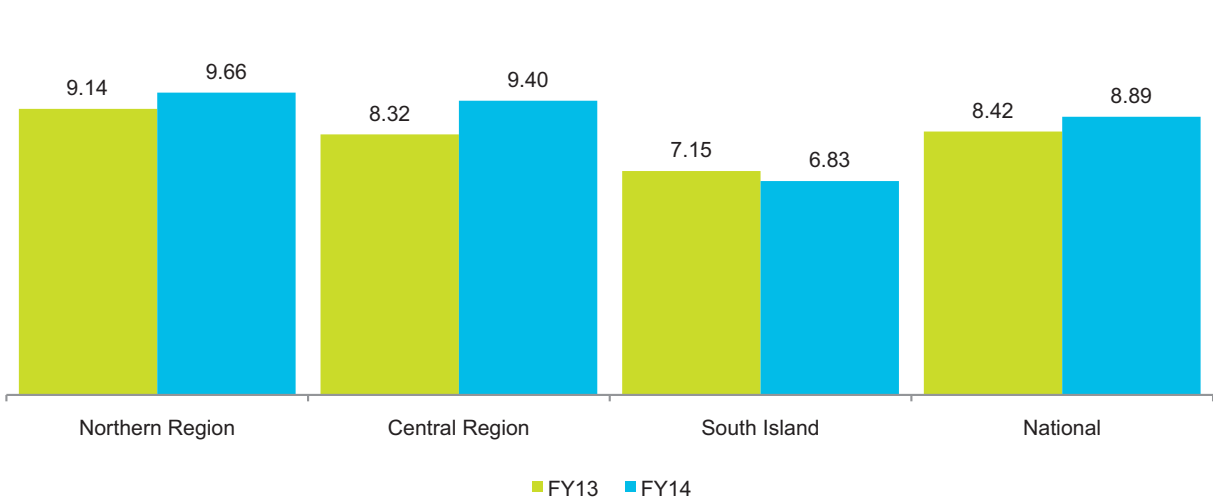
Chart 10.1 Number of Jumping Starts per Jumping Horse FY10 to FY17 (Forecast)



Source: NZTR analysis and forecasting

Notes: Horses must have started in at least one jumping race in New Zealand during each season.

Chart 10.2 Average Jumping Field Size by Region FY14 v FY13



Source: NZTR analysis

In FY15 NZTR will:

- review South Island jumps racing to develop strategies to reduce the number of jumps races with less than 8 starters and help to ensure its sustainability
- review the programme of jumps racing including:
 - the start of the jumps season in the Central Region
 - programming highweight races on jumping days to give jockeys an extra racing opportunity
 - Handicapping policy to maximise starters per race and starts per horse per season
- continue to programme:
 - Prestige Jumps Races (PJR) on weekends only to maximise exposure of the signature events
 - the new open entry policy
- continue to audit all jumping venues annually and all incidents, with the RIU, to ensure appropriate safety and welfare policies are in place and correct procedures are being followed

Key Performance Indicators

		FY14 ACTUAL	FY15 FORECAST	FY16 FORECAST	FY17 FORECAST
26	Field size - jumps races	8.89	9.00	9.10	9.20
27	Number of individual jumps starters	255	265	275	275
28	Number of jumps races with less than 8 starters	35	34	33	32

Infrastructure and Asset Optimisation

INCREASING EFFICIENCY AND EFFECTIVENESS

Many of our on-course facilities are dated and there is little or no money to replace them. NZTR has carefully built up an infrastructure reserve and only distributes this where it can be leveraged with co-funding from clubs, the Racing Safety Development Fund (RSDF) and other sources.

This reserve will only be invested in Strategic and Significant courses, where sufficient racedays are held to spread the fixed costs.

Many argue that NZTR should lead by reducing the number of Thoroughbred racetracks to provide better coverage of fixed costs at tracks holding more meetings; reduce travel and broadcast costs; increase wagering turnover as punters are more confident with fewer variables; and realise capital to invest in remaining courses.

Conversely, wagering and investment in racing could fall with racing disappearing from communities; the volunteer nature of small tracks allows them to be low cost; capital release from small rural courses is actually very small (many are racecourse reserves); and major track investment would be needed at some remaining courses to handle the increased load.

Over-riding all this is that NZTR has no legal power to drive such changes. So, given these realities, how do we become more efficient?

In FY15 NZTR will continue to:

- move meetings from some small tracks to our largest Strategic and Significant courses. From FY11 to FY15, our top 21 venues have moved from 74.9% to 80.5% of all meetings. This recognises that small clubs work well with their volunteer base and community support with one or two meetings but more than this presents issues for our industry while Strategic and Significant venues need as many meetings as possible to spread their costs and to ensure a premium product
- set aside an average of \$1m per year to fund critical projects at our top 14 tracks. To maximise the impact, we are insisting on co-investment by clubs, communities and frequently the RSDF. Current examples include sand-slitting and drainage at Riccarton; track-widening at Ruakaka; Otaki-Maori drainage; Matamata irrigation; Te Rapa inside track development; Wingatui drainage; new judicial towers; and a number of plastic running rail installations. NZTR has set aside this investment each year since FY11
- continue to assess the potential for a synthetic track in the Waikato solution. A full artificial racing surface would likely cost circa \$10m plus ongoing maintenance costs. A smaller training and trials track would likely cost \$4m and deliver gains from lower travelling costs and horses getting to the races more quickly
- assess the benefits of a Te Rapa inside trials track, other potential inside tracks, and the possibility of a covered plough training surface at Cambridge
- continue to work with the RSDF on improvement projects which have safety elements. NZTR acknowledges and appreciates the support of the Minister for Racing for his support of the Racing Safety Development Fund (RSDF) for projects which have safety elements.
- provide \$405,000 to the 17 largest training centres in recognition of each of their contributions to the industry via the provision of training facilities and tracks
- fund Turftech reports to help assist clubs in the maintenance and presentation of their turf racing surfaces
- provide racing clubs with access to 'verti-drain' and 'groundbreaker' machinery

In all cases, funding is structured so that it will be returned to the industry in the event a club chooses to cease racing at some future point.

Key Performance Indicators

		FY14 ACTUAL	FY15 FORECAST	FY16 FORECAST	FY17 FORECAST
29	Percentage of trained starters produced from Strategic training tracks	71.1%	70.0%	70.0%	70.0%
30	Races conducted at venues with more than 10 meetings per annum	76.5%	70.0%	72.5%	75.0%
31	Races conducted at venues with 3-9 meetings	17.7%	22.0%	20.0%	18.0%
32	Races conducted at venues with 1-2 meetings	5.8%	8.0%	7.5%	7.0%

12 Domestic Broadcasting and International Simulcasting

MAXIMISING RETURNS TO INDUSTRY PARTICIPANTS

While there is some customer crossover between codes, NZTR's ownership surveys show the bulk of fans follow Thoroughbred racing or Harness racing or Greyhound racing as opposed to all three codes. Further, the turnover on an Australian Thoroughbred race is higher than on a Harness race or a Greyhound race. Combine these two factors, and our modelling shows far better outcomes for everybody from code-focused TV channels than from country-focused ones.

FY14 results were disappointing with:

- NZ\$ export turnover per race being down 11.4%
- the monthly average NZ\$-A\$ exchange rate appreciating by 11.8%
- a record number of abandonments due to bad weather
- a loss of coverage on Sky1 in Australia

Australia is a key focus for FY15.

While the domestic customer yields a 14% margin against the 2.6% margin from Australian customers, NZTR advocates that the Australian market is under-developed and even modest investment should deliver strong paybacks.

NZTR has been working with NZRB management to develop timetables that optimise NZRB turnovers and provide customers with the best choice of product mix. We are in general agreement with the NZRB that the two Trackside TV channels can be used flexibly to provide the best schedule mix.

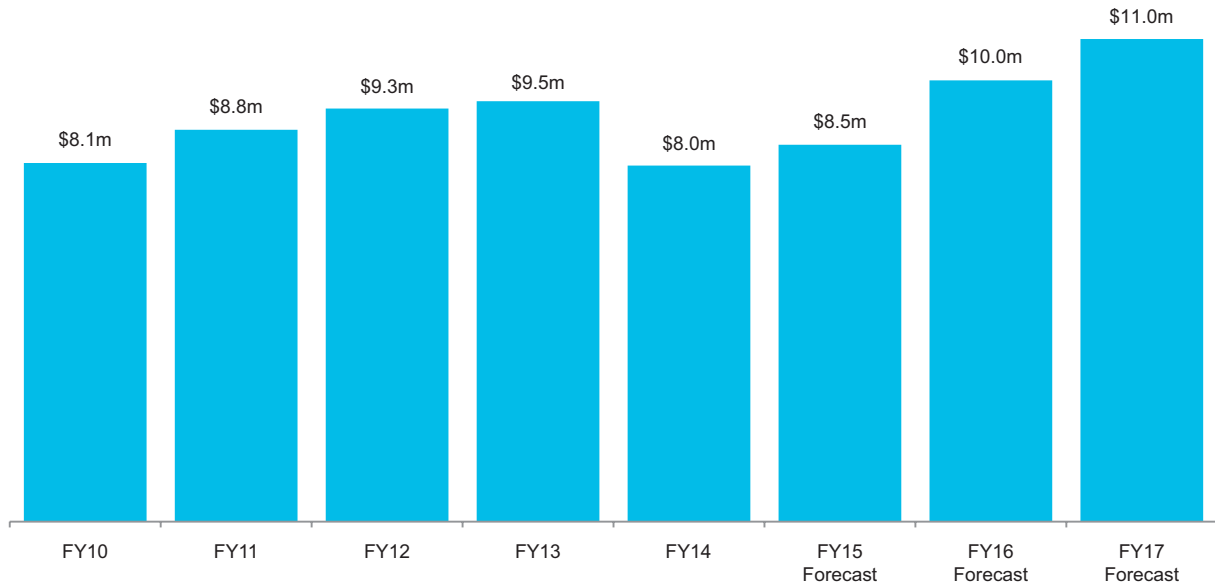
Trials of Thoroughbred only periods within Wednesday and Thursday schedules on either Trackside 1 or 2 have been agreed to. In some instances, this will involve the transfer of some races at either a New Zealand Greyhound or Thoroughbred meeting to Trackside 2 to enable creation of a consistent timetable of four Thoroughbred meetings (NZ, Victoria, NSW and either Queensland or South Australia) on one of the channels. The NZRB has also consulted with HRNZ on running 35 minute intervals on Thursday and Friday evenings to enable a consistent programme of Australian Thoroughbred racing. Early results of the trials have been promising.

NZTR will continue to work with the NZRB to trial alternative timetables in the coming months to determine which schedules optimise turnover.

In addition, in FY15 NZTR will continue to work with the NZRB to:

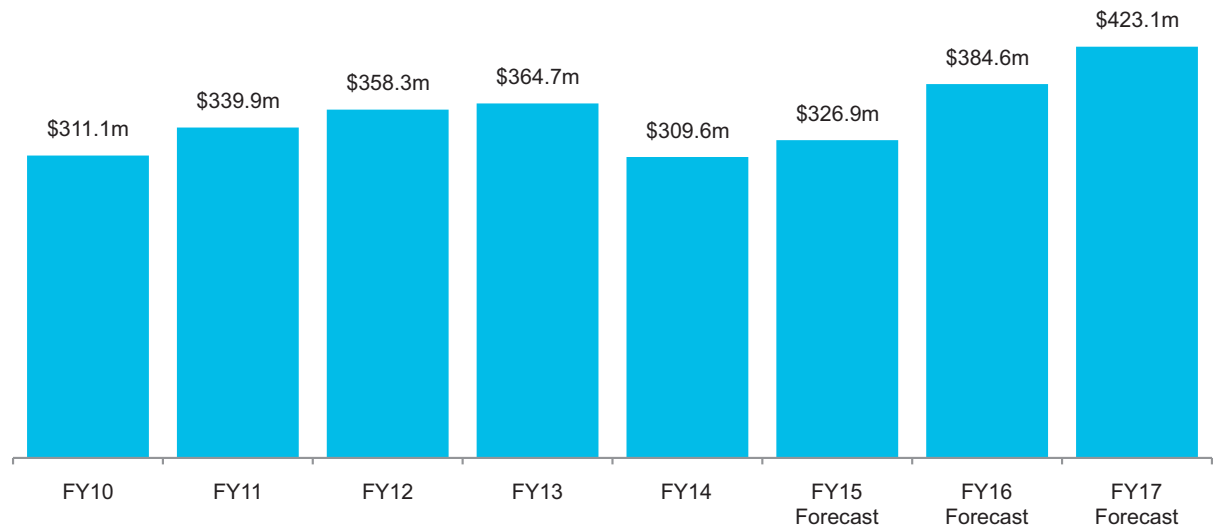
- maximise outcomes from international arrangements post-June 2015 by:
 - growing the number and penetration of New Zealand Thoroughbred races in the international market place
 - improving how New Zealand Thoroughbred races are promoted and presented in Australia
- continue to improve New Zealand Thoroughbred racing form and media coverage in Australian markets
- engage with Australian Thoroughbred racing entities to better promote and integrate New Zealand Thoroughbred racing content into the Australian wagering schedule
- ensure New Zealand is appropriately represented within the International Federation of Horseracing Authorities (IFHA), Asian Racing Federation, International Stud Book Committee, ANZ Ratings Committee, the Asian Pattern Committee and the International Grading and Race Planning Advisory Committee

Chart 12.1 Royalties (\$NZ) Paid to the NZRB by Australian Totalisator Operators on NZ Thoroughbred Races FY10 to FY17 (Forecast)



Source: NZRB turnover data, calculated as 2.6% of export Sales on NZ thoroughbred races, plus NZTR forecasting

Chart 12.2 Australian Totalisator Sales on New Zealand Thoroughbred Races (\$NZ) FY10 to FY17 (Forecast)



Source: NZRB turnover data, plus NZTR forecasting

Chart 12.3 Comparison of Totalisator and FOB Sales on New Zealand Races FY14 in NZ v Australia (\$NZ)



Source: NZRB

Key Performance Indicators

		FY14 ACTUAL	FY15 FORECAST	FY16 FORECAST	FY17 FORECAST
33	International royalties on New Zealand thoroughbred racing	\$8.0m	\$8.5m	\$10.0m	\$11.0m

13 Owners, Trainers, Riders and Stablehands

PROMOTING THE SPORT OF THOROUGHBRED RACING

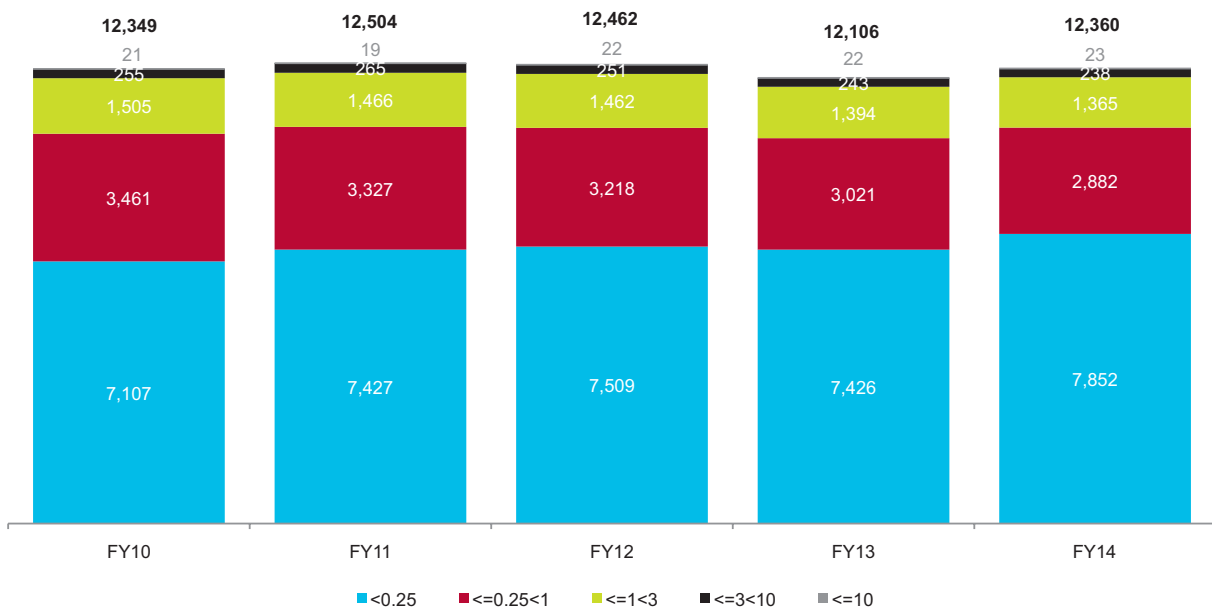
Ownership

The process involved in becoming an owner and registering your horse should be quick and simple. An owner's experience with his/her trainer, at trials and on raceday should aim to meet a consistent and high level of satisfaction. Through NZTR's annual perception survey and the recent Racing Club Partnership Programme stakeholder surveys some issues have been identified, as well as a number of potential improvements.

In FY14 NZTR commenced a comprehensive review of the ownership experience. This review will be completed in FY15 and aims to improve the owner experience, from start to finish. A number of aspects are currently being improved. These include:

- working with clubs to provide an on-course ownership experience which is consistent (with the category of venue) and enjoyable
- horse syndication options including Social Racing, a mechanism to introduce new owners on a pay-to-participate basis. All three fillies in the first offering are fully subscribed
- improving syndication Rules and regulations
- simplification of ownership Rules and forms requiring only a person who is selling an interest, a person acquiring an interest and the Racing Manager to sign change of ownership forms

Chart 13.1 Owners by combined ownership shareholding of horses racing FY10 to FY14



Source: NZTR Analysis

Horse Syndication

The Financial Markets Conduct Act 2013 regulates offers of interests in racehorse syndicates and advertisements for offers, and comes into force on 1 December 2014. The Securities Act (Bloodstock) Exemption Notice 2002 currently exempts racehorse syndicators from having to comply with these requirements provided the syndicator is bound by the Rules of Racing to comply with NZTR's Bloodstock Syndication Code of Practice (Second Appendix in the Rules of Racing).

NZTR is reviewing the Bloodstock Syndication Code of Practice (Second Appendix to the Rules) in anticipation of the Financial Markets Conduct Act 2013 which will replace the Securities Act 1978 under which the Bloodstock Exemption Notice sits. As part of this review NZTR will look at the position of clubs wishing to syndicate a horse, particularly with their members.

Trainers

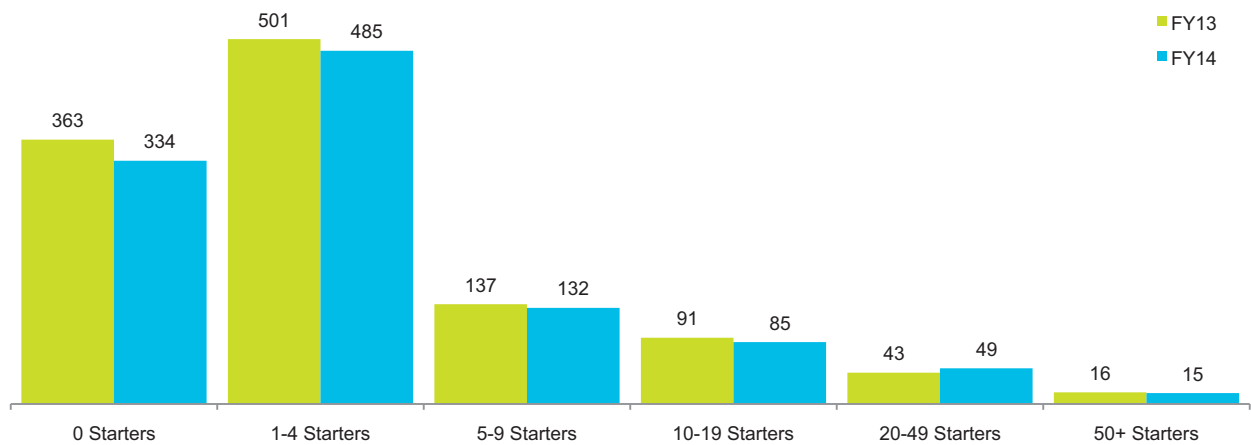
NZTR is working with the Trainers' Association (NZTA) to build a closer working relationship. An example of this is a NZTR-sponsored pilot for the Trainers' Mentoring Service whereby business mentors are aligned with willing public trainers to up-skill their commercial and administration expertise including financial management and processes, marketing and communication strategies.

Since FY11 the economy has started to improve, and major efficiencies at ACC and considerable work by NZTR in defining Thoroughbred industry claims has seen a sharp fall in ACC levy rates. The levy declined to 9.58% in FY12, 6.91% in FY13, 5.94% in FY14 and is 5.26% in FY15. It is forecast to fall further to 3.75% in FY16. This is a huge saving to trainers, jockeys, breeders and all participants.

NZTR is also working with Trainers to:

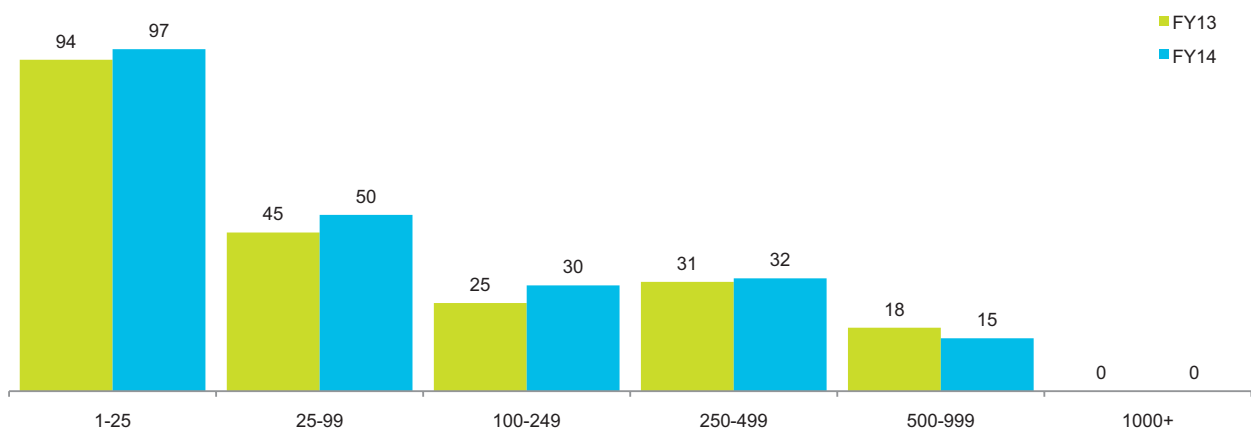
- upgrade the online Trainers' Service Centre on the NZTR website - www.nzracing.co.nz
- continue to review, with ACC, accidents and injuries in Thoroughbred racing to help to reduce ACC levy rates

Chart 13.2 Trainers by number of individual horses that started in a race FY14 v FY13



Source: NZTR Analysis

Chart 13.3 Riders by number of rides FY14 v FY13



Source: NZTR Analysis

Riders

NZTR takes extremely seriously its primary responsibility to ensure the health, welfare and safety of all riders. In addition, changes will be made to health and safety regulations in FY15.

In response, NZTR, the NZRB and the other two codes have commenced a project to consult with industry stakeholders and other racing jurisdictions on health and safety to ensure full industry compliance.

In alignment with this, NZTR now requires all Class A, B, D and E riders to complete a Rider Medical Examination. This will be required every two years until the age of 50, and annually thereafter. The NZTR medical adviser, Dr Phil White, is responsible for assessing the results of the examinations. The medical examination will be paid for by NZTR. Previously NZTR required a medical examination only when a rider was first licensed.

NZTR is also introducing in FY15 baseline concussion testing for all riders. The testing will involve a baseline test followed by further testing after a fall or accident. This brings New Zealand into line with most racing jurisdictions, and with most major sporting codes which have a higher incidence of head injury. This new method of assessing concussion will allow for a more individualised return-to-riding plan.

Chart 13.4 Total Licences (as at 14 October of each year)

LICENCE TYPE	2010-11	2011-12	2012-13	2013-14	2014-15
Public Trainer	357	348	342	341	337
Permit To Train	371	368	364	357	342
Owner-Trainer	400	377	357	343	311
Total	1128	1093	1063	1041	990
Jockey	94	93	89	95	95
Apprentice Jockey	39	46	55	57	59
Amateur Rider	41	44	40	56	46
Total	174	183	184	208	200

Stablehands

NZTR introduced a Limited Credit Programme (LCP) in FY12 to register and licence stablehands. This was viewed as a preliminary step towards the promotion of Level 3 training opportunities.

NZTR has been working with the NZ Equine Education Trust (NZEET) and the Primary ITO for the past two years to review the current qualifications held on the National Qualification Framework to ensure that they provide graduates with the necessary skills for long term future careers in the racing industry.

Historically few stablehands, stud grooms and track work riders have undertaken industry training. NZTR, in partnership with the Primary ITO, has invested in developing and marketing qualifications for industry professions alongside its Apprentice Training Academy jockey qualifications. This includes increasing the number of Level 3 Stablehand trainees from 19 to 200 by FY15. There are currently around 120 stablehands and track riders enrolled in the Level 3 certificate.

Key Performance Indicators

		FY14 ACTUAL	FY15 FORECAST	FY16 FORECAST	FY17 FORECAST
34	Number of owners	12,360	12,400	12,500	12,600

14 Breeding

PROMOTING THE SPORT OF THOROUGHBRED RACING

There was another decline in the foal crop which is concerning. This is consistent with the world trend. Foal crops in most Thoroughbred breeding countries have declined over the past 10 years+. This, despite generous domestic breeders' incentive schemes in some countries.

Chart 14.1 Foal Crop Returns from the World's 8 Leading Thoroughbred Breeding Countries FY04-FY13

COUNTRY	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
US	34,798	35,046	34,887	34,301	32,174	29,500	25,800	23,200	22,500	21,275
Australia	16,940	17,178	18,413	18,255	18,388	16,112	17,191	15,893	15,540	13,365
Argentina	6,572	6,783	7,430	7,538	8,264	8,471	8,437	8,761	8,652	8,032
Ireland	10,992	11,748	12,004	12,633	12,419	10,167	7,588	7,550	7,546	7,757
Japan	8,213	7,930	7,632	7,495	7,343	7,453	7,105	7,064	6,819	6,825
France	4,931	5,252	5,373	5,393	5,447	5,524	5,470	4,984	4,823	4,809
GB	6,318	6,003	5,794	6,052	6,043	5,652	4,665	4,635	4,366	4,420
NZ	4,509	4,600	4,561	4,264	4,654	4,469	4,334	4,161	3,899	3,842
TOTAL	93,273	94,540	95,797	95,931	94,732	87,348	80,590	76,248	74,145	70,325

Red - foal crop decrease on previous year Black - foal crop increase on previous year

Source: International Federation of Horseracing Authorities (IFHA)

Note: Some foal returns submitted to the IFHA are estimates due to timing (prior to receipt of final foal returns) and differ from final returns

NZTR projects an average field size of 10.52 across 2,776 races in FY15. If the foal crop trend continues, we would need to cut between 50-60 races per year or the average field size would fall below 10 by FY20.

NZTR has reviewed in detail foal crop and racing numbers (starting at least once in a race in New Zealand per season) with a view to providing long-term projections on our possible future racing population and requirement for scheduling races. This process involves matching horse IDs from each season's race starter data to the IDs in each foal crop. These projections show:

- that individual starters over the next seven seasons will decline at a compound average growth rate (CAGR) of -2%. This decline assumes that the same average proportion of each foal crop will start as 2, 3, 4, 5 year olds and so on in each racing season as have started in the previous seasons measured.
- assuming that starts per starter remain steady at around 5.7 (this number could be affected by other influences such as an increase in exports or a lack of suitable racing opportunities), total starts made by Thoroughbreds will have decreased to just under 27,000 by FY20
- if NZTR attempts to maintain race numbers at 2,776 until FY20, the average field size will have declined to 9.71 (from 10.45 in FY14)
- in order to maintain the average field size at a desired 10.5 to 10.7, NZTR would run at least 2% less races per annum (equating to around 50-60 less races each season)

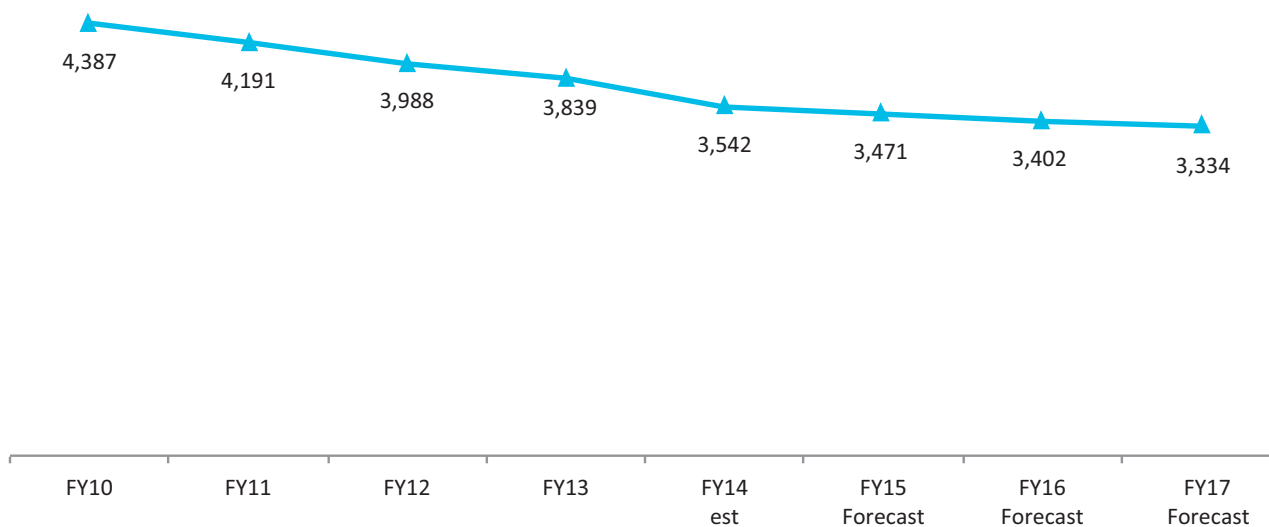
What is not available from this analysis is other unanticipated influences, such as export trends or increasing opportunities for fillies and mares, that may impact on the proportions of horses available to start. The small increase in imported horses racing in New Zealand has also helped maintain average field size over recent seasons. If this was to either decrease or increase considerably then starter numbers could alter from those projected.

Some analysis has also been undertaken on how many horses from each foal crop start at least once in New Zealand. This number has sat at between 42 and 47% of the total domestic foal crop for the foal crop years that have finished racing (FY04 to FY08). Further work is being undertaken to help us understand where the remainder of our foal crop ends up and whether there are any other mechanisms we can influence to minimise horse number declines such as horses that trial but do not race, horses that are exported (using a process of matching horse IDs) that never trial, trial only, or that do race but are then exported and do not return.

In FY15 NZTR will:

- maintain the fillies and mares allowance at 2kg to encourage owners to race fillies and mares
- programme 100 fillies and mares only races
- support the NZB Insurance Pearl Series for fillies and mares
- continue to increase prizemoney to incentivise owners to keep horses with New Zealand-based trainers. Net exports are highly responsive to price signals, so a continuation of steady sustainable prizemoney increases is critical. Imports from Australia have grown in recent years and exports have fallen slightly
- improve the handicapping policy and maintain a flexible programming policy with the aim of lifting starts per horse. There are always improvements that can be made and there is a headwind from females running less often than males to contend with
- work with the Thoroughbred Breeders' Association to improve NZTR's online Breeders' Service Centre
- take an active role in the International Stud Book Committee (New Zealand occupies one of nine seats) to protect the integrity of the Thoroughbred breed

Chart 14.2 Estimated Live Foals FY10 to FY17 (Forecast)

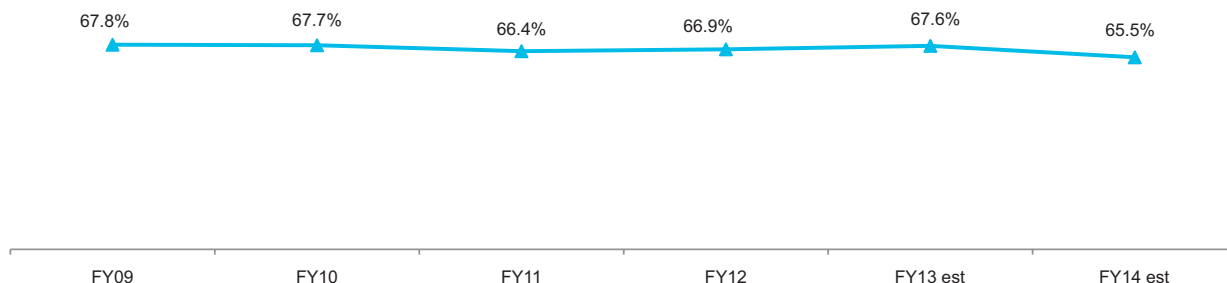


Source: NZTR Analysis

Notes: FY13 and FY14 foal numbers are a part-projection based on the previous year's % of live foals to total foals. These numbers will be subject to change in future season's Business Plans once final foal returns have been received.

The decline in the number of live foals from mares served has declined 2.4% from FY13 to FY14. Most of this decline is a result of over 100 in foal mares being exported to China.

Chart 14.3 Live Foals from Mares served FY09 to FY14



Source: NZTR Analysis

Notes: Foal numbers for a season are divided by the mares served number of the previous season. FY13 and FY14 foal numbers are a part-projection based on the previous year's % of live foals to total foals. These numbers will be subject to change in future season's Business Plans once final foal numbers have been received.

Key Performance Indicators

		FY14 ESTIMATE	FY15 FORECAST	FY16 FORECAST	FY17 FORECAST
35	Live foals (estimate)	3,542	3,471	3,402	3,334

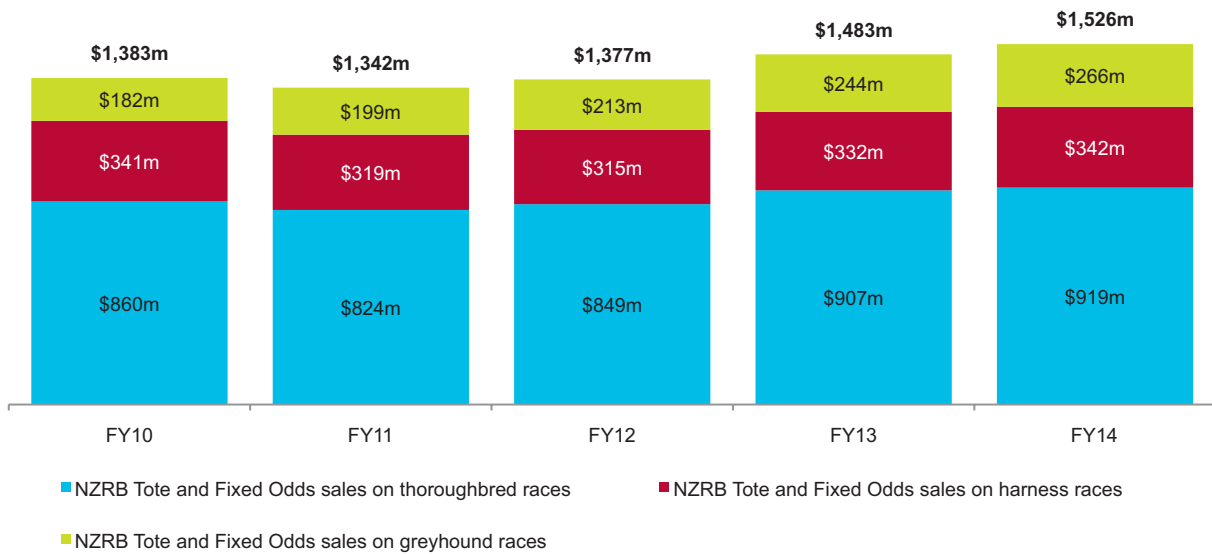
15 Supporting the NZRB's Business

MAXIMISING RETURNS TO INDUSTRY PARTICIPANTS

Thoroughbred racing is economically dependent on wagering revenue from the NZRB.

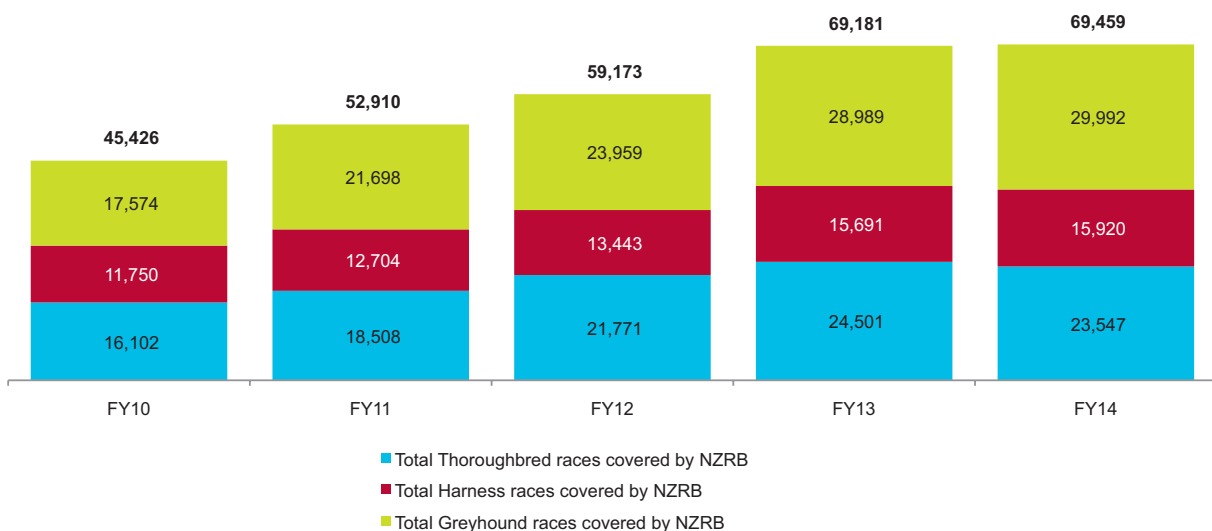
NZTR delivered detailed feedback in September 2014 to the NZRB on its draft Statement of Intent on behalf of the Thoroughbred industry which the NZRB has taken on board and, as a result, changes are occurring.

Chart 15.1 Totalisator and Fixed Odds sales on all Domestic and International Events (Imported Races) FY10 to FY14



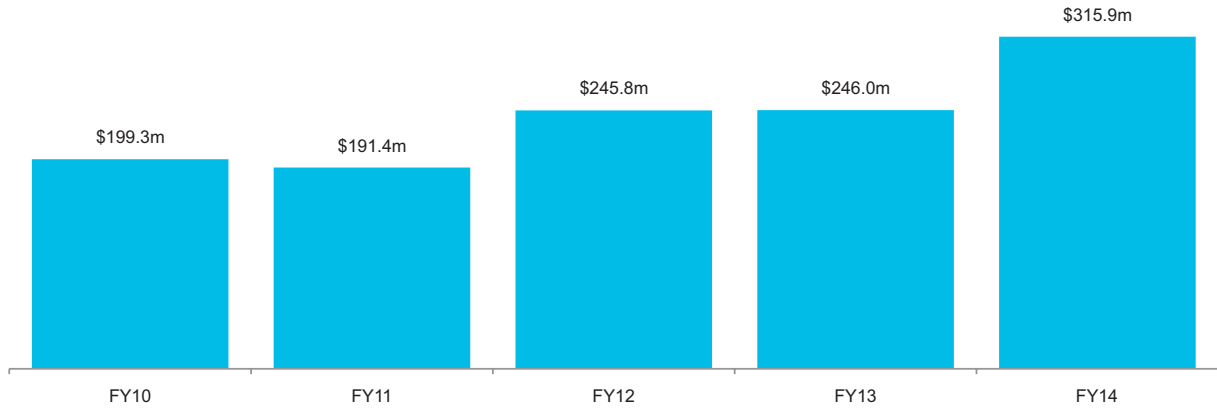
Source: NZRB turnover data

Chart 15.2 Races Covered by NZRB FY10 to FY14



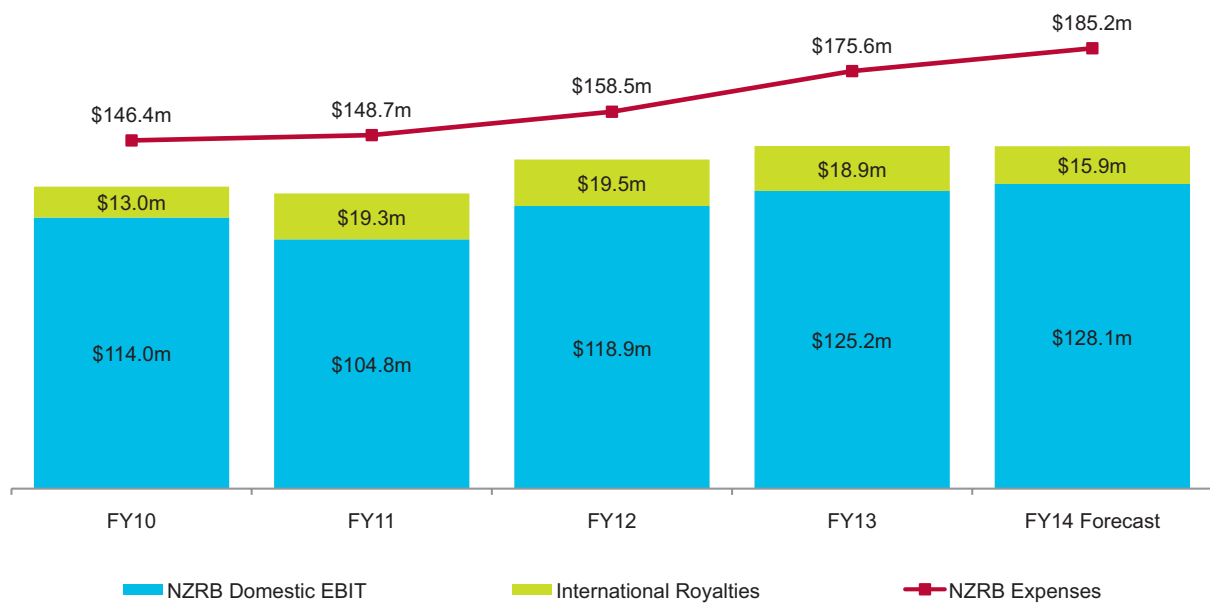
Source: NZRB Financial Reports and NZTR Analysis

Chart 15.3 NZRB Sports Betting



Source: NZRB turnover data

Chart 15.4 NZRB Gross International Royalties and Domestic EBIT Performance



Source: NZRB Annual Reports and SOI

Note: Actual and Forecast numbers from the NZRB SOI 2013-16

In FY15 NZTR will:

- provide a structure of racing and programming aimed at optimising NZRB performance
- introduce new products at racing venues to improve punter information such as online weather stations and sectional timing
- support the NZRB in looking at developing new products and promotions including a 'life-changing' bet

Key Performance Indicators

		FY14 ACTUAL	FY15 FORECAST	FY16 FORECAST	FY17 FORECAST
36	Domestic Thoroughbred sales (Totalisator & Fixed Odds)	\$422.7m	\$431.1m	\$439.8m	\$448.6m
37	Domestic market share	52.6%	53.0%	53.5%	54.0%

16 Government Relations

PROMOTING THE SPORT OF THOROUGHBRED RACING

NZTR, together with the other two codes, continue to fully support the NZRB's discussions with government agencies to seek beneficial amendments to legislation and oppose the introduction of any regulation which could be harmful to racing's interests. These include:

The Racing Act

While the Racing Act has served racing well in avoiding the industry fragmentation seen in other countries, NZTR continues to question outcomes of Section 16 of the Act.

It is not possible that an average Thoroughbred race with nearly \$150,000 in turnover delivers the same profit margin to the NZRB as, say, an average greyhound race yielding \$27,000 in turnover. The domestic revenue share basis of Section 16 imposes this outcome and does not take into account that Thoroughbred racing delivers a higher profit margin on every dollar of turnover but is not paid to reflect that. At the same time Thoroughbred racing incurs higher capital costs to deliver that higher margin.

The scale of Thoroughbred activity underpins the NZRB's national infrastructure, effectively providing the two smaller codes with a leveraged benefit, not reflected in the Section 16 mechanism.

In summary, the highest profit margin code (Thoroughbred) is receiving price signals that are causing it to shrink to the detriment of overall NZRB profits and adversely impacting all codes.

NZTR advocates change to Section 16, which can be managed over time in a way that is acceptable to all parties.

In FY15 NZTR will work to ensure the Thoroughbred code receives an equitable distribution of NZRB funding, which adequately recognises the higher profitability investment, cost, asset intensity, scale, economic activity and popularity of the thoroughbred code from FY16 and beyond.

Race Fields Legislation

Clubs assign ownership of Thoroughbred rights to the NZRB, which has contracts with a number of overseas totalisator operators, as a requirement of their betting licence. NZTR currently provides racing information to the NZRB under the terms and conditions of the international rights agreement which expires in June 2015.

In late 2013, NZTR wrote to every club and sector group to ask for help. We are delighted with the formal support of the main political parties. Robust legislation will allow the NZRB to set a fee to be paid to the NZRB by offshore bookmakers who accept bets on New Zealand races. The absence of any fee together with low taxes gives these bookmakers an unfair price advantage over the NZRB.

As well as stealing clubs' intellectual property rights for no payment, the offshore operators pose a threat to racing integrity and pay no fee or attention to problem gambling issues; rather they positively encourage it via the illegal offer of credit to New Zealand residents.

Tax Levels

Racing has suffered a sizeable tax increase. When GST was lifted from 12.5% to 15% in late 2010, there was no off-setting cut in wagering duty. In FY13, this tax increase amounted to \$6.4m on betting revenue (leaving small gaming revenues to one side). Assuming 100% profit on the marginal dollar, and at an approximate 53.5% share to Thoroughbred racing, this amounts to \$3.4m or 7.2% of the \$47.2m in prizemoney that NZTR funded in that season.

In FY15 NZTR will:

- support the NZRB in negotiations relating to the use of Thoroughbred IP beyond June 2015
- work with the NZRB to investigate the potential legislative change with regard to:
 - race fields IP and/or an industry levy based on bettors' location
 - Section 16 of The Racing Act (2003)
 - Tax treatment of prizemoney and bloodstock

In FY15 NZTR will also continue to strengthen its relationships with government by:

- ensuring all political parties are properly briefed on the NZTR Strategic Plan and the strong relationships between NZTR, NZRB and the other two codes
- ensuring industry compliance with all relevant legislation and legal requirements in a timely and accurate manner, in particular new Health and Safety legislation to be enacted in 2015
- hosting MPs and local government representatives from various political parties, government officials and key stakeholders at appropriate racing events and functions

17 NZTR Governance, Accountability and Transparency

INCREASING EFFICIENCY AND EFFECTIVENESS

In FY11 Thoroughbred racing was hit by a perfect storm with the:

- global financial crisis
- lift in GST
- cessation of the Minister for Racing's High Stakes Funding
- substantial increase in ACC levies which peaked that year at 11.17% of every dollar paid to an industry employee

Since then the NZTR Board has maintained NZTR's core operational costs (excluding marketing, special projects and infrastructure) at FY11 levels and rebuilt net cash reserves of \$3.5m to ensure a capacity to absorb future revenue or balance sheet shocks

Chart 17.1 NZTR Forecast Revenue and Expenses for FY15, FY16 and FY17

DESCRIPTION	FY14 ACTUAL	FY15 BUDGET	FY16 FORECAST	FY17 FORECAST
NZRB wagering funding to industry	\$137.3m	\$138.0m	\$142.1m	\$146.4m
NZRB gaming funding to industry	\$7.8m	\$8.8m	\$9.0m	\$9.3m
Number of race meetings (actual/scheduled)	345	329	329	329
Number of races (actual/scheduled)	2,875	2,776	2,776	2,776
Number of horse starts	30,031	29,366	29,293	28,707
Average field size	10.45	10.58	10.55	10.34
Average funded prizemoney per race	\$16,652	\$17,872	\$18,478	\$19,288
Avg prizemoney minus noms & accepts (NZTR)	\$15,869	\$17,077	\$17,682	\$18,493
Aggregate funded prizemoney	\$47,875,765	\$49,614,000	\$51,294,000	\$53,544,000
NZRB funding (net RIU costs)	\$72,618,306	\$72,748,575	\$74,931,032	\$77,178,963
NZTR nomination & acceptances	\$2,253,731	\$2,208,070	\$2,208,070	\$2,208,070
NZTR Race Day Services & other racing income	\$949,118	\$902,500	\$902,500	\$902,500
NZTR Operating Income	\$3,093,156	\$2,967,169	\$2,967,169	\$2,967,169
Stakes funding	(\$47,875,765)	(\$49,614,000)	(\$51,294,000)	(\$53,544,000)
Club & meeting funding	(\$19,679,186)	(\$18,854,393)	(\$18,854,393)	(\$18,854,393)
NZRB servicing charges	(\$3,276,649)	(\$3,023,032)	(\$3,023,032)	(\$3,023,032)
NZTR operational expenses	(\$5,735,248)	(\$5,706,138)	(\$5,706,138)	(\$5,706,138)
Special projects	(\$337,004)	(\$721,500)	(\$721,500)	(\$721,500)
Industry marketing initiatives	(\$426,265)	(\$400,000)	(\$400,000)	(\$400,000)
NZTR Surplus	\$1,584,194	\$507,251	\$1,009,709	\$1,007,640
Industry Infrastructure Funding	(\$756,325)	(\$500,000)	(\$1,000,000)	(\$1,000,000)
NZTR Surplus (after Infrastructure)	\$827,869	\$7,251	\$9,709	\$7,640

NZTR will retain its policy to transfer an average of \$1m per annum of retained earnings to a provision for future infrastructure funding and continue to apply to the Racing Safety Development Fund (RSDF) committee with clubs for health and safety infrastructure project funding.

Since FY11 the economy has started to improve, and major efficiencies at ACC and considerable work by NZTR in defining Thoroughbred industry claims has seen a sharp fall in ACC levy rates. The levy declined to 9.58% in FY12, 6.91% in FY13, 5.94% in FY14 and is 5.26% in FY15. It is forecast to fall further to 3.75% in FY16. This is a huge saving to trainers, jockeys, breeders and all participants.

NZTR's priorities for funding over the next three years are to ensure funding to the Thoroughbred industry is set at the right levels in order to ensure:

- the NZRB maximises prizemoney increases to the industry in FY15 and future seasons
- attractive targets for the best quality horses at Black Type and Open levels
- appropriate infrastructure funding at Strategic and Significant venues

Chart 17.2 NZTR Profit and Loss FY08-FY14

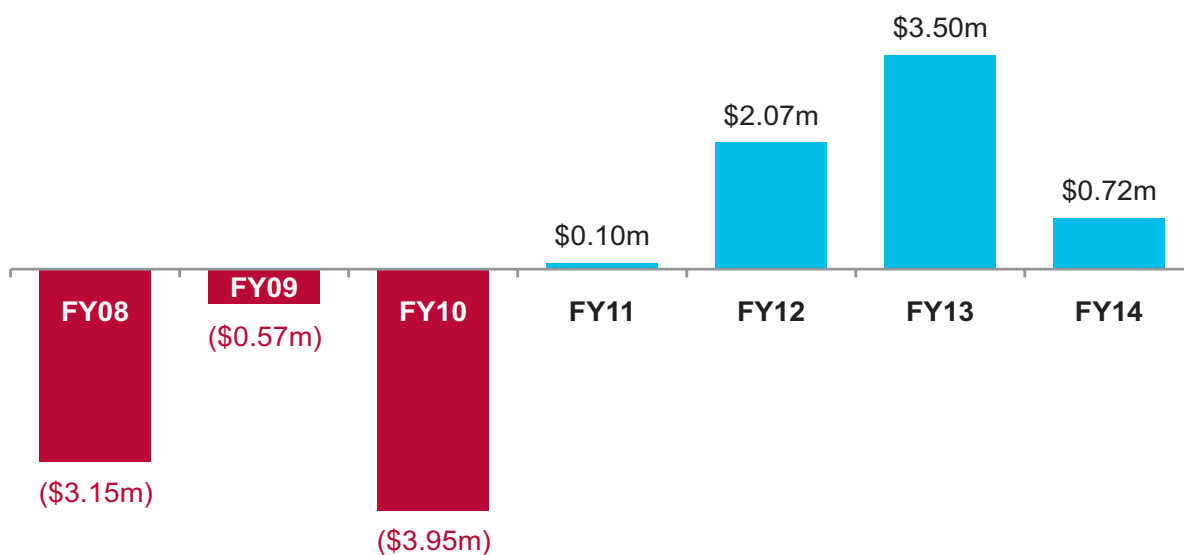
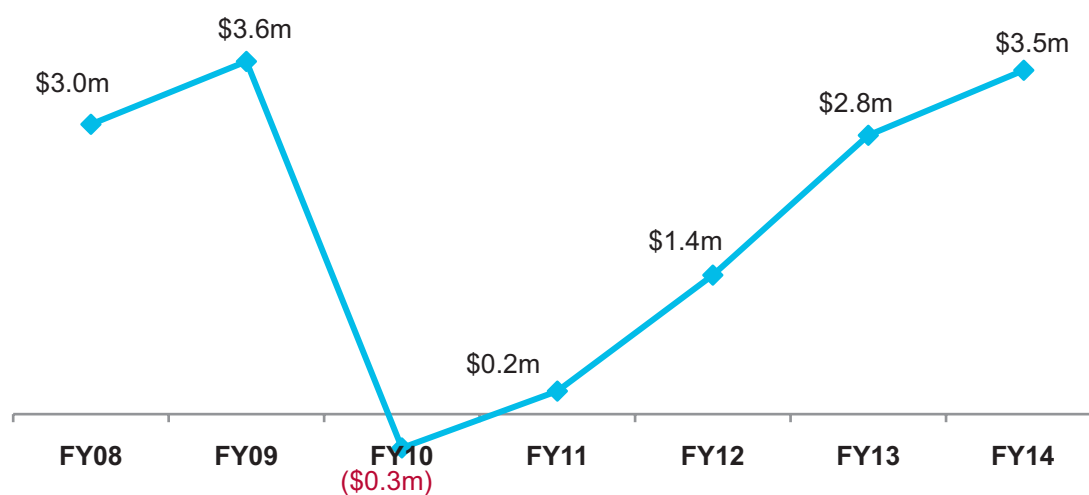


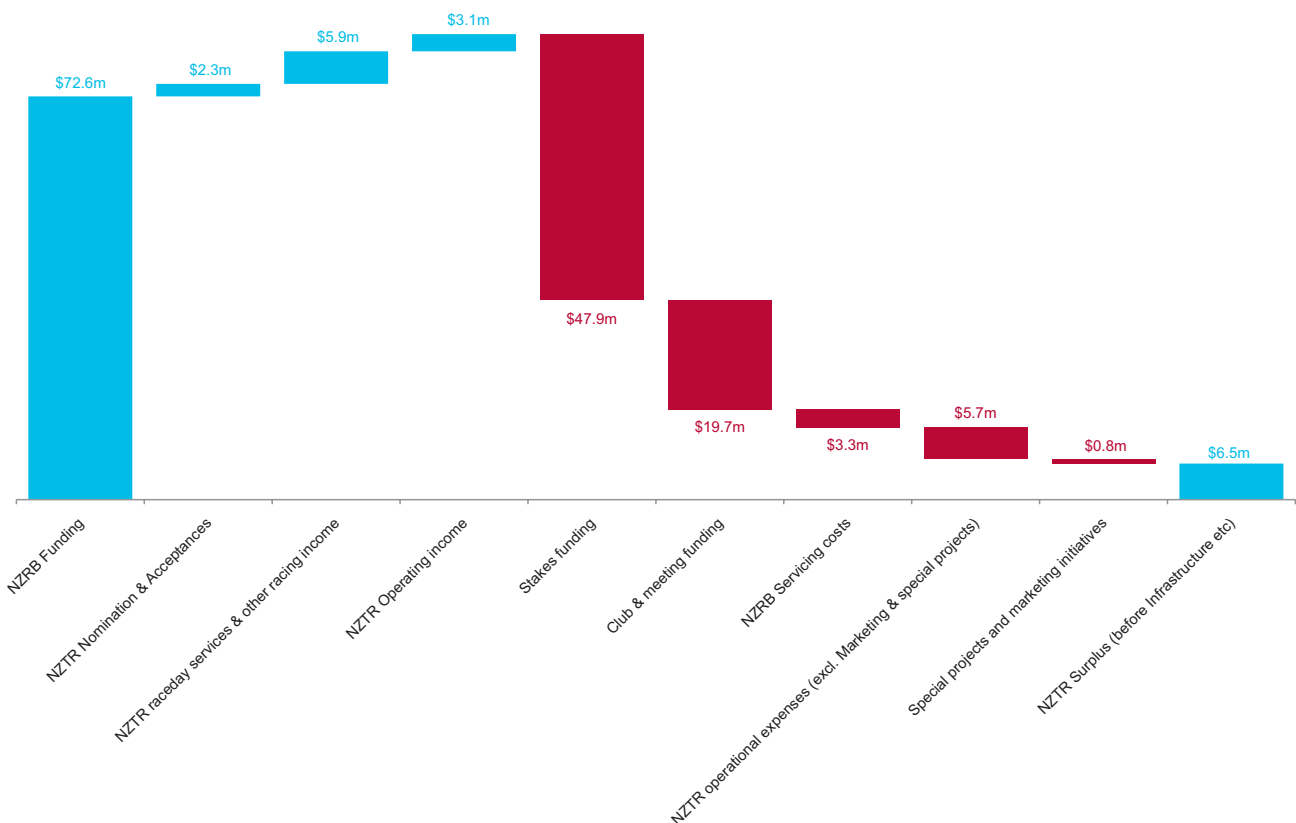
Chart 17.3 NZTR Net Current Assets (excluding infrastructure reserve) FY08-FY14



In FY15 NZTR will:

- actively manage its financial results against KPIs, including budget-to-actual spend and year-on-year spend to:
 - maintain NZTR’s core operational costs (excluding marketing, special projects and infrastructure) at FY11 levels
 - hold net cash reserves (excluding infrastructure provision) to ensure a capacity to absorb future revenue or balance sheet shocks
 - transfer \$1m of retained earnings to a provision for future infrastructure funding
- re-negotiate the four-year Inter-code Agreement with the NZRB to ensure it provides a minimum funding undertaking from the NZRB
- continue to investigate and co-ordinate opportunities for the industry to leverage off its commercial scale to provide benefits and/or discounts to participants and stakeholders
- increase automation of services, particularly through the website’s online Trainers’ Service Centre and the Breeders’ Service Centre

Chart 17.4 NZTR Budgeted Sources and Applications of Funds FY14



Source: NZTR Management Reports

With regard to governance, in FY15 and beyond NZTR will continue to:

- follow good governance practices and comply with all applicable legislation and standards including the:
 - Racing Act 2003
 - Incorporated Societies Act 1908
 - principles set out in the Code of Proper Practice for Directors approved by the Institute of Directors
 - NZTR Constitution
 - NZTR Board Charter
 - NZTR Board Code of Conduct
- maintain a Directors' Register of Interests for review at every Board meeting and publish any conflicts of interest in its annual report
- review NZTR policies due for review on a biennial basis
- review Health and Safety compliance

The NZTR Board:

- met 10 times in FY14
- is scheduled to meet 9 times in FY15
- met with the NZTR Members' Council for the purpose of appraising the Board's performance.

The NZTR Board is supported by three Committees – Audit & Risk, Integrity and Appointments & Remuneration

Key Performance Indicators

		FY14 ACTUAL	FY15 FORECAST	FY16 FORECAST	FY17 FORECAST
38	NZTR Core operational expenses (excluding marketing – see note)	\$5.74m	\$5.74m	\$5.74m	\$5.74m
39	NZTR operational expenses incl. marketing and special projects	\$6.50m	\$6.83m	\$6.83m	\$6.83m
40	Website engagement: visits per annum to NZTR website	3.52m	3.67m	3.80m	3.90m
41	Individual transactions made through Trainers' Service Centre as a % of all transactions	40.2%	44.0%	47.0%	50.0%

Note: Marketing expenses excluded in KPI 39 to provide a like-for-like comparison with previous Business Plan costs

Appendix A:

KPI's Business Plan 2014-16 compared to KPI's Business Plan 2015-17

NO	DETAILS	KEY PERFORMANCE INDICATORS BUSINESS PLAN 2014-2016				KEY PERFORMANCE INDICATORS BUSINESS PLAN 2015-2017				
		KPIs	FY13 ACTUAL	FY14 FORECAST	FY15 FORECAST	FY16 FORECAST	FY14 ACTUAL	FY15 FORECAST	FY16 FORECAST	FY17 FORECAST
1	Funded prizemoney		\$47.2m	\$48.0m	\$49.0m	\$51.3m	\$47.9m	\$49.6m	\$51.3m	\$53.5m
2	Actual prizemoney paid		\$50.0m	\$51.0m	\$52.2m	\$54.7m	\$50.7m	\$52.4m	\$54.1m	\$56.3m
3	NZTR nomination and acceptance charges to owners		\$2.9m	\$2.2m	\$2.3m	\$2.3m	\$2.3m	\$2.2m	\$2.2m	\$2.2m
4	Average funded prizemoney per race		\$15,687	\$16,311	\$16,680	\$18,465	\$16,652	\$17,872	\$18,478	\$19,288
5	NZRB distribution to NZTR		\$73.4m	\$72.2m	\$74.0m	\$76.0m	\$72.6m	\$72.7m	\$74.9m	\$77.2m
6	Club contribution to prizemoney		\$2.8m	\$3.0m	\$3.2m	\$3.4m	\$2.8m	\$2.8m	\$2.8m	\$2.8m
7	Attendance		487k	500k	520k	530k	467k	470k	480k	490k
8	Meetings with attendance +2,500		49	50	55	60	40	45	50	55
9	Meetings with attendance +5,000		15	16	18	20	11	12	14	16
10	Meetings with attendance +10,000		2	3	4	5	4	4	5	5
11	Number of Pattern Races to total flat races		5.01%	<=5.20%	<=5.10%	<=5.00%	5.26%	5.50%	5.50%	5.50%
12	Apprentice Jockeys		61	>=50	>=50	>=50	63	>=50	>=50	>=50
13	Level 3 Stablehand Certificate trainees		120	120	120	120	54	60	70	80
14	Racemeetings conducted		358	364	364	338	345	329	329	329
15	Races conducted		3,007	2,940	2,940	2,776	2,875	2,776	2,776	2,776
16	Races before noon on Saturdays and 12.30pm other days		131	100	100	100	135	125	120	115
17	Average field size - all races		10.42	10.49	10.31	10.42	10.45	10.58	10.55	10.34
18	Average starts per starter		5.72	5.74	5.76	5.72	5.58	5.60	5.70	5.70
19	Races with less than 8 starters		431	410	390	370	454	440	425	400
20	Total starts		31,331	30,600	30,320	28,920	30,031	29,366	29,293	28,707
21	Number of individual starters		5,481	5,331	5,264	5,056	5,382	5,244	5,139	5,036
22	Females as % of individual starters		47.86%	48.93%	50.00%	52.00%	48.35%	49.56%	50.78%	52.00%
23	Females as % of individual winners		47.05%	48.52%	50.00%	52.00%	46.00%	48.00%	50.00%	52.00%

NO	DETAILS	KEY PERFORMANCE INDICATORS BUSINESS PLAN 2014-2016				KEY PERFORMANCE INDICATORS BUSINESS PLAN 2015-2017				
		KPIS	FY13 ACTUAL	FY14 FORECAST	FY15 FORECAST	FY16 FORECAST	FY14 ACTUAL	FY15 FORECAST	FY16 FORECAST	FY17 FORECAST
24	Number of starts per female starter per year		5.63	5.68	5.74	5.72	5.42	5.44	5.61	5.70
25	Female only \$12k mid-week races & \$25k Saturdays		83	90	100	100	87	97	97	97
26	Field size - jumps		8.42	8.61	8.81	9.00	8.89	9.00	9.10	9.20
27	Number of individual jumps starters		271	300	300	300	255	265	275	275
28	Number of jumps races with less than 8 starters		43	40	37	34	35	34	33	32
29	Percentage of starts produced from Strategic training tracks		70.6%	71.0%	72.0%	72.0%	71.1%	70.0%	70.0%	70.0%
30	Races conducted at venues with more than 10 meetings per annum		64.7%	68.7%	69.3%	70.0%	76.5%	70.0%	72.5%	75.0%
31	Races conducted at venues with 3-9 meetings		28.6%	23.6%	23.2%	22.8%	17.7%	22.0%	20.0%	18.0%
32	Races conducted at venues with 1-2 meetings		6.8%	7.7%	7.5%	7.2%	5.8%	8.0%	7.5%	7.0%
33	International royalties on New Zealand thoroughbred racing		\$9.5m	\$9.5m	\$9.7m	\$10.0m	\$8.0m	\$8.5m	\$10.0m	\$11.0m
34	Number of owners		12,106	12,237	12,369	12,500	12,360	12,400	12,500	12,600
35	Live Foals		3,838	3,960	3,895	3,831	3,542	3,471	3,402	3,334
36	Domestic thoroughbred sales (Fixed odds & Tote)		\$429.4m	\$429.1m	\$437.7m	\$433.6m	\$422.7m	\$431.1m	\$439.8m	\$448.6m
37	Domestic market share		53.4%	54.0%	54.5%	55.0%	52.6%	53.0%	53.5%	54.0%
38	NZTR Core operational expenses		\$5.66m	\$5.74m	\$5.74m	\$5.74m	\$5.74m	\$5.74m	\$5.74m	\$5.74m
39	NZTR operational expenses incl. marketing and special projects		\$5.96m	\$6.14m	\$6.14m	\$6.14m	\$6.50m	\$6.83m	\$6.83m	\$6.83m
40	Website engagement: visits per annum to NZTR website		3.37m	3.49m	3.67m	3.80m	3.52m	3.67m	3.80m	3.90m
41	Individual transactions made through Trainers' Service Centre as a % of all transactions		40.3%	44.0%	47.0%	50.0%	40.2%	44.0%	47.0%	50.0%



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