

NEW ZEALAND
THOROUGHBRED **RACING**



ANNUAL REPORT

2017



2018



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NZTR

who we are

New Zealand Thoroughbred Racing is tasked with administering the domestic thoroughbred racing code but that illustrates what we do, rather than who we are.

Technically we are racing administrators but in reality we are racing enthusiasts.

It is possible to have a role at NZTR and remain immune to the charms of the industry, but it's not easy.

The colour, the mystique, the challenge of picking a winner, the cross-section of people involved and the attraction of the horse itself, all combine to create a spell that can be hard to break.

For our staff, both in the office and in the field, do love racing. For many, it is the main reason they work at NZTR. They have adapted their skillset to suit the requirements of their favourite sport.

The same passion drives the NZTR Board, all of whom have their governance skills underpinned by a lengthy involvement with racing. Every member of the current board is an active owner and had been involved in racing administration, at various levels, before being appointed to the Board.

Their work experience in racing ranges from stablehand duties in the university holidays to Chief Executive roles at major clubs, managing large-scale stud farms and advisory and governance experience in New Zealand and further afield.

Our staff are committed to doing the best they can because they want racing to thrive. Their genuine affection for the sport, together with their knowledge and experience, helps them make the daily judgement calls around race programming, handicapping, dates, venues, licensing and race fields.

In numerous cases, these decisions involve grey areas, where there is no right or wrong answer and it is a rare occasion when you can please all the people, let alone all the time. But a decision still needs to be made.

Both the short and long-term strategies require NZTR to weigh up the often competing needs of the various sector groups. The owners, trainers, jockeys, breeders, club members, punters, administrators and spectators are involved in the same industry, but their interests and views are not always aligned.

But while the industry will continue to test us, it also enthral us, and we love being involved.



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2017-18 INDUSTRY INSIGHTS

Economic impact



Racing participants



15,951
OWNERS



4,061[†]
BREEDERS



971
TRAINERS



229
JOCKEYS



4,763[‡]
VOLUNTEERS

12,637 Individual owners of horses that have started at least once in the 2017-18 season

1/235 One out of every 235 adults[§] in New Zealand own a racehorse in training

*Of the 9,621 FTE jobs sustained by the thoroughbred racing industry around 27% are the direct result of the racing industry activity whilst the remainder are in down the line industries that produce and supply goods and services for thoroughbred racing in New Zealand.

[†]At 31 July 2018.

[‡]Size and scope study.

[§]18 and over.



Value metrics


\$59.3m
 TOTAL
 PRIZEMONEY


3,553
 FOALS


66
 CLUBS

Total racehorses in training 6,376

- Horses that started at least once in the 2017-18 season **4,744**

Average field size 10.38

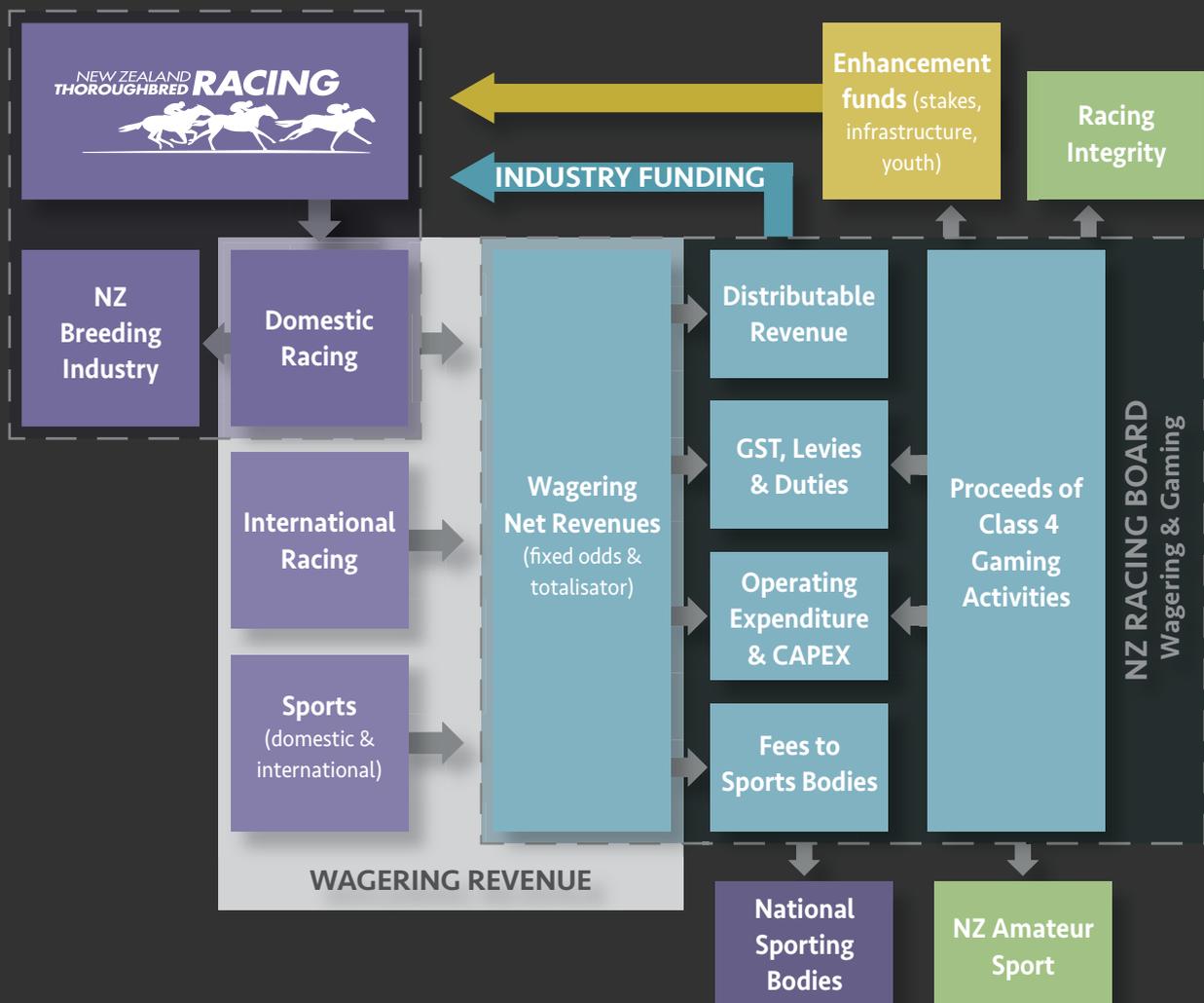
Races 2,568

Starts 26,666

FUNDING FLOWS

for racing

This diagram provides a broad summary of the NZ Racing Board's gaming and wagering operations and the relationships with the wider racing industry and National Sporting Organisations.





CHAIRMAN'S

statement

INTRODUCTION

We are all hoping that the 2017-18 season and the one that follows will be a watershed period for the New Zealand racing industry.

The Messara Report, which was completed at the tail end of the 2017-18 season, has provided a platform for the step changes we need to remain competitive in an ever-evolving wagering market.

It has created a climate for change and that might prove to be as valuable as any of the individual solutions put forward. When an independent and respected voice emphasises the parlous state of the New Zealand racing industry, it sounds a warning that cannot be ignored.

Many of the recommendations had already been endorsed by NZTR but they carry increased weight when delivered by an independent observer and supported by the Minister for Racing.

The racing industry has a history of resisting change but the Messara Report made it clear that maintaining the status quo cannot be a realistic option. Implementing the report's recommendations will still test the industry's appetite for change and it is essential that our stakeholders pass the test.

Racing has always been heavily regulated and requires active support from the Government to elicit the legislative changes needed to allow NZTR to shape its own destiny. We must grab this opportunity and cannot risk losing the potential benefits through a lack of action or resolve.

MESSARA REPORT

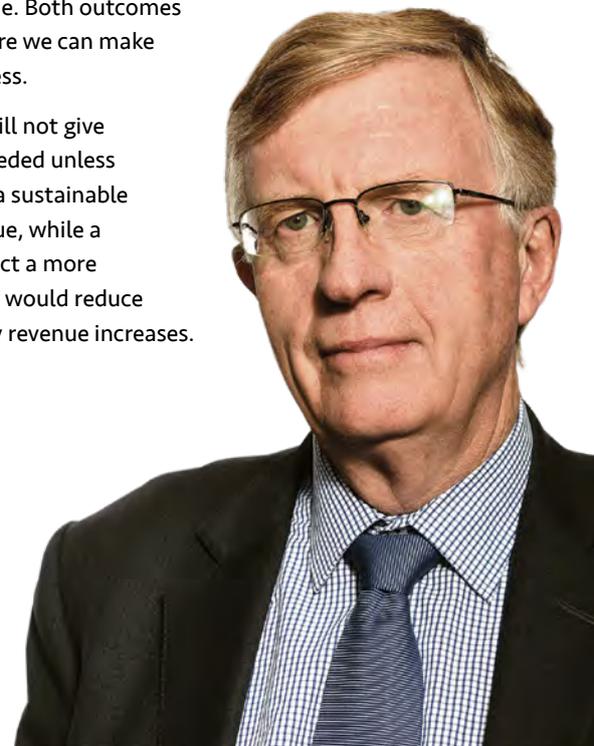
The NZTR Board and Executive is committed to ensuring that the proposed reforms become a reality.

To some extent, the timeline will be set by the Minister for Racing and not everything will happen as quickly as we might like.

We hope that some of the legislative changes, including the Race Fields regulations, can be finalised sooner rather than later but we are also cognisant of the need to get it right. It is important that the legislation is fit for purpose, as the proposals have the potential to unlock returns that are simply not feasible under the current structure.

The reforms outlined by the Messara Report are designed to increase industry and wagering competitiveness and efficiency, by reducing industry costs and increasing revenue. Both outcomes are required before we can make significant progress.

Reducing costs will not give us the returns needed unless accompanied by a sustainable increase in revenue, while a failure to construct a more effective industry would reduce the impact of any revenue increases.





TAB OUTSOURCING

NZTR has always believed that an outsourcing model that operates in Australia – which should not be confused with selling the TAB – would provide the economies of scale the NZRB has lacked and provide substantial financial benefits.

The NZTR view had also been supported by the Deloitte Report – which had analysed potential gains from forming a partnership with Australian and international wagering partners.

The case for outsourcing was boosted when changes to Australian gaming legislation barred the NZRB from taking bets from Australia. This has significantly restricted our exposure to the \$30bn Australian wagering market.

New Zealanders betting on New Zealand racing produces the maximum return for our industry but the domestic betting market has been static for a long period and domestic thoroughbred and harness turnover fell during the 2017-18 season. Claims that a growth in local account holders will produce significant increases have not been realised to date.

On the other hand, we believe that the Australian market has real growth potential. Australian punters already spend more money on New Zealand thoroughbred racing than their New Zealand counterparts. Their enthusiasm for betting was illustrated by figures in the Messara Report, which showed that adult Australians have an average betting turnover of NZ\$255 per year, compared to NZ\$92 for adult New Zealanders.

Yet betting on NZ racing still accounts for less than three percent of Australia's turnover on thoroughbred racing. That is still a significant amount – estimated to be around

\$500m in the 2017-18 season – and the potential prize will deliver real benefits.

It should not be unrealistic to aim to increase our share of the Australian market to six percent, particularly as any outsourcing agreement would encourage the Australian partner to promote New Zealand racing.

In addition, the introduction of synthetic tracks and an improvement in the quality of our turf tracks would make our product more appealing to offshore punters.

Negotiating an outsourcing agreement will be a lengthy process and it is important that the process commences now and that the three codes are involved and endorse the final outcome.

VENUE REVIEW

The prospect of closing 20 tracks was the item which attracted most media attention following the release of the Messara Report.

It was not difficult to find an aggrieved spokesman who could provide sound bites in response to suggestions that their local track might be closed, even though it was made clear that the clubs would continue to operate, albeit at a shared venue.

NZTR shares the general view that our industry cannot afford to sustain the present number of venues and broadly agrees with the numbers proposed by John Messara.

We have been working on our own venue plan, in conjunction with the NZRB and the other codes, and work done on that project has given us valuable information, which will assist with the final decision making.



NZTR's view is that the final decision about the number of venues required should sit with the relevant codes and while there is an obvious need to reduce the number of tracks, it will be a gradual process.

Determining which tracks should be closed is a complex issue and while that decision will be driven by what is best for the industry, that needs to be balanced against local and community considerations. A process of consultation is planned to allow the industry to move forward.

History shows that a rationalisation of tracks can work, with benefits for all parties, and we hope that club administrators will come to the realisation that a change of venue is less dramatic than losing a club.

LEGISLATIVE CHANGES

NZTR strongly supports the proposal that the NZRB/ Wagering New Zealand (WNZ) focus on wagering operations and that its racing functions be transferred to the Codes. The NZRB's current non-wagering activities add little value to the industry and can be better discharged by the Codes.

The new model would provide a more collaborative approach and WNZ should be restricted from making major contractual decisions or capital investments without the support of the Codes.

Returning more responsibility to the individual Codes and adjusting the section 16 regulations around Code distributions, as suggested in the Messara Report, looks a common-sense approach.

NZTR should have control of all thoroughbred racing wagering, media and other intellectual property rights. The last fifteen years have demonstrated that bundling Code rights together diminishes their value.

Section 16 has long been a point of contention and NZTR believes the formula put forward in the Messara Report is more equitable than the current legislation. The recommended changes will not disadvantage the harness or greyhound codes, as the revised formula would only assist the thoroughbred code if the size of the pie increases.

The decision by the Racing Minister to withdraw the Racing Amendment Bill will further delay the introduction of the Race Fields legislation. However, NZTR has always supported the introduction of efficient and effective race fields and point of consumption charge legislation and would welcome some streamlining of the model proposed in the Racing Amendment Bill.

It is vital that the fees and consumption charge rates are competitive with those in the major Australian wagering jurisdictions.

CLUB ASSETS

Venue reviews will play a big role in determining the future shape of the New Zealand industry and NZTR needs to have the authority to determine that some tracks should be closed.

The principle that the wider racing industry should benefit from venue sales is a sound one but vesting all race club property and assets to the code regulatory bodies will meet some justified resistance.

NZTR takes the view that in general clubs are the appropriate stewards of their land while racing continues at that venue and that universal land transfer is a blunt instrument, which does not recognise that some venues are important community assets.



However, NZTR believes that we need to be able to ensure that when use of venues ceases, any proceeds from a sale of that venue may be applied in the wider interests of thoroughbred racing, following consultation with affected parties, including community groups.

We also agree that the current structures relating to asset allocation in the thoroughbred sector do not recognise the historical investment that the industry, as a whole, has made in individual venues.

2017-18 FINANCIAL RESULT

The NZTR management team kept a tight rein on budgets, which enabled the organisation to maintain operating profitability, before recording a final deficit of \$123,673, after infrastructure spending.

The overall operating expenditure, before infrastructure spend, was down 2.3 percent on last year.

This was a pleasing outcome, especially as the expenditure included a one-off website refresh.

Stakeholders received the benefit of previously announced stake increases for the full season and it is worth noting that 91 per cent of the total revenue received by NZTR was returned to the industry.

LOOKING FORWARD

Implementing the bulk of the Messara Report recommendations will be a focus for NZTR and the wider industry over the next year, but budgets will continue to be tight in the short-term.

We are not anticipating a significant rise in the NZRB distributions over the 2018-19 season and it is likely to be the following season before the industry receives significant returns from the Race Fields legislation or the commencement of other revenue-generating initiatives.

Outsourcing the TAB's wagering activities will also be a multi-year project but the potential upside is significant.

We are planning to have the Cambridge synthetic track in use by late next winter. This would have obvious benefits for New Zealand's biggest training centre, as well as initially easing the pressure on our northern turf tracks.

Ownership projects, welfare advances, improving our digital footprint and further work on developing a showcase racing carnival will be among our other priorities during the 2018-19 racing year.



ACKNOWLEDGEMENTS

We have already seen the impact made by the Rt Hon Winston Peters since returning to the role as Minister for Racing.

Racing is an over-regulated sport but having a Racing Minister who both understands and supports the industry is a priceless asset. At the present time, we cannot make the required progress without Government support and the benefits of having sympathetic legislators have been well illustrated in Australia.

We have also been encouraged by our discussions with Ian McKelvie, the National Party racing spokesman and a former Rangitikei Racing Club president. We are optimistic that there will be cross-party support for the proposed legislative changes that will follow the Messara Report.

It was another busy year for the NZTR Board and I thank my fellow Board members, Deputy Chair Victoria Carter, Rodger Finlay, Jason Fleming, Dean McKenzie and Rick Williams for their dedication and enthusiasm.

Dean McKenzie, who was Deputy Chair of the initial independent board, in 2011, rejoined the Board following the 2017 Annual General Meeting, replacing retiring board member John Stace. John had been the longest serving of the original Board members and his business acumen and affection for racing enabled him to make a real contribution.

I also acknowledge the work of Peter Hutt as Chair of the Integrity and Training & Development committees and thank Wayne Guppy for his work as Chairman of our Members' Council.

The New Zealand Racing Board is our key partner and I thank Chair Glenda Hughes and Chief Executive John Allen for their work during the past year. Neither the codes nor the NZRB can work in isolation if we are to make the required progress.

I must also record the Board's appreciation for the work of the NZTR executive team and staff. We have a small workforce, who work in an increasingly complex industry, with stakeholders who have high expectations. For many of our staff, their prime motivation is a sheer love of racing rather than any desire to climb a corporate ladder and we should all appreciate their efforts.

My very best wishes to you all for your racing endeavours in the coming season.

Alan Jackson
Chairman





NEW ZEALAND
JOHNSON

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NEW ZEALAND
BLOODSTOCK



CHIEF EXECUTIVE'S

report

RACING ACTIVITY

The premierships winners stole much of the limelight from their equine charges during the 2017-18 racing season.

Leading trainers Murray Baker and Andrew Forsman and premiership-winning rider Sam Collett experienced spectacular seasons.

The Baker-Forsman partnership, which is based at Cambridge, set new benchmarks, with a record number of wins and record stake earnings.

The stable is the first to top \$4 million in domestic stake earnings in a season and the final tally of \$4.47 million was more than \$750,000 higher than the previous record. The 142 New Zealand wins eclipsed the stable's own record of 114 wins and only a handful of stables ended the season with a better strike rate.

The Baker-Forsman partnership had the quality to go with the quantity, with five individual Group I winners helping them record 24 black-type wins, including 16 at Group level. A highlight was a stable trifecta in the Group II Cal Isuzu Stakes at Te Rapa.

The partnership also earned A\$1,688,020 in stakes in Australia, taking the total earnings for the season to well over \$6 million.

It was the third premiership win in four years for Baker and Forsman but the first for Collett, who had not finished in the top five previously.

It was a breakout year for Collett, 28, who coped with a testing travel schedule while racking up 1,173 race rides. Her 132 wins including nine at Group or Listed level and

took her career to the next level. She has also emulated her father, Jim, who won the 1994-95 premiership.

It was appropriate that a female jockey should win the premiership in a year in which we marked the 40th anniversary of New Zealand women being licensed to ride against their male counterparts.

Bonneval, who is trained by Baker and Forsman, had only four runs for the season but her two wins at the Melbourne spring carnival, including the Group I Underwood Stakes, were enough to earn her Horse of the Year honours for a second successive year.

It was an unusual season in that no New Zealand-trained horse won more than once at Group I level and only Bonneval was able to record a Group I win in Australia.

Top juvenile Avantage was runner-up in Horse of the Year voting, after recording five wins and a second from six starts.

Savvy Coup – one of six individual Group I winners during the season for champion sire Savabeel – and Vin De Dance were rated the leading three-year-olds and Kawi, who was retired in July, recorded a seventh Group I win when taking the Captain Cook Stakes.





HORSE WELFARE

NZTR staff have spent a huge amount of time over the past two years developing our welfare policies.

The work has been led by Martin Burns, a member of the executive team, and his job title – General Manager, Racing and Equine Welfare, indicates the importance NZTR is placing on horse welfare.

Martin also spoke about NZTR welfare policies at the second International Forum for the Aftercare of Racehorses (IFAR), held during the Asian Racing Conference in Seoul in May.

Our revised and extended welfare policy and proposed rules changes will go out for consultation in the new season and we are making significant progress in improving the traceability of thoroughbreds, both before and after their race careers.

Guidelines relating to whip use were adjusted for 2017-18 season and a reduction in whip use is perhaps the most obvious difference when viewing videos of racing 15 years ago and racing today.

NZTR has also been involved with the NZ Horse Ambulance Trust, which has commissioned the manufacture of a fleet of horse ambulances, which will be in use in the new season. Five ambulances have been ordered and the first of these will be available for the New Zealand Cup meeting.

FINANCIAL RESULT

The 2017-18 season was another testing year financially but keeping tight control on expenses enabled NZTR to maintain operating profitability, before recording a final deficit of \$123,673, after infrastructure spending.

The total distribution received from NZRB was \$79.7m, an increase of 6.7 percent, which was mainly attributable to the advance funding of \$24m to the three codes, announced in 2016-17. In 2017-18, NZTR received \$6.5m of the advance funding, which was redistributed to the industry in prize money.

Of the total revenue received by NZTR, 91 percent was returned to the industry, with nine percent being the cost of running NZTR, inclusive of licensing, stud book, handicapping, racing bureau and registrations.

A restructure of the senior management team helped reduce staff costs and the overall operating expenditure, before infrastructure spend, was down 2.3 percent on last year. This was a good result, bearing in mind that the expenditure included a one-off website refresh.

STATISTICAL SNAPSHOT

Top 10 NZ turnover races

NZ Derby	\$1,138,677
Auckland Cup	\$989,316
Telegraph	\$913,493
HB (Windsor Park) Plate	\$855,525
Wellington Cup	\$846,354
Karaka Million 2YO	\$831,265
NZ Cup	\$798,292
1,000 Guineas	\$792,258
HB Spring (Livamol) Classic	\$790,997
HB (Tarzino) Stakes	\$785,769

Stakeholders had the benefit of a full season of stake increases, with NZTR funded prize money rising from \$50.75m in 2016-17 to \$56.15m, and the actual prize money paid, which includes the club contributions, rising to \$59.25m.

The average stake per race was \$23,100, compared to \$20,900 the previous season and \$15,400 in the 2011-12 season. This represents a 50 per cent increase on 2012 at a CAGR of +6.9%.

Domestic betting turnover for the season was static, with the total turnover of \$401.9 million being down 1.55 percent (\$6.3 million) and below budget. Turnover per race was also down on the previous year and for the first time since 2011.



Fixed odds turnover, which made up a third of the domestic thoroughbred turnover, was up 0.8 percent on last year and the TAB's margin on fixed odds betting also improved. Totalisator turnover, which has a significantly higher margin than FOB, was down 2.7 percent.

The average field size was 10.38, down slightly on the previous year.

In deciding whether a race should be run or deleted from a meeting, NZTR is required to balance wagering and economic outcomes against the interests of stakeholders who might be disadvantaged by a race being deleted.

There was an increase in race meetings run in 2017-18 (up four meetings to 312) but the number of starts was down slightly on the previous year, while the number of individual starters dropped 2.47 percent. There has been a gradual decline in individual runners over the past nine seasons.

This has mirrored the reduction in the foal crop over the same period, though the drop in live foals was arrested in 2017, with the 3,553 estimated live foals in 2018 an increase on the two previous seasons and on par with the 2014 figures.

Top 10 NZ turnover meetings

Wellington Cup Day	\$5,464,202
NZ Cup Day	\$5,252,889
Boxing Day (Ellerslie)	\$4,507,830
New Year's Day (Ellerslie)	\$4,487,153
Auckland Cup Day	\$4,184,152
NZ Derby Day	\$3,963,385
Karaka Millions	\$3,539,564
1st Day Wellington Carnival	\$3,505,855
Melbourne Cup Day (Ellerslie)	\$3,327,124
Coupland's Mile Day	\$3,291,087

TRACKS AND INFRASTRUCTURE

Much of NZTR's work over the season focused on long term planning and track and infrastructure projects have been a large part of this.

Planning for the installation of a synthetic track at Cambridge is well advanced, while a greenfield project in Waikato is an exciting long-term concept.

Work on the Cambridge project was initiated by the Cambridge Jockey Club, which is making a substantial financial contribution, and the subsequent Government support for three synthetic tracks has enabled the project to be enlarged.

The initial concept was for a work and trials track but that has been extended to include race meetings, particularly over the winter period.

Cambridge is our largest training centre – and therefore the major product provider – and installing a reliable and consistent track surface, that can be used throughout the year, will benefit the wider industry, as well as the connections of the horses trained at Cambridge.

There have been considerable advances in the quality of synthetic tracks over the past 20 years and the surfaces are now welcomed by both trainers and punters.

Improving the look and quality of our tracks will be a key factor in attracting more turnover from offshore punters, a market with real growth potential.

Racing was scheduled to return to Ellerslie in late October, following extensive drainage work, which meant the track was closed for racing following the Auckland Cup meeting in March. Six of the top 10 turnover meetings during the season were staged at Ellerslie and it is vital that the track surface is up to the required standard.

The Otaki track was also out of action for a significant part of the season, following autumn drainage work.

ABANDONMENTS

While there were less races lost than in the previous season, abandonments continued to be a problem.

A total of 125 races were lost, through nine full abandonments and nine partial abandonments. Five other meetings were affected by weather or track conditions but were completed in full after being transferred to another date.

Thirteen meetings had been fully abandoned in the previous season but the number of races lost in 2017-18 was only eight less than the previous year. It was only the third time in the past 15 years that more than 100 races were lost in a single season.



While it is acknowledged a lack of infrastructure spending has contributed to the rash of recent abandonments, it is not the sole cause. The bar has been raised in terms of health and safety requirements – and rightly so – and weather patterns have also changed. Though January is regarded as the height of the summer, there were three full abandonments, three partial abandonments and two postponements during the month.

DIGITAL AND BRAND

Good progress has been made in updating NZTR's digital network.

The website has been refreshed and rebranded as *LOVERACING.NZ*

Love Racing already had a high profile through our social media channels and *LOVERACING.NZ* will now expand to be NZTR's sole customer facing brand, while New Zealand Thoroughbred Racing will continue to represent the corporate entity and governing body.

It is essential that we keep attempting to raise awareness of our brand and sport to a wider audience and the battle for customer engagement is increasingly being fought on digital platforms.

If we do not adapt to this change, we risk reducing our national profile. Our media output will feature more video and we will also lift our social media presence.

OWNERSHIP INITIATIVES

Improving the ownership experience and increasing the ownership base is a key focus for NZTR.

An increased ownership base will lead to more horses being purchased to race in New Zealand, higher on-



course attendance, more industry employment, increased wagering revenue and more people actively engaging with our sport.

The NZTR board signed off a three-year ownership strategy in May and planning for the summer season is in full swing.

A three-tiered approach to the ownership strategy will be taken, with a focus in the new season on in-house efficiencies and administration processes. Key actions will include the launch of an Owners Portal and a review of all communications distributed by NZTR and how these can be improved.

Phase two aims to improve the experience of our current owners, both on and off course, while phase three will look to promote ownership to a wider audience, through a number of campaigns.

HANDICAPPING CHANGES

Changes to the handicap rating bands were implemented for the start of the 2018-19 season.

Rating 65 races have been retained but Rating 75 races were replaced by Rating 72 races and Rating 85 races have been replaced by Rating 82 races.

The changes, which followed NZTR's annual handicap review meeting, were designed to help horses move through the grades more quickly and boost field sizes for open class races.

The number of races where apprentices can claim was also increased and allowances can now be claimed in all non-black type open class races. This will encourage the higher-rated open stayers to contest handicap races, as previously allowances were usually only available for one open race on each programme.

A further change was that a maximum re-rating ceiling was introduced for most races. No winner will be given more than 12 rating points, with a maximum of five points for running second or third.

The rating ceiling, which does not apply to black type races or races that are restricted by age, provides a clearer indication of the likely impact of running horses out of their grade, particularly in open handicaps.

THE OUTLOOK

After experiencing my first full season as the NZTR CEO, I remain convinced that the industry's fortunes can be turned around.

The solutions are there but capturing those solutions will require significant change and investment and some brave decisions.

We cannot afford to fear change. There have already been examples of scaremongering over some of the changes proposed in the Messara Report and we all acknowledge that change can be daunting.

It is also difficult to precisely quantify the returns from the proposed reforms, though we can be confident that the changes will be for the better.

What we do know for certain is that the present structure is not working and that we need to take advantage of the support offered by the current Government.

The outlook will still be testing in the short-term but if we keep doing what we have always done, the cloudy outlook will become a long-term forecast.

APPRECIATION

The thoroughbred industry relies on contributions from an array of individuals and organisations, much of it on a voluntary basis, as is illustrated at club committee meetings around the country.

My special thanks to the NZTR Board, who have had a busy year as we have grappled with a variety of major projects, and to the NZTR staff, who continue to tackle often difficult tasks with enthusiasm and skill.

The industry needs to embrace a collaborative approach to progress and I have appreciated the support received from NZRB Chief Executive John Allen, Harness Racing New Zealand CEO Edward Rennell and Greyhound Racing New Zealand CEOs Phil Holden and Mauro Barsi.

Bernard Saundry
Chief Executive Officer



BOARD profiles

Dr Alan Jackson (Chairman) has had over 30 years of international business experience across a wide spectrum of industries and disciplines including public and listed companies and racing bodies in three countries. He has undertaken consulting for RWWA, Racing NSW, Racing Victoria, and was Chair of TVN in Australia. His current governance roles include independent directorships of Fletcher Building and Deleat Group. He was a founding Director of the New Zealand Racing Board between 2003 and 2006 and again a Director in 2012-13 including serving as Chairman.

Alan served as Managing Partner and subsequently Chairman of the Boston Consulting Group (BCG) Australasia and on the global Executive Committee of BCG. Along with his wife Colleen, Alan is a successful owner and breeder of thoroughbreds.



Victoria Carter ONZM (Deputy Chair) has over 20 years experience in governance roles as an Independent Director of public and private companies (Kidicorp, JUCY Group, Turners Auctions) and charities (President Auckland Kindergarten Association). A past Chair of the Auckland Arts Festival, Victoria is also a director of Tax Management NZ and founder/owner of Cityhop carshare. A former Auckland City Councillor, she is a Chartered Fellow of the NZ Institute of Directors. Victoria has a Bachelor of Laws from the University of Auckland. She was a Director of the Auckland Racing Club and Chairman of the NZTR Members' Council. She breeds and races horses with her husband. In 2016 Victoria received an ONZM for services to arts, business and the community.



Rodger Finlay has more than 30 years experience in the financial services industry, including senior investment banking and funds management positions with major institutions, specialising in the global natural resource sectors. He is a Fellow of Chartered Accountants Australia and New Zealand, and a Chartered Fellow of the Institute of Directors. He is a Governor of Radio New Zealand, Chairman of Mundane Asset Management, Deputy Chairman of Rural Equities Limited, and a director of Ngai Tahu Holdings Corp. In 2017 he was appointed to chair the Provincial Growth Fund's advisory panel.



Rick Williams is General Manager of The Oaks Stud in Cambridge. He has had 30 years of experience as an owner, breeder and manager of commercial stud farms in New Zealand. He graduated from Massey University with a Bachelor of Agricultural Science majoring in Farm Management, Economics and Marketing. He managed Waikato Stud and Bloomsbury Stud before being appointed General Manager of The Oaks Stud and Manager of The Oaks Racing Team. He served on the Council of the Thoroughbred Breeders' Association for seven years.



Jason Fleming is the Managing Director of a financial services company based in Hawke's Bay. Jason holds a Bachelor of Laws and Bachelor of Arts (Political Science) from Victoria University, Wellington. Following admission to the Bar he developed a career in structured finance overseas and upon his return to New Zealand was the CEO of East Coast Racing and Hawke's Bay Racing Incorporated. He has been active in the thoroughbred industry as a breeder and owner, after developing a deep appreciation for the industry whilst working as a stable-hand for champion trainer John Wheeler during holidays from studies. He is a member of the Institute of Directors and acts as a consultant for not-for-profit organisations in Hawke's Bay.



Dean McKenzie has had a 30-year plus involvement with New Zealand racing, originally starting off as a volunteer Race Day Steward with the Riverton Racing Club in the late 1980's. Senior Executive roles have included time with the Southland Racing Club, the New Zealand Racing Industry Board and Chief Executive roles with the Wellington Racing Club and the New Zealand Metropolitan Trotting Club. Dean is an active owner and breeder after selling his first yearling at auction in 1995. Sports management roles include four years with Jade Stadium Ltd as Chief Executive and six years with leading sports agency Esportif. Previous governance experience includes Southern Sting netball, Athletics New Zealand and as Deputy Chair of NZTR in 2011. Dean is a Chartered Accountant, holds Bachelor's Degrees in Commerce and Arts from Otago University and also a Master's Degree in Sports Administration and Facility Management from Ohio University.



GOVERNANCE

The Constitution of New Zealand Thoroughbred Racing Incorporated determines the composition, selection and duties of its Board of Directors. This is supported by a Board Charter and a Board Code of Conduct.

New Zealand Thoroughbred Racing supports the need for the highest standards of behaviour and accountability from Directors, and endorses the principles set out in the Code of Proper Practice for Directors approved by the Institute of Directors in New Zealand (Inc). The Constitution of New Zealand Thoroughbred Racing Incorporated determines the composition, selection and duties of its Board of Directors. It is supported by a Board Charter and a Board Code of Conduct.

New Zealand Thoroughbred Racing is governed by a Board of six independent Directors.

Appointments to the Board are for three year terms and for a maximum of three terms.

The Board met nine times in 2017-18, excluding a strategy day, teleconferences and circular resolutions.

Mr John Stace retired from the Board at the 2017 AGM and was replaced by Mr Dean McKenzie. Ms Victoria Carter ONZM and Mr Rick Williams were reappointed to the Board by the Members' Council.

Board members with perceived or real conflicts of interest are excluded from Board discussions and decision making.

The Appointments & Remuneration Committee reviews all expense claims of the Chief Executive and oversees a formal performance review process for all NZTR staff.

A Members' Council, comprising nine members elected by racing clubs (three from each of the three geographical regions) and three members appointed by recognised sector organisations (Owners, Trainers and Jockeys, and Breeders), is charged with responsibility for all aspects of the appointment, appraisal and termination (if required) of the six independent Directors. 

NZTR STATUTORY ROLE Section 23 of the Racing Act (2003)

NZTR is established as a racing code under the Racing Act 2003. Pursuant to the Act, NZTR's functions are to:

<p>1 <i>Receive and allocate Racing Board Distributions to the Thoroughbred Code</i></p>	<p>(a) Receive distributions paid to the code by the Board under Sections 16 and 17. (b) Determine how much of those distributions must be distributed among registered racing clubs, and apportion and pay those amounts (Section 25).</p>
<p>2 <i>Regulate the Conduct of Thoroughbred Racing</i></p>	<p>(a) Make, maintain and publicise racing rules for the thoroughbred code. Those rules may, subject to the general law, provide for any matter relating to the conduct of races and racing that the racing code thinks fit (Sections 29 and 32). (b) Amend those racing rules, subject to consultation, approval and notification requirements (Sections 30 and 31). (c) Enforce those racing rules (Sections 33-35). (d) Participate in making appointments to the Judicial Control Authority that oversees adjudication and enforcement of those rules (Sections 36-38).</p>
<p>3 <i>Set Objectives and Demonstrate Accountability</i></p>	<p>(a) Prepare a 3-year statement of intent and business plan, including the thoroughbred code's policy for distributing funds received from the Board, and deliver those documents to the Racing Board (Section 23). (b) Prepare and send to the Racing Board audited financial statements (Section 28).</p>
<p>4 <i>Participate in the Racing Board's Governance and Decision Making</i></p>	<p>(a) Directly nominate one member of the Racing Board's governing body and participate in recommending three other members (Sections 11 and 12). (b) Consult with the Racing Board about: (i) the Board's business plan (Section 20) (ii) the determination of racing dates (Section 42) (iii) the terms of reference for performance and efficiency audits of the Racing Board (Schedule 2).</p>





NZTR COMMITTEES & TRUSTS

2017-18

The Audit and Risk Committee

Comprises three people appointed by the Board.
All Directors may attend meetings of the Committee.
The Committee met 6 times outside of regular Board meetings in 2017-18.

Chair Rodger Finlay

Members Victoria Carter, Jason Fleming

Secretary Karen Larsen

The Appointments and Remuneration Committee

Comprises two people appointed by the Board.
All Directors may attend meetings of the Committee.
The Committee met 6 times in 2017-18.

Chair Victoria Carter

Members Alan Jackson

Secretary Karen Larsen

The Integrity Committee

Comprises three people appointed by the Board.
All Directors may attend meetings of the Committee.
The Committee met 7 times in 2017-18.

Chair Peter Hutt

Members Jason Fleming, Ben Nettleton

Secretary James Dunne

The Training & Development Committee

Chair Peter Hutt

Members Rick Williams, Chris Watson, Colin Hall,
Wendy Cooper, Martin Burns, Anna Jones,
Bridget Flynn, John Oatham

General Trust Fund *

The Trustees met once during the year.

Chair John Rattray

Trustees Keith Neylon, Colin Jenkins

Secretary Karen Larsen

Apprentice Jockeys' Fund *

Trustees Alan Jackson, Bernard Saundry

Secretary Karen Larsen

* The annual financial accounts and audit reports are tabled at a full NZTR Board meeting during the year.



MEMBERS' council

Wayne Guppy (Chair)

Bill Cotton (Deputy Chair)

Murray Gibson

Paul Kenny

Murray Acklin

Nigel Tiley

John Wheeler

John Fokerd

Paul Humphries

Howard Clarke

Karyn Fenton-Ellis

Neil Oldfield

Central region

Southern region

Northern region

Northern region

Southern region

Trainers & Jockeys

Central region

Breeders

Central region

Southern region

Northern region

Owners



NZTR CLUB TURNOVER, STAKES & FUNDING

THOROUGHBRED CLUBS	MEETINGS	RACES	STARTS	TOTAL OFF-COURSE TURNOVER	TOTAL ON-COURSE TURNOVER	TOTAL NZ TURNOVER	EXPORT TURNOVER (\$NZD)	TOTAL STAKES PAID	CLUB NOMS & ACCEPTS & OTHER CHARGES/ PAYMENTS	NET STAKES	TOTAL CLUB, MEETING & STAKES FUNDING	NET STAKES TO FUNDING RATIO
Ashburton RC	6	53	572	5,648,662	190,331	5,838,993	6,370,023	850,500	6,375	844,125	1,073,138	78.66%
Auckland RC	17	134	1,420	35,611,329	4,977,220	40,588,549	23,402,729	9,613,475	1,078,465	8,535,010	9,194,322	92.83%
Avondale JC	12	99	1,104	12,963,807	373,732	13,337,539	11,879,742	1,024,000	0	1,024,000	1,476,689	69.34%
Banks Peninsula RC	1	10	113	1,245,509	75,089	1,320,599	1,334,551	118,000	0	118,000	167,089	70.62%
Beaumont RC	1	6	75	487,870	48,452	536,322	566,710	74,000	0	74,000	119,810	61.76%
Cambridge JC	2	16	174	3,020,395	120,676	3,141,071	2,147,676	422,500	18,875	403,625	521,555	77.39%
Canterbury Racing	23	215	2,346	34,919,609	2,989,547	37,909,156	30,469,948	6,763,700	535,635	6,228,065	7,776,785	80.09%
Central Otago RC	1	9	75	799,646	53,503	853,149	728,748	108,000	0	108,000	155,095	69.63%
Counties RC	13	107	1,073	14,439,996	649,420	15,089,415	12,387,802	2,115,250	76,725	2,038,525	2,691,003	75.75%
Dargaville RC	0	0	0	0	0	0	0	0	0	0	10,000	0.00%
Egmont RC	5	39	412	4,646,604	215,268	4,861,872	3,934,211	578,000	9,150	568,850	761,837	74.67%
Feilding JC	3	25	266	3,508,966	226,293	3,735,259	3,347,463	444,500	14,875	429,625	591,247	72.66%
Foxton RC	0	0	0	0	0	0	0	0	0	0	10,000	0.00%
Gore RC	4	34	358	3,675,881	93,419	3,769,300	4,282,699	513,000	7,125	505,875	665,981	75.96%
Greymouth JC	1	10	87	880,163	98,795	978,958	959,402	118,000	0	118,000	168,992	69.83%
Hawke's Bay RI	14	118	1,235	20,844,171	1,658,959	22,503,129	15,480,635	3,221,725	217,250	3,004,475	4,180,361	71.87%
Kumara RC	0	0	0	0	0	0	0	0	0	0	10,000	0.00%
Kurow JC	1	8	79	1,204,527	135,187	1,339,715	1,009,506	98,000	0	98,000	152,011	64.47%
Levin RC	3	23	207	3,045,419	157,058	3,202,476	3,082,369	533,000	17,175	515,825	676,965	76.20%
Manawatu RC	9	74	746	11,876,948	827,124	12,704,071	9,017,774	2,336,125	90,262	2,245,863	2,925,333	76.77%
Marlborough RC	2	16	164	1,468,299	76,648	1,544,948	1,443,643	184,000	0	184,000	264,924	69.45%
Marton JC	4	32	319	4,708,664	253,385	4,962,049	4,004,410	751,250	9,375	741,875	940,026	78.92%
Masterton RC	1	7	66	648,704	26,351	675,055	388,926	86,000	0	86,000	132,859	64.73%
Matamata RC	12	92	1,013	12,156,605	669,646	12,826,251	19,108,871	1,391,000	31,675	1,359,325	1,915,216	70.98%
Oamaru JC	3	25	263	2,634,019	64,502	2,698,521	2,369,305	471,225	0	471,225	584,044	80.68%
Otago RC	13	106	1,141	12,346,136	619,922	12,966,058	12,487,455	1,942,200	33,013	1,909,188	2,536,676	75.26%
Otaki-Maori RC	2	17	181	2,469,981	84,497	2,554,478	2,877,097	468,000	30,250	437,750	605,734	72.27%
Pakuranga HC	1	9	84	1,256,669	101,324	1,357,993	1,231,898	240,350	10,275	230,075	306,978	74.95%
Poverty Bay TC	1	9	99	1,139,146	127,024	1,266,170	705,152	116,000	0	116,000	158,356	73.25%
Rangitikei RC	2	16	170	2,333,625	166,163	2,499,788	1,891,252	364,000	4,625	359,375	458,826	78.32%
Reefton JC	1	11	114	906,385	99,497	1,005,882	825,520	148,000	0	148,000	192,991	76.69%
Riverton RC	4	30	280	2,373,015	250,170	2,623,185	2,068,301	503,125	8,175	494,950	662,673	74.69%
Rotorua, Racing	9	73	759	10,257,907	542,835	10,800,742	7,994,360	1,393,500	32,450	1,361,050	1,775,168	76.67%
Rotorua-BOP HC	1	8	73	695,282	30,334	725,616	721,876	91,000	0	91,000	143,000	63.64%
South Canterbury RC	7	63	695	6,265,880	193,715	6,459,594	6,713,833	733,750	5,375	728,375	1,010,621	72.07%

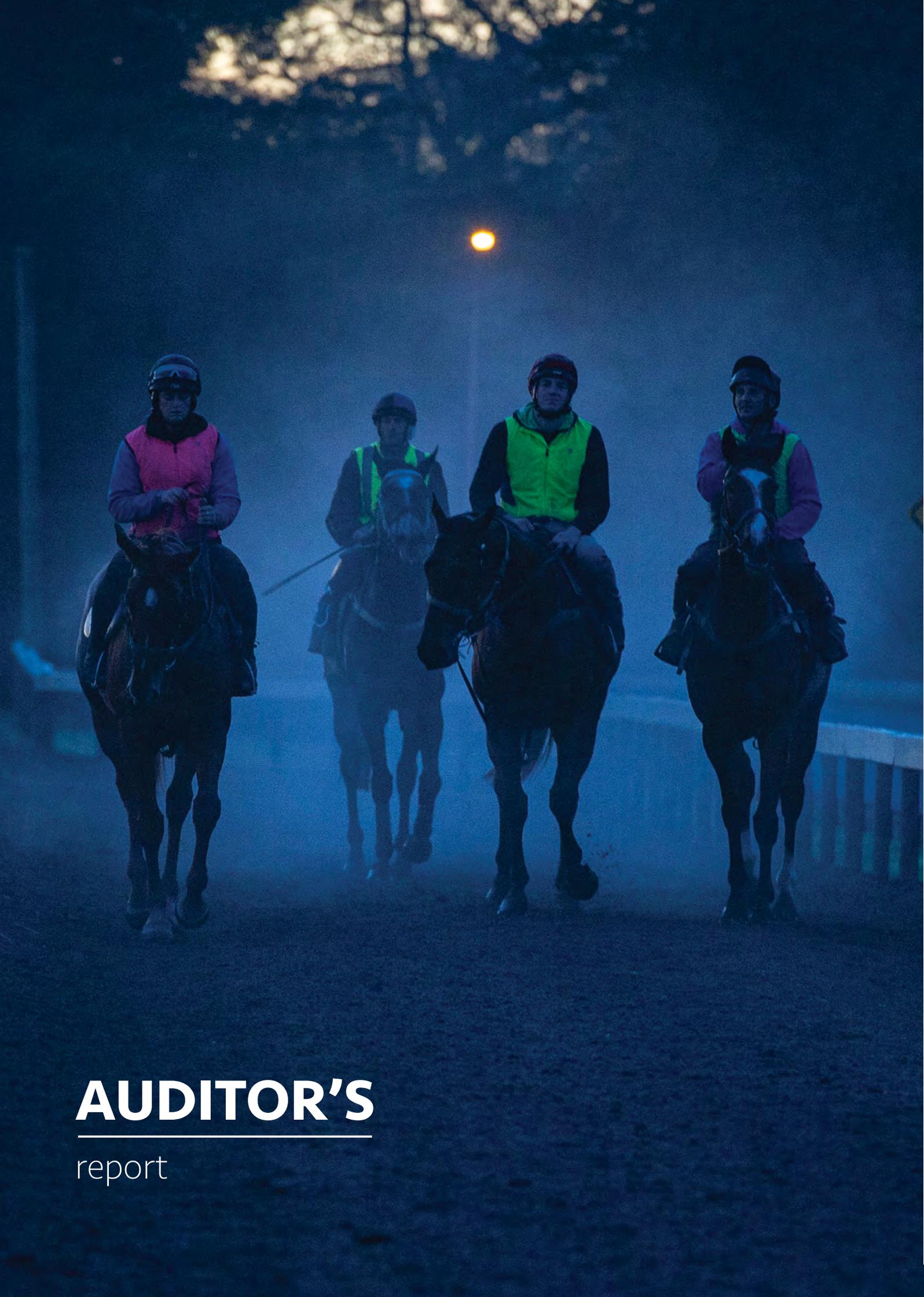
STATISTICS 2017-18 SEASON

THOROUGHBRED CLUBS	MEETINGS	RACES	STARTS	TOTAL OFF-COURSE TURNOVER	TOTAL ON-COURSE TURNOVER	TOTAL NZ TURNOVER	EXPORT TURNOVER (\$NZD)	TOTAL STAKES PAID	CLUB NOMS & ACCEPTS / OTHER CHARGES / PAYMENTS	NET STAKES	TOTAL CLUB, MEETING & STAKES FUNDING	NET STAKES TO FUNDING RATIO
South Waikato RC	1	7	72	916,993	73,617	990,610	1,169,081	82,000	0	82,000	132,000	62.12%
Southland RC	5	45	465	4,355,245	293,684	4,648,929	4,561,846	783,000	5,250	777,750	1,003,896	77.47%
Stratford RC	1	8	76	1,110,548	143,247	1,253,795	644,941	103,500	0	103,500	150,724	68.67%
Tapanui RC	1	8	90	888,840	39,468	928,307	605,294	93,000	0	93,000	138,877	66.97%
Taranaki TRI	12	95	942	13,638,307	896,850	14,535,157	13,845,366	1,744,900	30,981	1,713,919	2,365,724	72.45%
Taumarunui RC	1	10	94	1,530,489	149,843	1,680,332	939,873	267,500	0	267,500	320,045	83.58%
Taupo, Racing	4	32	314	4,543,990	289,129	4,833,120	3,947,971	355,000	0	355,000	515,224	68.90%
Tauranga, Racing	11	86	881	13,162,167	1,148,857	14,311,024	11,001,200	1,631,435	25,225	1,606,210	2,222,030	72.29%
Te Aroha, Racing	11	87	886	9,757,392	445,219	10,202,611	8,974,542	1,364,500	26,760	1,337,740	1,862,536	71.82%
Thames, Racing	1	2	16	198,985	12,176	211,161	160,617	20,725	0	20,725	91,283	22.70%
Waikato RC	17	142	1,482	26,142,553	1,529,291	27,671,844	18,644,363	4,406,375	210,287	4,196,088	5,125,550	81.87%
Waikouaiti RC	1	1	7	117,028	19,208	136,236	38,482	12,000	0	12,000	56,310	21.31%
Waimate RC	1	8	86	776,034	15,873	791,907	425,095	101,000	0	101,000	129,895	77.76%
Waipa RC	7	60	614	6,194,166	179,921	6,374,087	6,314,666	639,700	0	639,700	913,365	70.04%
Waipukurau JC	4	32	306	3,326,346	173,128	3,499,474	3,100,805	342,000	0	342,000	508,407	67.27%
Wairarapa RC	4	31	281	3,686,695	442,985	4,129,680	2,794,661	480,500	8,000	472,500	719,878	65.64%
Wairio JC	1	9	90	748,678	27,975	776,653	640,930	122,000	0	122,000	164,457	74.18%
Wairoa RC	2	16	163	1,851,424	140,751	1,992,175	1,605,634	189,000	0	189,000	265,279	71.25%
Wanganui JC	11	92	944	10,932,495	499,370	11,431,865	10,304,986	1,431,248	23,150	1,408,098	1,942,615	72.48%
Waverley RC	4	30	308	3,353,222	98,102	3,451,324	3,576,295	343,000	0	343,000	486,077	70.56%
Wellington RC	11	95	979	21,376,875	2,029,604	23,406,479	15,040,880	4,404,100	600,658	3,803,442	5,212,320	72.97%
Westland RC	0	0	0	0	0	0	14	0	0	0	42,500	0.00%
Whakatane RC	3	23	237	2,204,337	157,961	2,362,298	2,057,843	247,000	0	247,000	373,974	66.05%
Whangarei RC	11	90	922	14,135,873	896,071	15,031,945	11,759,037	1,564,000	5,700	1,558,300	2,097,401	74.30%
Winton JC	1	10	90	872,305	29,851	902,156	913,088	121,000	0	121,000	161,051	75.13%
Woodville-Pahiatua RC	6	46	464	4,539,067	136,721	4,675,789	5,017,943	479,000	0	479,000	703,766	68.06%
Wyndham RC	1	9	94	782,452	27,942	810,394	565,904	108,000	0	108,000	147,889	73.03%
GRAND TOTAL	312	2,568	26,666	371,622,327	26,092,929	397,715,256	323,885,245	59,250,658	3,173,137	56,077,521	72,869,372	76.96%

Notes

1. Total off-course and on-course turnovers do not include Pick 6 or Turbo Quaddies.
2. Club Noms, Accepts & other charges/payments to Owners is the net amount of all direct club nomination and acceptance charges for Group, Listed and Prestige Jumps races, minus credits paid to owners for the same races.
3. Total Club, Meeting & Stakes Funding is all NZTR funding paid to clubs, including minimum stakes, Group and Listed, special interest, iconic, heritage, country cup and other race funding, meeting type, venue category, racing compliance, governance/audit, event tier funding, iconic marketing and jumping support, on-course payments and any other meeting funding. Charges to clubs for NZTR race meeting services and NZRB race meeting broadcast costs are not netted off. All efforts have been made to reconcile against the club settlement statements but there still may be some discrepancies between funding recorded and total funding received by clubs.
4. Net Stakes to Funding Ratio is Stakes Paid minus Club Noms & Accepts & other charges/payments, then divided by Total Club, Meeting & Stakes Funding. Note that club funding and other numbers can be affected by meetings or races not run, abandoned or transferred.





AUDITOR'S

report

Independent Auditor's Report

To the Members of New Zealand Thoroughbred Racing Incorporated

Opinion

We have audited the financial statements of New Zealand Thoroughbred Racing ('NZTR') and its subsidiaries ('the group'), which comprise the consolidated statement of financial position as at 31 July 2018, and the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 25 to 51, present fairly, in all material respects, the consolidated financial position of the group as at 31 July 2018, and its consolidated financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Basis for opinion

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

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

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the entity or any of its subsidiaries, except that partners and employees of our firm deal with the entity and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the entity and its subsidiaries.

Director's responsibilities for the consolidated financial statements

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

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

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

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

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

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

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Members, as a body, in accordance with Section 20 of the constitution. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Wellington, New Zealand
19 September 2018

This audit report relates to the consolidated financial statements of New Zealand Thoroughbred Racing Incorporated ('NZTR') and its subsidiaries (the 'group') for the year ended 31 July 2018 included on the entity's website. The Director's are responsible for the maintenance and integrity of the entity's website. We have not been engaged to report on the integrity of the entity's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 19 September 2018 to confirm the information included in the audited consolidated financial statements presented on this website.

FINANCIAL

statements



CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 31 JULY 2018

	NOTES	ACTUAL 31 JULY 2018 \$	ACTUAL 31 JULY 2017 RESTATED \$
Revenue			
New Zealand Racing Board code distribution	3.1.3	79,743,791	74,359,276
Race day fees		2,978,358	2,899,834
TRM and publications		182,821	185,016
Stud book	3.1.1	1,733,772	1,616,453
Licence fees	3.1.1	322,602	297,148
Registrations	3.1.1	590,943	552,033
Interest	3.1.2	210,763	180,301
Sundry revenue		637,646	420,913
Total revenue		86,400,696	80,510,974
Less expenses			
Club payments (subsidies and prizemoney)	4.1	73,679,492	67,966,505
Other club and industry support payments	4.2	4,675,639	4,380,641
TRM and publications		256,742	297,938
Ownership, media and communications		446,426	382,174
Industry training and development		169,383	137,246
Property and central overheads	4.3	552,114	652,590
IT infrastructure and network costs	4.4	867,384	793,456
Special projects	4.5	320,692	220,875
Salaries and other staff costs		4,151,674	4,277,721
Other department costs	4.6	576,275	704,470
Sundry costs	4.7	677,152	742,194
Total expenses		86,372,973	80,555,810
Surplus/(deficit) before infrastructure projects		27,723	(44,836)
Infrastructure revenue and expenses			
Funding from other sources for infrastructure projects		455,312	20,000
Infrastructure expenditure		(606,708)	(460,274)
Total NZTR infrastructure fund	4.8	(151,396)	(440,274)
Total (deficit) attributable to NZTR		(123,673)	(485,110)
Other comprehensive revenue		-	-
Total other comprehensive revenue		-	-
Total comprehensive revenue and expense attributable to NZTR		(123,673)	(485,110)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2018

	NOTES	ACCUMULATED SURPLUS \$	INFRASTRUCTURE RESERVE \$	TOTAL ACCUMULATED RESERVES \$
Accumulated reserves as at 1 August 2016 (restated)		5,100,421	593,139	5,693,560
NZTR (Deficit) for the year ended 31 July 2017		(485,110)	-	(485,110)
Transfer of infrastructure reserve to accumulated surplus	4.8	440,274	(440,274)	-
Accumulated reserves as at 31 July 2017		5,055,585	152,865	5,208,450

	NOTES	ACCUMULATED SURPLUS \$	INFRASTRUCTURE RESERVE \$	TOTAL ACCUMULATED RESERVES \$
Accumulated reserves as at 1 August 2017 (restated)		5,055,585	152,865	5,208,450
NZTR (Deficit) for the year ended 31 July 2018		(123,673)	-	(123,673)
Transfer of infrastructure reserve to accumulated surplus	4.8	151,396	(151,396)	-
Accumulated reserve as at 31 July 2018		5,083,308	1,469	5,084,777



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2018

	NOTES	ACTUAL 31 JULY 2018 \$	ACTUAL 31 JULY 2017 RESTATED \$
Total accumulated reserves attributable to NZTR		5,084,777	5,208,450
Current assets			
Cash and cash equivalents	2.1	4,067,793	3,581,373
General Trust restricted funds	8.4.2	1,225,404	1,183,661
Apprentice Jockey restricted funds	8.4.1	1,377,408	1,259,845
Short term deposits	2.1	-	259,020
Trade and sundry debtors from exchange transactions	2.2	995,690	1,282,373
Trade and sundry debtors from non-exchange transactions	2.2	73,768	32,227
Prepayments		11,104	253,875
Other revenue receivable from exchange transactions	2.2	37,453	44,368
Short term loans and advances	2.3	591,054	-
Code distribution account	2.2	308,251	187,501
Total current assets		8,687,925	8,084,243
Less current liabilities			
Trade and sundry creditors from exchange transactions	2.4	3,065,464	3,164,974
Trade and sundry creditors from non-exchange transactions	2.4	177,627	174,560
Employee entitlements	2.4	199,566	325,089
Fees and subscriptions in advance		393,788	456,402
Funds payable to Apprentice Jockeys	8.4.1	1,377,370	1,253,690
Other provisions		15,150	-
Total current liabilities		5,228,965	5,374,715
Net current assets		3,458,960	2,709,528
Non-current assets			
Property, plant and equipment	6.0	277,610	366,451
Intangibles	7.0	262,124	378,870
Work in progress		-	65,552
Loans and advances	2.3	1,086,083	1,688,049
Total non-current assets		1,625,817	2,498,922
Net assets		5,084,777	5,208,450

The Financial Statements of New Zealand Thoroughbred Racing Incorporated have been accepted on behalf of the Board of Directors on 19 September 2018.



Dr Alan Jackson
Chair of New Zealand Thoroughbred Racing



Rodger Finlay
Audit and Risk Chair



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2018

	ACTUAL 31 JULY 2018 \$	ACTUAL 31 JULY 2017 RESTATED \$
Cash flow from operating activities		
Cash was provided from:		
Fees, services and subscriptions from exchange transactions	3,665,462	2,514,550
Receipts from the code distribution and other revenue	83,056,712	78,330,388
Interest income	217,678	169,412
	86,939,852	81,014,350
Cash was applied to:		
Payment to suppliers and employees	(7,989,843)	(7,208,920)
Payments to clubs	(78,451,574)	(72,845,647)
	(86,441,417)	(80,074,567)
Net cash flow from operating activities	498,435	939,783
Cash flow from investing activities		
Cash was provided from:		
Maturity in term deposits	8,368,377	3,053,574
Repayment of loans and advances	219,399	192,139
	8,587,776	3,245,713
Cash was applied to:		
Purchase of property, plant and equipment	(66,315)	(278,975)
Purchase of intangibles	(121,879)	(35,200)
Work in progress	65,552	(39,304)
Investment in term deposits	(8,109,357)	(2,363,668)
Advance of loans to clubs	(208,487)	(75,000)
	(8,440,486)	(2,792,147)
Net cash flow from investing activities	147,291	453,566
Net increase in cash held	645,726	(1,393,349)
Add operating cash	3,581,373	2,237,300
Add restricted funds	2,443,506	2,393,230
Total cash and cash equivalents	6,670,605	6,024,879



CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2018

	ACTUAL 31 JULY 2018 \$	ACTUAL 31 JULY 2017 RESTATED \$
Total deficit for the year	(123,673)	(485,110)
Add non-cash items		
Depreciation	155,156	115,796
Amortisation	238,626	272,485
	393,782	388,281
Less movement in other working capital items		
Accrued revenue	6,915	(10,889)
Sundry debtors	124,391	509,595
Prepayments	242,772	(203,396)
Sundry creditors	(98,288)	876,633
Fees in advance	(47,464)	(135,330)
	228,326	1,036,612
Net cash flow from operating activities	498,435	939,783



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

The notes to the financial statements include information which is required to understand the treatment, recognition and measurement of the transactions which compile the financial statements, and information that is material and relevant to the operations of NZTR.

The notes to the financial statements are organised into the following sections:

Note 1 Basis for Preparation

Note 2 Financial Instruments

- 2.1 Cash and cash equivalents
- 2.2 Trade and sundry debtors and revenue receivable
- 2.3 Club loans and advances
- 2.4 Other financial liabilities
- 2.5 Financial instrument risk
- 2.6 Financial guarantee contracts

Note 3 Revenue

- 3.1 Revenue from exchange transactions
 - 3.1.1 Registrations, stud book, licensing, Thoroughbred Racing Magazine and other publications
 - 3.1.2 Interest
 - 3.1.3 NZRB code distribution
 - 3.1.4 Fees and subscriptions in advance
- 3.2 Revenue from non-exchange transactions

Note 4 Expenditure

- 4.1 Club payments (subsidies and prizemoney)
- 4.2 Other club and industry support payments
- 4.3 Property and central overheads
- 4.4 IT infrastructure and network costs
- 4.5 Special projects
- 4.6 Other department costs
- 4.7 Sundry costs
- 4.8 Infrastructure projects

Note 5 Operating leases

Note 6 Property, plant and equipment

Note 7 Intangible assets

Note 8 Related parties

Note 9 Insurance and indemnities

Note 10 Employee remuneration and entitlements

Note 11 Contingent liabilities

Note 12 Capital commitments

Note 13 Subsequent events



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

1. BASIS OF PREPARATION

Reporting entity and statutory base

New Zealand Thoroughbred Racing Incorporated ("NZTR") is an Incorporated Society registered and domiciled in New Zealand. It is a racing code as defined in the Racing Act 2003. Its principal activity is to govern thoroughbred racing in New Zealand.

The primary objectives of NZTR are to:

- supply thoroughbred races for entertainment and wagering;
- determine the thoroughbred code's business plan, including performance targets and distribution of funds to maximise and sustain financial benefits to the thoroughbred industry; and
- define, regulate and amend the policies and the Rules of Racing of the thoroughbred code.

Any equity has been provided with a view to supporting these primary objectives rather than making a financial return. Accordingly, NZTR has designated itself as a public benefit entity for financial reporting purposes.

Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with Tier 1 Public Benefit Entity Standards (PBE IPSAS), which are the New Zealand equivalents of the International Public Sector Accounting Standards (IPSAS) and other financial reporting standards as applicable for Tier 1 not-for-profit entities.

Basis of preparation

These financial statements have been prepared on the basis of historical cost. Cost is based on the fair value of the consideration given in exchange for assets.

The Board and Chief Executive consider NZTR is a going concern, that will continue to operate in the foreseeable future.

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability.

These financial statements are prepared in New Zealand dollars, which is the functional currency of NZTR and all values are rounded to the nearest dollar.

Changes in accounting policies and prior period comparatives

These financial statements are the first consolidated financial statements of NZTR. Consolidation includes the combined results of operations, assets and liabilities of both the General Trust Fund (GTF) and the Apprentice Jockey Fund (AJF) as at 31 July 2018.

NZTR and such entities are together referred to in these financial statements as NZTR or the Group.

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

The General Trust Fund (GTF) was established under Rule 1301 of the Rules of Racing to financially support licensees when they become injured as a result of an accident while carrying out duties in their capacity as a licensee or, in some instances, where serious illness prevents their ability to carry out duties in their capacity as a licensee. NZTR provides funding to support the GTF. NZTR controls the fund in that it establishes the policy by which the trustees appointed by NZTR are to administer the fund by and because NZTR can amend the Rules of Racing, which govern the fund. The fund is therefore consolidated with these financial statements.

The Apprentice Jockey Fund (AJF) was established under Rule 1310 of the Rules of Racing to hold in trust the earnings of apprentice jockeys for the duration of their apprenticeship. The aim is for apprentice jockeys to finish their apprenticeship with substantial financial backing to ensure they are suitably funded when they become self-employed jockeys. NZTR holds the funds belonging to apprentice jockeys in a specified bank account. The fund is audited annually, separate to the audit of NZTR.

During the year it was recommended to the Board that NZTR consolidates these entities into financial reporting. As such the financial statements have been restated as follows;



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

Statement of comprehensive revenue and expense revised comparatives for the year ended 31 July 2017

	31 JULY 2017	CONSOLIDATION	ADJUSTMENT*	31 JULY 2017 RESTATED
	\$	\$	\$	\$
Revenues				
New Zealand Racing Board code distribution	74,359,276	-	-	74,359,276
Race day fees	2,899,834	-	-	2,899,834
TRM and publications	185,016	-	-	185,016
Stud book	1,590,953	-	25,500	1,616,453
Licence fees	297,148	-	-	297,148
Registrations	552,033	-	-	552,033
Interest	105,060	75,241	-	180,301
Sundry revenue	444,484	1,929	(25,500)	420,913
Total revenue	80,433,804	77,170	-	80,510,974
Less expenses				
Club payments (subsidies and prizemoney)	71,579,088	-	(3,612,583)	67,966,505
Other club and industry support payments	-	-	4,380,641	4,380,641
TRM and publications	297,938	-	-	297,938
Ownership, media and communications	15,246	-	366,928	382,174
Industry training and development	137,246	-	-	137,246
Property and central overheads	652,566	24	-	652,590
IT infrastructure and network costs	793,456	-	-	793,456
Special projects	220,875	-	-	220,875
Salaries and other staff costs	4,277,721	-	-	4,277,721
Other department costs	1,090,697	-	(386,227)	704,470
Sundry costs	1,303,924	187,029	(748,759)	742,194
Total expenses	80,368,757	187,053	-	80,555,810
Surplus/(deficit) before infrastructure projects	65,047	(109,883)	-	(44,836)
Infrastructure revenue and expenses				
Funding from other sources for infrastructure projects	20,000	-	-	20,000
Infrastructure expenditure	(460,274)	-	-	(460,274)
Total NZTR infrastructure fund	(440,274)	-	-	(440,274)
Total (deficit) attributable to NZTR	(375,227)	(109,883)	-	(485,110)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

	31 JULY 2017	CONSOLIDATION	31 JULY 2017
	\$	\$	RESTATED
			\$
Total accumulated reserves attributable to NZTR	3,941,197	1,267,253	5,208,450
Current assets			
Cash and cash equivalents	3,581,373	-	3,581,373
General Trust restricted funds	-	1,183,661	1,183,661
Apprentice Jockey restricted funds	-	1,259,845	1,259,845
Short term deposits	259,020	-	259,020
Trade and sundry debtors from exchange transactions	1,282,373	-	1,282,373
Trade and sundry debtors from non-exchange transactions	32,227	-	32,227
Prepayments	253,874	-	253,875
Other revenue receivable from exchange transactions	32,539	11,830	44,368
Short term loans and advances	-	-	-
Code distribution account	187,501	-	187,501
Total current assets	5,628,907	2,455,335	8,084,243
Less current liabilities			
Trade and sundry creditors from exchange transactions	3,230,581	(65,607)	3,164,974
Trade and sundry creditors from non-exchange transactions	174,560	-	174,560
Employee entitlements	325,089	-	325,089
Fees and subscriptions in advance	456,402	-	456,402
Funds payable to Apprentice Jockeys	-	1,253,690	1,253,690
Other provisions	-	-	-
Total current liabilities	4,186,632	1,188,083	5,374,715
Net current assets	1,442,275	1,267,252	2,709,528
Non-current assets			
Property, plant and equipment	366,451	-	366,451
Intangibles	378,870	-	378,870
Work in progress	65,552	-	65,552
Loans and advances	1,688,049	-	1,688,049
Total non-current assets	2,498,922	-	2,498,922
Net assets	3,941,197	1,267,252	5,208,450

Further to consolidation of the General Trust Fund and Apprentice Jockey Fund, NZTR have reclassified a number of items to reflect funding returned direct to industry. Refer to Note 4 for details.

The consolidation of these entities resulted in an increase in operating accumulated surplus of \$1,267,252 as at 1 August 2016.

There were no other changes in accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

New standards and interpretations issued and not yet effective

The following new standards and or amendments issued by the External Reporting Board are not yet effective and have not been early adopted by NZTR. NZTR has not yet accessed the impact of adopting these standards. Any effect of adoption will be reported in the financial statements for the year ending 31 July 2018.

STANDARD	AMENDMENT	DATE EFFECTIVE
PBE IPSAS 34	These new standards relate to the recognition and measurement of interest in other entities; such as investments in associates, joint ventures and joint arrangements.	01 January 2019
PBE IPSAS 35		
PBE IPSAS 36		
PBE IPSAS 37		
PBE IPSAS 38		
PBE IPSAS 21	Amended standards to include assets measured at revalued amounts under the revaluation model in PBE IPSAS 17, Property, Plant and Equipment and PBE IPSAS 31 Intangible Assets.	01 January 2019
PBE IPSAS 26		
PBE IPSAS 39	This new standard replaces the current standard on employee benefits IPSAS 25.	01 January 2019
PBE IFRS 9	This new standard replaces most of the requirements of PBE IPSAS 29 and introduces a new classification model for financial assets.	01 January 2021

Critical accounting estimates and assumptions

In preparing these financial statements NZTR has made estimates and assumptions concerning the future. These estimates and assumptions may differ from actual results. The significant estimates and assumptions are as follows:

Property, plant and equipment: NZTR establishes the useful life of property, plant and equipment at acquisition. It reviews the life and utility of this property, plant and equipment annually. In the event the life differs from those assigned or if the utility of the assets is less than assumed, the cost in the form of depreciation may be wrongly allocated to any one year.

Provisions: A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, where it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation.

Loans and advances: The carrying values of the loans and advances assume that no debtor will default on any instalment due and that the guarantee over the loan is equal to or higher than the value of the loan. At balance date the carrying value of the loans was face value plus any capitalised interest.

Taxation

NZTR is exempt from income tax as pursuant to section CW 47 of the Income Tax Act 2007.

The following taxes, duties, levies and similar charges are paid by NZTR:

- Goods and Services Tax (GST)
- Fringe Benefit Tax (FBT)
- Employment taxes (PAYE/WT)
- Employer compulsory Kiwi Saver contributions
- Accident Compensation Commission (ACC) levies.

These financial statements have been prepared exclusive of GST.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

Specific definitions

Throughout this report specific language is used to refer to industry activity. Some definitions specific to the racing industry are detailed below.

Codes: Codes refers to the racing industry bodies and participants, namely Harness Racing New Zealand Incorporated, New Zealand Greyhound Racing Association Incorporated and New Zealand Thoroughbred Racing Incorporated.

Code funding distribution agreement: The code funding distribution agreement refers to the relevant inter-code agreement between the New Zealand Racing Board ("NZRB") and the Codes. It represents the agreed methodology by which the NZRB will make distributions to NZTR and the other codes as per section 16 and 25 for the Racing Act 2003.

Club funding policy: The club funding policy represents the agreed methodology by which NZTR will distribute funds to Thoroughbred Clubs for prize money and other racing activities.

TRM: TRM is the abbreviation for Thoroughbred Racing Monthly.

2. FINANCIAL INSTRUMENTS

NZTR's financial instruments are principally debtors, cash and cash equivalents, short-term bank investments, loan and advances, and creditors.

Financial instrument categories

NZTR classifies its financial assets as loans and receivables. Financial liabilities are classified as other financial liabilities and measured at amortised cost.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. NZTR's loans and receivables balance includes cash and cash equivalents, including short-term deposits, trade and other receivables and loans and advances to racing clubs. Loans and receivables are initially recognised at the fair value and subsequently measured at amortised cost using the effective interest method.

At the end of each reporting period, and whenever circumstances warrant, loans and receivables are assessed for objective evidence of impairment. Impairment is considered incurred as a result of one or more events which had an impact on the estimated future cash flows of that asset and can be estimated reliably. Any financial asset impairment loss is recognised through the statement of comprehensive revenue and expense.

2.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, and call deposits with an original maturity date of less than three months.

NZTR places surplus funds on term deposit with the following objectives:

- to ensure credit risk is minimised as far as possible
- to ensure liquid funds are available as and when necessary
- to maximise interest revenue.

All NZTR operational bank accounts and short-term deposits are held with ANZ Banking Corporation Limited, which has an AA- credit rating. NZTR holds funds on behalf of the General Trust Fund with the Bank of New Zealand which has an AA- credit rating.

All cash or call deposit balances held by NZTR are available for use. The carrying values of cash and cash equivalents approximate their fair values.

The maximum credit exposure over cash and cash equivalents is limited to the carrying value of the cash and call deposits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

	31 JULY 2018 \$	31 JULY 2017 \$
Operational bank account and cash on hand	96,441	175,560
On call accounts	3,971,352	3,405,813
Total cash and cash equivalents	4,067,793	3,581,373

Investments – term deposits	-	259,020
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The net cash asset as at 31 July 2018 was \$2,023,148 (2017: \$1,463,219): and represents the total funds available for use at the discretion NZTR. It is calculated as total cash held by NZTR less amounts payable at year end, offset by revenue earned but not yet collected.

Other cash balances held as at balance date included funds held in trust for the Apprentice Jockey Fund and the General Trust Fund. These funds are not available for NZTR operational expenditure. They are held for the explicit purposes expressed in the Rules of Racing.

	31 JULY 2018 \$	31 JULY 2017 \$
Total cash held for Apprentice Jockey Fund	1,377,408	1,259,845
Total cash held for General Trust Fund	1,225,404	1,183,661

2.2 Trade and sundry debtors, and revenue receivable

Trade and sundry debtors and revenue receivable are initially recognised at the fair value of the amounts to be received. They are subsequently measured at amortised cost, using the effective interest method, less any provision for impairment loss due to doubtful debts.

	31 JULY 2018 \$	31 JULY 2017 RESTATED \$
Trade and sundry debtors		
Trade debtors from exchange transactions	995,690	1,282,373
Trade debtors from non-exchange transactions	73,768	32,227
Code distribution account (NZRB)	308,251	187,501
Total trade and sundry debtors	1,377,709	1,502,101

Other revenue receivable from exchange transactions

Interest receivable	19,888	32,538
General Trust Fund receivables	15,839	7,665
Apprentice Jockey Fund receivables	1,726	4,165
Total revenue receivable from exchange transactions	37,453	44,368

Total trade and sundry debtors, and other revenue receivable	1,415,162	1,546,469
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Due date profile

Not past due	1,086,286	796,098
Past due 1 - 30 days	169,178	441,633
Past due 31 - 60 days	40,325	44,656
Past due 61	119,373	264,082
Total trade and sundry debtors, and other revenue receivable	1,415,162	1,546,469

NZTR has reviewed all trade and sundry debtors, and other revenue receivable for collectability. There is a provision for doubtful debts recognised on trade or the other receivables as at 31 July 2018 of \$51,228 (2017: \$3,700). The provision recognised debts due that have either been placed with a debt collection agency or where the debtor has been placed on the arrears list.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

2.3 Club loans and advances

NZTR has advanced loans primarily to assist clubs with infrastructure projects. Loans and advances are recognised when the club becomes party to the contractual provisions of the financial instrument. Loans and advances are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and advances are measured at amortised cost using the effective interest method.

NZTR holds bank guarantees or security over the assets of each club provided with a loan or advance. The value of assets for which the security rests is in excess of the loan amounts outstanding.

The NZTR Board has determined that the carrying value of the loans approximates their fair value as at 31 July 2018.

		31 JULY 2018 \$	31 JULY 2017 \$
Short term loans and advances	Interest rate		
Hawke's Bay Racing Inc.	OCR + 1%	434,391	-
Whangarei Racing Club Inc.	OCR + 1%	156,663	-
Total short term loans and advances		591,054	-
Non-current loans and advances			
RACE Inc.	OCR + 1%	933,508	812,399
Hawke's Bay Racing Inc.	OCR + 1%	-	474,514
Whangarei Racing Club Inc.	OCR + 1%	-	180,663
Taupo Racing Club Inc.	OCR + 1%	-	13,500
Northern Race Day Services Inc.	OCR + 1%	97,366	136,306
Central District Starting Gates Inc.	OCR + 1%	55,209	70,667
Total non-current loans and advances		1,086,083	1,688,049
Total loans		1,677,137	1,688,049

Subsequent to balance date the Hawkes Bay Racing Incorporation has early settled its loan to NZTR in full.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

2.4 Other financial liabilities

NZTR classifies all of its financial liabilities as other financial liabilities. Trade and sundry payables are recognised when NZTR becomes obliged to make future payments. Trade and sundry payables are measured at amortised cost using the effective interest method.

Employee entitlement liabilities for annual leave and other contractual payments expected to be settled within 12 months of the reporting date are recognised for employee services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

	31 JULY 2018	31 JULY 2017 RESTATED
	\$	\$
Trade and sundry payables		
Trade creditors from exchange transactions	3,065,464	3,164,974
Taxes and transfers payable	177,627	174,560
	3,243,091	3,339,534
Other provisions		
International Apprentice Jockey fee refunds	15,150	-
Employee entitlements		
Provision for annual leave	163,002	173,948
Salaries payable	36,564	151,141
Total employee entitlements	199,566	325,089
Total other financial liabilities	3,457,807	3,664,623

No interest is incurred on trade creditors unless the amounts payable fall overdue. Interest is charged at the discretion of the vendor. NZTR has financial risk management policies in place to ensure all payables are paid within the credit timeframe.

2.5 Financial instrument risks

NZTR's activities expose it to a variety of financial instrument risks, including interest rate risk, credit risk and liquidity risk. NZTR seeks to minimise exposure from financial instruments by not allowing any transactions that are speculative in nature.

2.5.1 Capital risk management

NZTR's capital is its accumulated funds represented by net assets. NZTR manages its equity as a by-product of prudent financial dealings, to ensure that NZTR effectively achieves its objectives and purpose while remaining a going concern.

2.5.2 Interest rate management

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. NZTR's exposure to interest rate risk is limited to bank deposits that are held at fixed rates of interest. NZTR does not actively manage its exposure to interest rate risk.

2.5.3 Liquidity risk management

Liquidity risk is the risk that NZTR will encounter difficulties in meeting its payment obligations associated with financial liabilities as they fall due. NZTR's revenue is primarily received from the NZRB. The draw on this distribution is managed by monitoring forecast racing events and actual cash flow requirements. Adequate cash reserves of liquid short-term deposits are maintained to satisfy anticipated capital expenditure and committed infrastructure projects.

All trade and sundry payables are due within three months.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

2.5.4 Credit risk management

Credit risk refers to the risk that a third party will default on its contractual obligations resulting in financial loss to NZTR. NZTR invests surplus funds with registered AA- rated banks.

In the normal course of business NZTR is exposed to credit risk from cash and term deposits with banks, receivables and financial instrument assets. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position.

There is an inherent credit risk for loans and advances made to thoroughbred racing clubs. NZTR holds sufficient mortgage or guarantee security over all loans and advances, which are reviewed on a regular basis.

2.6 Financial guarantee contracts

2.6.1 RACE

On 5 January 2009 the New Zealand Racing Board (NZRB) provided a loan of \$3,000,000 to Racing at Awapuni, Otaki and Trentham Combined Enterprises Incorporated (RACE Inc.) and provided a guarantee to the Bank of New Zealand as additional security for its lending to RACE Inc. to the value of \$8,820,000. In 2014 the NZRB re-advanced a loan of \$3,000,000 to RACE Inc.

NZRB loans are secured by mortgages over RACE property.

NZTR has provided a back-to-back guarantee to the NZRB to cover the amounts guaranteed to the Bank of New Zealand and amounts advanced to RACE Inc. by the NZRB.

As NZTR believe that the value of the security provided by RACE is greater than the loan amounts outstanding, no value has been ascribed to this guarantee.

At 31 July 2018 the balances of the loans from the Bank of New Zealand and the NZRB were \$4,560,420 and \$2,756,369 respectively (2017: \$3,621,500, \$2,927,712).

2.6.2 New Zealand Bloodstock Insurance Pearl Series (the "Scheme")

During the financial year ending 31 July 2017 NZTR entered into a financial guarantee arrangement with New Zealand Thoroughbred Breeders Association (NZTBA), effective from 1 August 2017. The guarantee provides assurance that funds will be available for the payment of bonuses won through the offering of the Scheme and can only be called upon when the Scheme has insufficient funds to do so itself.

The NZB Insurance Pearl Series is a bonus scheme for NZ-bred fillies and mares, offering bonuses of up to \$2.6 million and prize money of up to \$2.8 million. The Scheme includes 215 individual races for fillies and mares over three seasons' racing, with bonuses for each race of up to \$20,000. The Scheme has been designed to benefit owners, trainers and breeders of fillies and mares running in New Zealand and is available in all regions of the country. All bonuses are cumulative, which means a horse can win multiple bonuses throughout her racing career.

A receivable due of \$96,049 has been recognised (2017: \$115,835).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

3. REVENUE

NZTR is primarily funded through the distributions from the New Zealand Racing Board ("NZRB") and registration, licensing fee and other activities associated with the thoroughbred racing industry.

Under the current suite of accounting standards, IPSAS 9 and IPSAS 23, revenue is required to be classified as either revenue from exchange transactions or revenue from non-exchange transactions in the statement of comprehensive revenue and expenses. All major classes of revenue are separately disclosed in the statement of comprehensive revenue and expenses and are further detailed in the notes below.

Revenue is measured at fair value of consideration received.

3.1 Revenue from exchange transactions

NZTR's sales of goods or services are classified as exchange transactions. The specific accounting policies applicable to NZTR's exchange transactions are as follows:

3.1.1 Registrations, stud book, licensing, nominations, acceptance and scratching fees, Thoroughbred Racing Magazine (TRM) and other publications

Revenue is recognised either at the time of invoicing or when a payment is made for goods/services. One-off receipts are recorded under sundry revenue in the statement of comprehensive revenue and expenses. Registrations, stud book, nominations, acceptances, scratchings, licensing fees, TRM subscriptions and other publications are disclosed separately.

3.1.2 Interest

Interest revenue is recognised on a time-proportionate basis that takes into account the effective yield on the financial asset.

3.1.3 NZRB code distribution

Revenue is recognised pursuant to Section 16 and 25 of the Racing Act 2003 based upon the base level of code funding received from the NZRB, plus additional distributions in accordance with the code funding distribution agreement. This revenue is recognised as an exchange transaction, as NZTR supplies its racing product to NZRB in exchange for a distribution from NZRB surpluses, accumulated from the NZRB's wagering, sports betting and gaming activities, as follows;

	31 JULY 2018 \$	31 JULY 2017 \$
Locked in Base Funding	63,661,284	64,462,398
Export funding	9,090,733	8,582,829
Stakes advance funding	6,500,000	-
NZRB Enhancement funds	9,587	-
NZRB Interest on distribution account	10,235	24,111
NZRB Other Funding (FOB & Sport Commission)	123,965	119,665
NZRB Surplus funding	347,987	1,170,273
Total NZRB Code Distribution	79,743,791	74,359,276

Pursuant to Section 25 of the Racing Act 2003, each racing code is responsible for the distribution of funding to the clubs in line with its funding policy. Expenditure is recognised when payments are made to clubs (funding) and stakeholders (prize money). At balance date payments that have not been made are accrued for.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

3.1.4 Fees and subscriptions in advance

Fees and subscriptions in advance are funds that are received for services or goods that have not yet been delivered. If revenue is received before the services or goods are rendered, then it is recorded as a liability and recognised as revenue over the period for which the services or goods are delivered.

3.2 Revenue received from non-exchange transactions

	31 JULY 2018 \$	31 JULY 2017 \$
Revenue from non-exchange transactions		
Fines	73,768	39,200
Total revenue from non-exchange transactions	73,768	39,200

Revenue from fines is recognised when the fine is collected. This revenue is recorded under sundry revenue in the statement of comprehensive revenue and expense. Fines are applied to the General Trust Fund at NZTR's discretion (note 8.4.2).

4. EXPENDITURE

NZTR reports its comprehensive revenue and expenses and financial position by function. The following tables outline the expense by nature within each function. Direct costs are charged to the function and indirect costs are allocated to functions based on cost drivers related to the activity or usage information. Depreciation is charged on the basis of asset utilisation. Employment costs are charged on the basis of actual time incurred.

There have been no changes to the cost allocation methodology since the date of the last audited financial statements.

4.1 Club payments (subsidies and prizemoney)

The expenses included in club payments	31 JULY 2018 \$	31 JULY 2017 \$
Prize money	56,153,326	50,766,915
Funding model	17,526,166	17,199,590
	73,679,492	67,966,505

Changes to the minimum prize money structure occurred towards the end of the 2016/17 season. The variance between last season and 2017-18 season is the annualised effect of raising prizes money to \$10,000 minimums.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

4.2 Other club and industry support payments

	31 JULY 2018 \$	31 JULY 2017 \$
The expenses included in other club payments		
St John Ambulance	337,409	321,835
Track & surface maintenance programme	186,965	133,268
Industry grants	235,444	271,320
Medical advisor	22,291	22,336
Animal welfare	89,245	19,299
Club Liability Insurance	125,757	98,685
Abandoned meeting costs	296,405	351,221
Rider concussion testing and helmets	91,935	82,120
NZRB Broadcast and Venue Services	3,241,652	3,033,734
Sectional timing	30,857	30,221
Other funding	17,679	16,602
Total other club and industry support payments	4,675,639	4,380,641

91% of the total funding received by NZTR has been returned to owners, clubs and other industry participants.

4.3 Property and central overheads

	31 JULY 2018 \$	31 JULY 2017 RESTATED \$
The expenses included in property and central overheads are:		
ACC Levy	21,719	23,032
Bank fees	48,423	47,905
Insurance	61,129	80,955
Equipment leases	10,523	7,202
Printing and postage	65,629	78,077
Rent and property expenses	180,455	169,276
Depreciation	48,740	44,768
Telephone	52,546	61,938
General expenses	62,950	139,437
Total property and central overheads	552,114	652,590

During the year the Cambridge satellite office moved from its leased premises to shared premises with Arion Pedigrees Limited.

4.4 Information Technology, networks & maintenance

	31 JULY 2018 \$	31 JULY 2017 \$
Information Technology infrastructure and network costs		
Amortisation	238,626	272,485
Depreciation	49,800	39,855
Maintenance and network cost	578,958	481,116
Total information technology	867,384	793,456

Up until 2017 NZTR shared an internal server with the NZRB. When this server was decommissioned NZTR moved its network infrastructure to a cloud based network.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

4.5 Special projects

The expenses included in special projects are:	31 JULY 2018 \$	31 JULY 2017 \$
Racing administration system review	76,401	-
NZTR website reskin	240,864	-
NZTR strategic programme	3,427	220,875
Total special projects	320,692	220,875

4.6 Other department costs

The expenses included in other department costs are:	31 JULY 2018 \$	31 JULY 2017 RESTATED \$
DNA typing and microchipping	190,162	240,275
Travel including motor vehicle expenses	134,703	199,434
Mobile telephones	8,526	14,743
Freephone number	7,056	6,615
Accommodation	46,596	80,836
Subscriptions	28,817	4,903
Conferences and committees	68,333	65,655
Stud book	3,691	8,942
Depreciation	30,173	4,740
General expenses	58,218	78,327
Total other department costs	576,275	704,470

4.7 Sundry costs

The expenses included in sundry costs are:	31 JULY 2018 \$	31 JULY 2017 RESTATED \$
Board member expenses	107,345	102,497
Board fees	210,633	174,063
Diligent board books	12,318	11,696
Legal fees	137,280	198,932
Audit fees	39,825	37,865
Bad debts expense	90,152	1,809
Raceday depreciation	26,433	26,433
Annual general meeting and club conference	5,845	10,000
General expenses	47,317	178,899
Total sundry costs	677,152	742,194

Audit fees of \$28,900 have been recognised for the audit by Deloitte Limited of NZTR's annual financial statements (2016/17 \$26,500). Audit fees of \$10,923 (2017 \$11,673) have been recognised for the audit by Deloitte Limited of the Apprentice Jockey Fund and the General Trust Fund annual financial statements.

Other services performed by Deloitte Limited during the period included the vote verification for the Horse of the Year Awards 2017-18 \$2,500 (2016/17 \$2,500).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

4.8 Infrastructure projects

The infrastructure projects reserve was set up in 2010/2011 to fund critical projects at strategic and significant venues. Clubs, communities, the NZRB and frequently the Racing Safety Development Fund ("RSDF"), co-invest in supported initiatives to share the costs of infrastructure projects.

Expenditure is recognised when it is incurred.

The following table illustrates the funding received and the investment made by NZTR to various venues.

	31 JULY 2018 \$	31 JULY 2017 \$
External funding for infrastructure projects was received from the following sources:		
New Zealand Racing Board gaming grant	325,771	20,000
Contributions from Clubs	62,455	-
Contributions to Waikato Greenfields Feasibility Study	67,086	-
	455,312	20,000
Infrastructure costs were incurred on the following projects:		
Earthquake assessments and venue surveys	-	85,134
Judicial towers & bird proof kits	5,190	18,598
Overhead gates and storage	110,016	14,825
Running rails, hurdles & tie ups	57,341	212,893
Remote controlled sirens	16,332	-
Southland racecourse development	-	26,100
Otaki Maori racecourse development	53,000	-
Te Aroha alternative jumps bend	-	5,000
Ellerslie racecourse development	175,800	-
Awapuni racecourse development	79,214	72,724
Oamaru racecourse development	-	25,000
Waikato Greenfield feasibility	80,595	-
Synthetic track reviews	34,220	-
Total infrastructure costs	606,708	460,274
Net expenditure to infrastructure projects	151,396	440,274

Allocation of the infrastructure projects reserve

The allocation to the infrastructure projects reserve is based on surpluses calculated as at balance date. The surplus less the investment made to infrastructure projects during the year is the movement in the infrastructure reserve, which forms part of NZTR's accumulated reserves.

	31 JULY 2018 \$	31 JULY 2017 RESTATED \$
Infrastructure projects reserve		
Opening balance	152,865	593,139
Transfer of infrastructure projects reserve	(151,396)	(440,274)
Closing balance of infrastructure projects reserve	1,469	152,865



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

5. OPERATING LEASES

An operating lease is a lease that does not substantially transfer all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

NZTR has one office lease:

- 106-110 Jackson Street, Petone, Wellington
Commencing 1 August 2015 with three years right of renewal and a final expiry date of 6 August 2023.

During the year the Cambridge office lease expired. The Cambridge team moved to a shared premise where the terms of the agreement expire 5 April 2019. The arrangement does not constitute a lease agreement.

The following commitments are based on the current lease terms.

	31 JULY 2018 \$	31 JULY 2017 \$
Lease on premises		
Up to 1 year	113,050	120,979
1 to 5 years	452,200	452,200
5+ years	1,549	114,599
Total minimum lease payments	566,799	687,778

There are no leases held by either the Apprentice Jockey Fund or the General Trust Fund.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis so as to allocate the cost of each asset over its expected useful life to its estimated residual value. Depreciation is recognised within the applicable function in the statement of comprehensive revenue and expense. The estimated useful life, residual values and depreciation methods are reviewed at the end of each period.

- Buildings 20.00%
- Office equipment 20.00%
- Motor vehicles 33.33%
- Computer hardware 33.33%
- Racecourse equipment 10.00%

Any gain or loss on disposal, which is calculated as the difference between the net proceeds from disposal and the carrying amount of the item, is recognised in the statement of comprehensive revenue and expense within the function holding the disposed asset.

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent, if any, of the impairment loss recognised in the statement of comprehensive revenue and expense.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

7. INTANGIBLE ASSETS

NZTR develops specialised software for its own use in the business. The cost of internally generated software comprises all directly attributable costs necessary to create and prepare the asset to be capable of operating in the manner intended by management.

Computer software and website development is a finite life intangible asset and is recorded at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over the estimated useful life of 3 or 5 years and is recognised within the statement of comprehensive revenue and expense.

Any gains or losses on disposal, which is calculated as the difference between the net proceeds from disposal and the carrying amount of the item, is recognised in the statement of comprehensive revenue and expense within IT infrastructure and network costs.

The carrying amounts of intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication of impairment exists, then the asset's recoverable amount is estimated to determine the extent of recognition in the statement of comprehensive revenue and expense.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

PROPERTY, PLANT AND EQUIPMENT AS AT 31 JULY 2018	BUILDINGS \$	OFFICE EQUIPMENT \$	MOTOR VEHICLES \$	COMPUTER HARDWARE \$	RACECOURSE EQUIPMENT \$	WORK IN PROGRESS \$	INTANGIBLES \$	31 JULY 2018 TOTAL \$
Cost								
Balance at 1 August 2017	45,000	610,954	173,277	903,410	197,430	65,552	4,360,768	6,356,391
Additions	-	47,422	-	21,033	-	-	128,056	196,511
Adjustments (WIP)	-	-	-	-	-	(65,552)	-	(65,552)
Disposals	-	(50,909)	-	-	-	-	(6,176)	(57,085)
Balance at 31 July 2018	45,000	607,467	173,277	924,443	197,430	-	4,482,648	6,430,265
Accumulated depreciation								
Balance at 1 August 2017	27,000	493,463	87,496	802,509	153,142	-	3,981,898	5,545,508
Depreciation expense for the year	9,000	39,740	30,174	49,810	26,433	-	238,626	393,783
Disposals	-	(48,760)	-	-	-	-	-	(48,760)
Balance at 31 July 2018	36,000	484,443	117,670	852,319	179,575	-	4,220,524	5,890,531
Net book value								
Balance at 31 July 2018	9,000	123,024	55,607	72,124	17,855	-	262,124	539,734
PROPERTY, PLANT AND EQUIPMENT AS AT 31 JULY 2017								
	BUILDINGS \$	OFFICE EQUIPMENT \$	MOTOR VEHICLES \$	COMPUTER HARDWARE \$	RACECOURSE EQUIPMENT \$	WORK IN PROGRESS \$	INTANGIBLES \$	31 JULY 2017 TOTAL \$
Cost								
Balance at 1 August 2016	45,000	505,010	82,756	820,901	197,430	26,248	4,325,568	6,002,913
Additions	-	105,944	90,521	82,509	-	80,240	35,200	394,414
Adjustments (WIP)	-	-	-	-	-	(40,936)	-	(40,936)
Disposals	-	-	-	-	-	-	-	-
Balance at 31 July 2017	45,000	610,954	173,277	903,410	197,430	65,552	4,360,768	6,356,391
Accumulated depreciation								
Balance at 1 August 2016	18,000	457,695	82,756	762,654	126,709	-	3,709,413	5,157,227
Depreciation expense for the year	9,000	35,768	4,740	39,855	26,433	-	272,485	388,281
Balance at 31 July 2017	27,000	493,463	87,496	802,509	153,142	-	3,981,898	5,545,508
Net book value								
Balance at 31 July 2017	18,000	117,491	85,781	100,901	44,288	65,552	378,870	810,883



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

8. RELATED PARTY TRANSACTIONS

As part of its normal operations, NZTR transacts with thoroughbred racing clubs and thoroughbred kindred bodies across New Zealand. These transactions include receipt of levies, prize money, and other fees and the administration of the NZRB distribution to the NZTR code.

8.1 Board

All members of NZTR's Board (or their immediate families) may have interests in thoroughbred racing in New Zealand through ownership, breeding or training. All members of the Board may race horses and be eligible for prize money from thoroughbred racing clubs.

In accordance with NZTR's Constitution a person is not eligible for appointment to the NZTR's Board if they are a licensee as per the NZTR Rules of Racing, or a member of the Members' Council, or a trustee of a gaming trust, or a member of a committee or an employee of a club, racing association or any of the racing codes.

In the financial year, no services were purchased by NZTR from businesses owned or operated by NZTR Board members.

8.2 Board members and key management personnel

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of NZTR. In addition to the members of the NZTR Board, the following employed positions are considered key management personnel and form the executive team:

- Chief Executive
- Company Secretary and General Counsel
- General Manager, Finance and Business Services
- General Manager, Customer
- General Manager, Racing and Animal Welfare

During the financial year NZTR restructured the Senior Executive Team which resulted in two positions being disestablished; Deputy Chief Executive and General Manager Commercial Strategy. A new role, General Manager Customer replaced the GM Marketing and Communications position and also joined the Senior Executive Team.

The salaries and other short-term employee entitlements include the salaries received and accrued for all employees of the executive team.

As at 31 July 2018, the NZTR Board comprised six members (2017: 6 members).

The remuneration of Board members and other key management personnel during the financial year were as follows:

	31 JULY 2018	31 JULY 2017
	\$	\$
Board members' fees	210,636	174,063
Salaries and other short-term employee benefits	1,268,044	1,370,528
Total Board members and key management personnel	1,478,680	1,544,591

8.3 Racing Integrity Unit

NZTR owns 25% of the Racing Integrity Unit (RIU) and, therefore has the ability to appoint a director to its Board. The RIU has been set up where each code will fund their share of the RIU's operating expenses on a cost recovery basis. This means the RIU has been set up as an independent vehicle that is funded via the codes with no intention to generate any profit. Therefore, in line with PBE IPSAS 7: Investment in Associates, all initial start-up funding provided by NZTR to RIU was expensed and all ongoing costs are funded from the NZRB distribution to codes. This is on a basis that any equity accounting would not be material as there is no investment value to capitalise, nor any share of any profits.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

8.4 Other related parties

NZTR entered into transactions during the period with the following related parties:

8.4.1 Apprentice Jockeys' Fund

The Apprentice Jockeys' Fund (AJF) was established under Rule 1310 of the Rules of Racing and is controlled by two trustees, the NZTR Chairman and Chief Executive. The purpose of the fund is to "hold in trust income earned from an apprentice jockey until such time as they finish their apprenticeship. The aim is for an apprentice to finish their apprenticeship with financial backing to ensure they are suitably funded when they become a self-employed jockey". Payments to apprentice jockeys are made during the term of their apprenticeship for living costs and additional riding costs not covered by their employer.

Revenue and expenditure recognised through the statement of comprehensive revenue and expenditure mainly consists of interest received, bank fees, audit services and interest expense.

8.4.2 General Trust Fund

The General Trust Fund (GTF) was established under Rule 1301 of the Rules of Racing to financially support licensees when they become injured as a result of an accident while carrying out duties in their capacity as a licensee or, in some instances, where serious illness prevents their ability to carry out duties in their capacity as a licensee. NZTR provides funding to support the GTF, including a pass through of all fines paid to NZTR.

Revenue and expenditure recognised through the statement of comprehensive revenue and expenditure mainly consists of donations and interest received, bank fees, audit services and grants disbursed to licensed persons.

8.4.3 New Zealand Equine Education Trust (NZEET)

The New Zealand Equine Education Trust is a private training establishment providing training and education to apprentice jockeys. NZTR contributes funding towards the administration costs of the NZEET.

8.4.4 New Zealand thoroughbred racing clubs

While thoroughbred racing clubs are not related parties by interpretation of accounting standards, it is acknowledged that NZTR has provided loans and advances to thoroughbred racing clubs during the year. Details relating to the terms and outstanding balances of club loans are disclosed in note 2.3.

8.4.5 The New Zealand Racing Board (NZRB)

The New Zealand Racing Board is a statutory body established under the Racing Act 2003. Its primary purpose is to promote and enhance the racing industry, run a profitable betting business and generate long-term profits for the benefit of, and distribution to, the racing industry. The NZRB charges NZTR with associated industry operating costs such as telephone, IT, property costs, broadcast services and venue services. The NZRB calculates interest on the distribution account on a monthly basis, which is either payable to or receivable by NZTR.

8.4.6 The Races Limited Partnership (TRLP)

During the financial year ended 31 July 2017 NZTR, in partnership with Harness Racing New Zealand, established a 50/50 partnership named The Races Limited Partnership, for the acquisition of the Event Management Logistic business unit of the NZRB. Acquisition and operational activity under TRLP commences 1 August 2017. TRLP's operational activity will continue to deliver services to racing clubs to support the marketing and management of events on course for the improvement of customer experience. Funding for the activities of TRLP has been secured through a three-year agreement with the NZRB, partial cost recovery from racing clubs and application of gaming funds as appropriate to the gaming fund policy. TRLP is not intended to return a profit. The surplus position as at 31 July 2018 is \$105,460. NZTR's share is \$52,730. The surplus has been reinvested into TRLP for the following season.

As the share in TRLP is not material there is no investment value to capitalise, nor any share of any profits recognised in the accounts of NZTR.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

9. INSURANCE AND INDEMNITIES

NZTR provides Board member and officers' liability, statutory liability and professional indemnity insurance cover in respect of liability for losses or costs being incurred by a member of the Board or an employee of NZTR in the course of their duties to NZTR. NZTR indemnifies employees in respect of liability for loss or costs they incur in the course of their duties to NZTR provided that they have acted in good faith and in accordance with internal processes and practices.

NZTR holds a suite of liability insurance products on behalf of racing clubs. These include professional indemnity, internet liability, crime liability, employment disputes, legal prosecution defence, general liability, statutory liability, employers' liability and associations' liability insurances. Clubs are advised to maintain their own insurance over property, plant and equipment.

10. EMPLOYEE REMUNERATION AND ENTITLEMENTS

Provision is made for entitlements accruing to employees in respect of wages and salaries, annual leave and retirement entitlements when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee entitlements expected to be settled within twelve months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

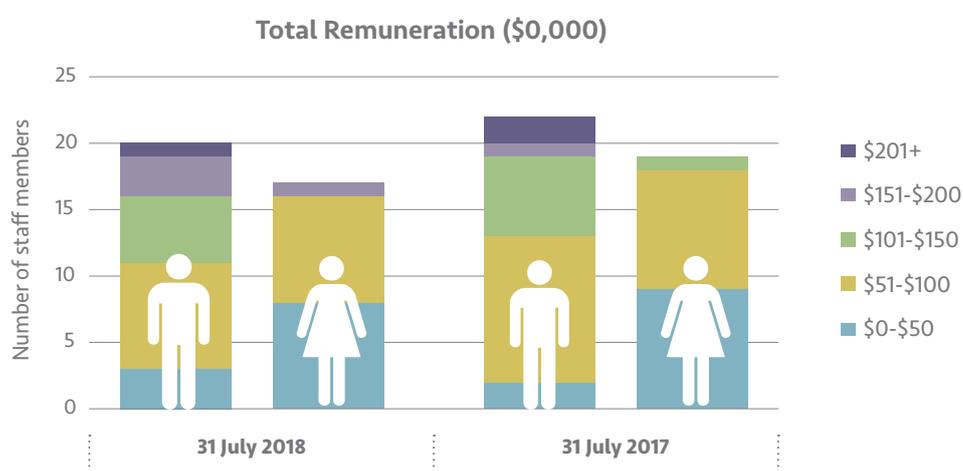
	31 JULY 2018 \$	31 JULY 2017 \$
Annual leave	163,002	173,948
Accrued remuneration and entitlements	36,564	151,141
Total employee entitlements	199,566	325,089

As at balance date there were 37 permanent or fixed term staff members employed by NZTR (2017: 41).

There were two employees engaged on fixed term contracts due to expire during the 2018/19 season and one employee on a maternity leave contract.

As at 31 July 2018 there were two unfilled positions (2017: Nil)

	31 JULY 2018			31 JULY 2017		
	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE
Petone head office	28	15	13	34	18	16
Cambridge satellite office	4	2	2	3	-	3
In field	5	3	2	4	4	-
	37	20	17	41	22	19



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

11. CONTINGENT LIABILITIES

11.1 Infrastructure reserve contractual agreements

There are two contracts entered with a small committed undistributed funding in of \$12,540. (2017: Nil).

11.2 Loan guarantees

Where NZTR has entered into financial guarantee contracts to guarantee the indebtedness of third party entities, a liability is recognised when it becomes probable that NZTR will be required to make a payment under the guarantee. If it becomes probable, NZTR will recognise an expense and corresponding liability based on estimates of future cash flows under the contract. At the end of each reporting period NZTR assesses whether its recognised liability is adequate in comparison to the estimates of future cash flows under the contract. If that assessment shows that the carrying amount of the liability is inadequate, then the entire deficiency is recognised in the statement of comprehensive revenue and expense.

On 5 January 2009, the New Zealand Racing Board (NZRB) provided a guarantee to the Bank of New Zealand in relation to racing at Awapuni, Otaki and Trentham Combined Enterprises Incorporated (RACE) to the value of \$8,820,000. In 2014 the NZRB renewed a loan of \$3,000,000 to RACE Inc. All loans were secured by mortgages over RACE property.

At 31 July 2017 the balances of the two loans were \$4,560,420 and \$2,756,369 respectively (2017: \$3,621,500 and 2,927,712). NZTR has provided a back-to-back guarantee to the NZRB to cover the amounts guaranteed to the Bank of New Zealand and amounts loaned by the NZRB.

As NZTR believes the value of the security provided by RACE is greater than the loan amounts outstanding, no value has been ascribed to this guarantee.

12. CAPITAL COMMITMENTS

There are no capital commitments that will materially affect the financial statements (2017: Nil)

13. SUBSEQUENT EVENTS

Subsequent to balance date the Hawkes Bay Racing Incorporation early repaid the loan held for \$434,391.

There were no other material events that would affect the financial statements (2017:Nil).



THOROUGHBRED VENUES

& meetings held 2017-18



ACKNOWLEDGEMENTS

The Board and Management wish to record their appreciation of the co-operation and assistance they have received during the 2017-18 season from the following people and organisations:

The Rt Honourable Winston Peters, Minister for Racing,
and Honourable David Bennett, the former Minister for Racing

The Office of The Minister for Racing

The New Zealand Racing Board

Harness Racing New Zealand

Greyhound Racing New Zealand

Department of Internal Affairs

The Judicial Control Authority

Accident Compensation Corporation

Equine Branch, New Zealand Veterinary Association

Environmental Science and Research Ltd

Massey Foundation

Massey University

New Zealand Equine Health Association

New Zealand Equine Research Foundation

New Zealand Jockeys' Association

New Zealand Jumps Inc.

New Zealand Police

New Zealand Qualifications Authority

New Zealand Racing Laboratory Services Ltd

New Zealand Salvation Army

New Zealand Thoroughbred Breeders' Association

New Zealand Thoroughbred Marketing Ltd

New Zealand Thoroughbred Racehorse Owners' Federation

New Zealand Trainers' Association

Primary Industry Training Organisation

Racing Club Committees, Managers and Staff

Racing Integrity Unit

Racing Journalists and Broadcasters

Tertiary Education Commission

WorkSafe New Zealand

Photography:

Race Images Ltd www.raceimages.co.nz

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