



**NEW ZEALAND
THOROUGHBRED
RACING
2011-12
ANNUAL REPORT**

2011-12 GROUP 1 WINNERS

Two-Year-Olds

1. 10/03/12 Auckland RC **HAUNUI FARM DIAMOND STAKES WARHORSE**
2. 31/3/12 Manawatu RC **THE OAKS STUD STALLIONS MANAWATU SIRES' PRODUCE STAKES CHOICE BRO**

Three Year Olds

3. 05/11/11 Canterbury Racing – Canterbury JC **SOTHYS 39th NEW ZEALAND 2000 GUINEAS ROCK 'N' POP**
4. 12/11/11 Canterbury Racing – Canterbury JC **NEW ZEALAND BLOODSTOCK 39th 1000 GUINEAS PLANET ROCK**
5. 25/11/11 Levin RC **LEVIN CLASSIC DISTILL**
6. 03/03/12 Auckland RC **TELECOM NEW ZEALAND DERBY SILENT ACHIEVER**
7. 17/03/12 Wellington RC **WELLFIELD NEW ZEALAND OAKS GROUP 1 ARTISTIC**

Weight-For-Age (WFA) and Handicaps (HCP)

8. 27/08/11 Hawke's Bay RI **MAKFI CHALLENGE STAKES MUFHASA**
9. 17/09/11 Hawke's Bay RI **WINDSOR PARK PLATE JIMMY CHOUX**
10. 01/10/11 Hawke's Bay RI **NEW ZEALAND BLOODSTOCK INSURANCE SPRING CLASSIC JIMMY CHOUX**
11. 03/12/11 Wellington RC **WESTBURY STUD CAPTAIN COOK STAKES MUFHASA**
12. 26/12/11 Auckland RC **ZABEEL CLASSIC SHEZ SINSATIONAL**
13. 01/01/12 Auckland RC **BLANDFORD LODGE RAILWAY STAKES ATOMIC FORCE**
14. 21/01/12 Wellington RC **J & N BERKETT TELEGRAPH HANDICAP GUISEPPINA**
15. 28/01/12 Wellington RC **HARCOURTS THORNDON MILE SAY NO MORE**
16. 11/02/12 Waikato RC **DARCI BRAHMA INTERNATIONAL STAKES SHEZ SINSATIONAL**
17. 11/02/12 Waikato RC **WAIKATO DRAUGHT SPRINT VEYRON**
18. 25/02/12 Otaki-Maori RC **HAUNUI FARM GROUP ONE WFA CLASSIC VEYRON**
19. 07/03/12 Auckland RC **STELLA ARTOIS AUCKLAND CUP SHEZ SINSATIONAL**
20. 10/03/12 Auckland RC **LINDAUER NEW ZEALAND STAKES SCARLETT LADY**
21. 14/04/12 Auckland RC **MANCO EASTER HANDICAP VEYRON**

Fillies and Mares (WFA and HCP)

22. 07/04/12 Racing Te Aroha **FIBER FRESH GROUP NZ THOROUGHBRED BREEDERS STAKES SAY NO MORE**



New Zealand Thoroughbred Racing Incorporated
106-110 Jackson Street, Petone, Wellington 5012, New Zealand
PO Box 38 386, Wellington Mail Centre 5045, New Zealand

Telephone: +64 4 576 6240 Facsimile: +64 4 568 8866
Email: office@nzracing.co.nz Website: www.nzracing.co.nz

CONTENTS

Board of Directors 2

Our Governance 4

Board Committees 5

Our Statutory Role 6

NZTR Team 7

Employees and Remuneration 8

Chairman's Statement 9

Chief Executive's Report 17

Acknowledgements 27

Financial Statements 28

Notes to the Financial Statements 32

Audit Report 42

BOARD OF DIRECTORS OF NEW ZEALAND THOROUGHBRED RACING INCORPORATED

Matthew Goodson (Chairman), from Auckland, is Equities Portfolio Manager at BT Asset Management. He has 19 years of investment experience in NZ and New York at firms such as First NZ Capital and Goldman Sachs JB Were. He is a Director of Goodson & Perron Bloodstock Ltd, an operation involved in breeding and racing. Matthew has a Masters of Commerce and Administration (Economics, First Class Honours), a BA in Economics and is a Chartered Financial Analyst.

Joe Walls (Deputy Chairman), from Auckland, has been selling bloodstock for over 40 years. He is currently Chairman of NZ Bloodstock and has held that role since 2006. He has been Chair and CEO of NZ Thoroughbred Marketing and before that was a Director of Wrightson Bloodstock for 14 years. He has been a breeder, owner and seller of thoroughbreds for the past three decades.

Greg McCarthy (NZTR Nominee to the Board of the New Zealand Racing Board), from Cambridge, is a director of Sutton McCarthy Limited, a consultancy that provides strategic, financial and treasury advice to corporate and other clients. A Chartered Accountant, Greg is a director of Innova Products Limited, Spring Creek Estate Limited and Rangatira Forests Limited. He has been active in the thoroughbred industry for more than 20 years as a breeder and owner. He has a BCA in Accounting, Economics and Commercial Law. He also holds a Graduate Diploma in Rural Studies.

John Stace, from Hawke's Bay, built a career in the financial services sector in the City of London. He founded Stace Barr Ltd which in the 1990's was one of Lloyd's of London's largest capital providers. He was the first CEO of listed public company Angerstein Underwriting Trust, now Amlin plc one of Lloyd's largest insurers. He was Deputy Chairman of Lloyd's in the mid 1990's at the time of its reconstruction. He served on both Lloyd's Market Board and Lloyd's Regulatory Board. Since arriving back in New Zealand in 2005 he has served on the Board of Genesis Energy and as Chairman of Methodware. Today he serves on the Boards of Equestrian Sports of NZ, 3R and Triplejump Limited.

Des Friedrich, from New Plymouth, is an experienced Racing administrator. He has spent 33 years working in the racing industry in New Zealand and in Australia. He is a Director and General Manager for Tuscany Construction NZ Ltd, which is the licensee for Platinum Homes. He served for seven years as an Executive Director on the Australian Racing Board while CEO of the racing industry in the Northern Territory of Australia and was Chief Executive of Hawkes Bay Racing from 1988 to 1996.

Ben Nettleton, from Invercargill, is a Barrister and Solicitor. He graduated from the University of Otago with a Bachelor of Laws and Bachelor of Commerce in 2009. Following admission to the Bar, he worked for a Queens Counsel before joining French Burt Partners Law Firm in July 2010. He previously worked as a journalist, and radio broadcaster/producer, and in television within the production team of Trackside TV. He is a member of the New Zealand Institute of Directors and is involved with a number of commercial boards and non-profit organisations.





Back row from left to right: John Stace, Greg McCarthy, Des Friedrich and Ben Nettleton

Sitting from left to right: Joe Walls and Matthew Goodson

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.

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).

New Zealand Thoroughbred Racing underwent a Governance review in 2010-11 to ensure it had the right governance model and Board structure with appropriate skills and capabilities.

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

Matthew Goodson (Chairman)

Joe Walls (Deputy Chairman)

Greg McCarthy (NZTR Nominee to the Board of the New Zealand Racing Board)

John Stace

Des Friedrich

Ben Nettleton

At the New Zealand Thoroughbred Racing AGM on 15 December 2010, thoroughbred racing clubs throughout New Zealand agreed to support the process of selection of a new independent Board to run New Zealand Thoroughbred Racing. A Members' Council was elected and charged with responsibility for all aspects of the appointment of six independent Directors.

Representatives from the three regions (Northern, Central and Southern) along with a representative from the trainers', owners' and breeders' sector were then elected.

Appointments to the Members' Council are for three year terms and for a maximum of three terms, that is, an initial term and two further terms of three years each.

A Board of ten Directors, elected on a regional and sector basis, was replaced by six appointed, independent directors.

The new Board held its first meeting on 25 May 2011.

Appointments to the Board are for three year terms and for a maximum of three terms, that is, an initial term and two further terms of three years each.

The Board met 13 times in 2011-12. The Board met with the Members' Council twice in 2011-12.

Two directors resigned in 2011-12: Con Anastasiou and Dean McKenzie.

Board Meeting Attendance 2011 – 2012	Total
Matthew Goodson	13
Joe Walls	13
Greg McCarthy	13
John Stace	10
Des Friedrich (<i>appointed January 2012</i>)	7
Ben Nettleton (<i>appointed June 2012</i>)	1
Con Anastasiou (<i>resigned April 2011</i>)	7
Dean McKenzie (<i>resigned November 2011</i>)	4

NZTR BOARD PERMANENT COMMITTEES

The Board is supported by three permanent committees as follows:

The Audit and Risk Committee¹ consists of three persons appointed by the Board. All Directors may attend meetings of the Committee. The Committee met 6 times in 2011-12.

Chairman: Greg McCarthy

Members: Matthew Goodson and Des Friedrich

Attendee: Greg Purcell

Secretary: Simon Lang

Resigned 2011-12: Dean McKenzie and Con Anastasiou

The Appointments and Remuneration Committee

consists of three persons appointed by the Board. The Committee met 7 times in 2011-12.

Chairman: John Stace

Members: Matthew Goodson and Joe Walls

Attendee: Greg Purcell

Secretary: Deborah Bragger

The Integrity Committee consists of one Director and one independent person appointed by the Board, and the Chief Executive. The Committee met 7 times in 2011-12.

Chairman: Peter Hutt

Members: John Stace and Greg Purcell

Attendee: Ross Neal

Secretary: Simon Cooper

Resigned 2011-12: Con Anastasiou

NOTES:

1. NZTR Board Charter: *All Directors may attend meetings of the Committee.*
2. Rule 1305 (1): *NZTR shall appoint, from time to time, three persons who shall act as the General Trustees of the General Trust Fund.*
3. Rule 1311 (1): *The Chief Executive and the Chairperson of the Board shall be the Trustees of the Apprentice Jockeys' Fund.*
4. Rule 506 (1): *appointed jointly by NZTR and the NZTBA*

OTHER BOARDS, COMMITTEES AND TRUSTS WITH NZTR APPOINTEES

Training and Development

Chairman: Peter Hutt

Members: Ross Neal, Will Harnett, Deborah Bragger

Attendee: Greg Purcell

Secretary: Deborah Bragger

Resigned 2011-12: Tommy Hazlett

General Trust Fund²

Chairman: Keith Neylon

Trustees: John Rattray, Colin Jenkins

Secretary: Simon Lang

Apprentice Jockeys' Fund³

Trustees: Matthew Goodson, Greg Purcell

Secretary: Simon Lang

New Zealand Pattern Committee⁴

Chairman: Chas Amon

Members: Russell Warwick (NZTR), Jeff McCall (NZTR), Tom Jamison (NZTR), Stephen Till, Michael Martin, Andrew Stewart, Andrew Seabrook

Secretary: David Jewell

Resigned 2011-12: Nick Wigley

Racing Integrity Unit

Chairman: Kerry Hoggard (HRNZ)

Directors: Peter Hutt (NZTR), Mauro Barsi (NZGRA)

Resigned 2011-12: Michael Stiasny, John McArthur and Pat O'Brien

Judicial Control Authority

Chairperson: Kristy McDonald QC

Directors: Neville Harris (NZTR), Garry Thompson (HRNZ), Peter Smith (HRNZ), Rob Robinson (NZGRA), Kevin Brady (NZGRA)

Resigned 2011-12: Tim Slack

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:

1. Receive and allocate Racing Board Distributions to the Thoroughbred Code
2. Regulate the Conduct of Thoroughbred Racing
3. Set Objectives and Demonstrate Accountability
4. Participate in the Racing Board's Governance and Decision Making

Receive and allocate Racing Board Distributions to the Thoroughbred Code	<ul style="list-style-type: none"> (a) Receive distributions paid to the code by the Board under Section 16 (Section 17) (b) Determine how much of those distributions must be distributed among registered racing clubs, and apportion and pay those amounts (Section 25)
Regulate the Conduct of Thoroughbred Racing	<ul style="list-style-type: none"> (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)
Set Objectives and Demonstrate Accountability	<ul style="list-style-type: none"> (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)
Participate in the Racing Board's Governance and Decision Making	<ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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)

NZTR TEAM

Board Of Directors

Matthew Goodson (Chairman)

Joe Walls (Deputy Chairman)

Des Friedrich

Greg McCarthy

Ben Nettleton

John Stace

Chief Executive

Greg Purcell

Senior Managers

Simon Cooper – Company Secretary

David Jewell – Racing and Operations

Campbell Moncur – Finance and IT

Deborah Bragger – HR Manager

Strategic Analyst

Tony Severinsen

Racing Services Manager

Ross Gove

National Racing Bureau

Cheryle Barnsley

Donna Cameron

Rachel Dalley

Tim Lambert

George Strickland

Aimee Swain

Handicapping

Dean Nowell

Brett Scelly

IT

Stuart Duggan

Georg Magerl

Website Administrator

James Preston

Thoroughbred Racing Monthly and Publications

Allan Child

Licensing

Matthew Barnsley

Apprentice Jockey Mentor

Will Harnett

Finance

Simon Lang

Lucky Bryce

Finance and Administration Assistant

Amanda Fensom

Owners Settlement Account

Christine Young

Operations (Stud Book and Registrations)

Julie Walker

Natasha Freeman

Vaine Strickland

Gemma Fauvel

National Venue Inspector

Garry Foskett

Apprentice Academy Directors

Sally Waters

Pip Howells

Sarah Malone

Kristie Hill

National Jumps Co-Ordinator

Andre Klein



Back row from left to right: Simon Cooper, David Jewell and Campbell Moncur

Sitting from left to right: Greg Purcell and Deborah Bragger

EMPLOYEES AND REMUNERATION

Salaried Full time staff

	07/2008	07/2009	07/2010	07/2011	07/2012
Internal	27	25	24	25	27
Field	14	14	12	2	4
Total	41	39	36	27	31

Total Remuneration (\$'000)

	07/2008	07/2009	07/2010	07/2011	07/2012
0 - 50	17	14	13	15	16
51 - 100	18	20	18	8	10
101 - 150	4	4	4	3	3
151 - 200	1	1	0	0	1
201+	1	0	1	1	1
Total	41	39	36	27	31

CHAIRMAN'S STATEMENT



It is my pleasure to present the Annual Report for 2011-12. We can reflect on both a superb season of racing on the track coupled with a financial position and outlook that is considerably brighter than 12 months ago. The Board's focus has increasingly moved from dealing with immediate issues to driving and balancing the three key long term objectives of sustainably higher prizemoney; spending on high priority infrastructure; and marketing our sport to drive participant growth.

Challenges and Responses in 2011/12

The Board took office in late May 2011 at a time of declining revenues and a very difficult economic climate. Stakes fell in 2009/10 and sharp reductions had been necessary in January 2011 when it became clear that previously forecast growth in NZRB distributions had in fact gone into reverse. "Free racing" and other payments were cut and then discontinued. Clubs also saw reductions across their non-racing revenue including hospitality, sponsorship and gaming grant funding.

Given this, the Board urgently needed to confront the immediate issues, to put in place a robust longer term strategic plan and to establish a funding policy and calendar for the last five months of the 2011-12 season.

The initial dilemma was how to put in place a racing structure that was consistent with horse numbers while delivering urgently needed stakes increases. The solution was the landmark Inter-code Agreement reached in July 2011 and which runs for four years with annual reviews. This Agreement has two elements that are critical for NZTR.

The first is a high degree of downside protection regarding the amount of the NZRB distribution to us, and in the (now unlikely) event that future reductions may prove necessary, far greater advance notice of such reductions than had been the case in the past. This gives us confidence that the emergency belt-tightening of January 2011 will not be repeated.

The second element is that NZTR agreed to race on every Monday and on some Tuesdays from 5 March 2012. In return for this, we are paid above our domestic market share percentage as defined by Section 16 of the Racing Act. This recognises the extra costs of holding more meetings; the money HRNZ saves by holding fewer

meetings with more races; and most importantly, the upside for overall wagering due to the most popular code holding more meetings across the week.

Our analysis showed that races prior to 12.00pm and some non-summer Sundays generated very poor wagering turnover and that the new Monday meetings could therefore be formed from these races. NZTR also identified Monday as a day with fewer Australian meetings, with this potentially allowing more favourable placement in the Australian broadcast schedule.

I am pleased to report that key indicators such as field size, market share and wagering turnover have generally moved favourably since Monday racing began. The period from 5 March – 31 July saw domestic turnover grow by 5.2% versus the same period in 2010/11 whereas the season up to that point had seen wagering shrink by 4.2%. Wagering on international racing grew by 11.9% compared to its prior 4.4% growth rate.

While it is clear that Monday racing has seen more participants tune into all wagering across the week, we acknowledge that other factors such as the introduction of fixed odds place betting, improved NZRB customer relationship management, changes in the racing schedule and changing economic conditions have also impacted favourably over the period.

As part of the Inter-code Agreement, NZTR also agreed to a limited schedule of spring/autumn Tuesday meetings to meet the NZRB's international commitments. These have performed only adequately. In combination with negotiations around race start times, NZTR will run three less Tuesdays than originally planned in FY13, with the 23 races being redistributed to Saturdays.

Monday racing is not “the answer” to the fundamental repositioning of the NZ racing industry. While it has provided greater choice of where and when to race, it has also placed greater demands on industry participants. However, it has worked very well in being the catalyst to meet the critical short term needs for funding certainty and for higher prizemoney. This has allowed NZTR minimum stakes funding to rise from \$41.9m in 2010/11 to \$44.4m in the 2011/12 and a projected \$47.5m in 2012/13.

A final element to the Inter-Code Agreement is that each code's payments require it to meet various product supply criteria. In the 2011/12 season, the key criterion was average field size. NZTR's average of 10.59 was below the NZRB-driven target of 10.80 but was the closest to target of any of the codes. A number of elements are being reviewed to recognise that while field size is important, actually conducting the targeted number of meetings/races and minimising the number of fields below eight are also vital. NZTR is confident that sufficient races with sufficient field sizes will be conducted to meet our targets in the 2012/13 season.



Dunstan Trainer of the Year John Sargent receiving his award with wife Susie, daughter Lucy and son Jack

CLAUDELANDS

A modest component of the funding for the stakes increases in March 2012 came from the removal of the last vestige of free racing that was in place when our Board took office – namely, reimposing a \$50 nomination fee for maiden and rating 65 races. We have debated this fee at length and its removal from all maiden and rating 65 races would cost \$1.4m, with a further cost in maintaining relativity with higher rated races. We have listened to stakeholder feedback and removal of the fee will be a priority when we have sufficient confidence in our funding position to make the removal permanent. It is possible that this point may be reached during the 2012/13 season.

Pattern Racing

The future of NZ Pattern racing is now secure. The Asian Pattern Committee requires all Asian Racing Federation members to adhere to guidelines based primarily on the international ratings for the first four place-getters in a race for that race to be rated as Group One, Two or Three. At this time last year, we were deeply concerned that NZ races, especially at three-year-old level, were receiving unduly low international ratings, with their pattern status therefore being at considerable risk.

I am pleased to report that NZTR is now less concerned with the international ratings assessments of NZ horses. As highlighted by the report of the NZ Pattern Committee, it is likely that the status of a considerable number of individual races may change over the next 4-5 years to better reflect the merits of the horses contesting them, with the strong probability of some downgrading of our handicap racing and upgrading of our three-year-old and fillies and mares events. As per the NZ Pattern Committee report, there may also be some opportunity for NZTR to pro-actively reassess the position of some races in the pattern.

Other Business Improvement Initiatives

NZTR has worked hard in conjunction with key stakeholders on a wide range of initiatives over 2011/12 that will continue on into 2012/13. These are described further in the CE's report but strong progress has been made with the proposal to bring together a collective insurance agreement, the lowering of ACC levies and a united industry approach in the face of potential threats to the ability to apply for gaming grants.

Considerable work has been carried out but less progress has been made to date on rectifying inconsistencies within the Rules of Racing that were identified by the previous NZTR Board relating to the payment of race stakes percentages to trainers and jockeys and to the long-standing practice of NZTR (on behalf of Clubs) paying stakes in three components, directly to owners, trainers and jockeys.

In early 2011, NZTR consulted with stakeholders on proposed changes to the Rules. These changes were intended to recognize the important services provided by trainers and riders to Clubs; resolve ambiguities and contradictions within the Rules; better reflect actual practice; and align NZ with the equivalent rules in Australia.

Prior to implementing these changes, the previous NZTR Board prudently sought a binding ruling from Inland Revenue confirming the GST consequences of the proposed changes – being NZTR on behalf of Clubs could recover all GST added to trainer and rider payments. Unfortunately, Inland Revenue has adopted a contrary position. NZTR remains committed to proceeding with these rule changes and to operating in accordance with the law and the Rules of Racing. It is likely NZTR will seek to have the matter resolved by a court before implementation can be completed. We are actively considering the most effective way to proceed.

Our People and Our Horses

The welfare of our horses is critical to the health of our industry. NZTR has historically lacked a comprehensive set of welfare policies and procedures. To resolve this, the Board has approved in principle the formation of a thoroughbred rehabilitation organisation. We have also adopted the International Group of Specialist Racing Veterinarians' "Welfare Guidelines for Horse-racing" to provide a formal measure of acceptable welfare standards. Finally, we are considering some Rule amendments aimed at strengthening Rule 417 'Notification on Horse's Death' and a proposed new Rule for notification of horses leaving racing and breeding.

NZTR also recognises the importance of providing careers for all those working in the thoroughbred industry, including the facility for skills to be formally recognised and improved. The former Equine Industry Training Organisation (EqITO) lacked scale and did not provide a recognised framework of training and qualifications for all areas of our industry. The EqITO has now been merged into the much larger Agriculture Industry Training Organisation (AgITO) and formal qualification pathways are in place for all areas such as apprentice jockeys, stable hands, stable managers, racecourse managers and track-work riders.

NZTR has made it a mandatory licensing requirement that all new stable hands licensees complete a 'Limited Credit Programme' of 20 credits out of the 100 credit Level 3 Stable Procedures Certificate qualification. This will ensure a basic level of competency and knowledge.

Race Club Performance and Status

In 2011-12, 63 different clubs conducted thoroughbred racing at 49 different venues. As one might expect from such a spread, there is a wide variety of operational and financial performance. NZTR has introduced standardised race meeting templates which have already provided extremely useful information to address operational and financial inefficiencies. We will look to utilize this information to refine the funding model to ensure it fairly and appropriately incentivises clubs for each race day category.

In the 2012-13 Funding Policy, NZTR has incorporated a modest race-day support payment of \$3,500 for 'strategic' and \$1,500 for 'significant' venues. This reflects the higher standards expected of these venues and the higher costs that go with that. The categorisation of venues has been based on a detailed score-sheet incorporating factors such as turnover, starters trained, proximity to horse population, proximity to customers and other factors.

Our focus is to gradually move the calendar to concentrate racing at key venues to spread the cost of their infrastructure and professional management, while ensuring that smaller volunteer-based clubs have an amount of racing that they are able to handle. In broad terms, the intention is to have more 10+ meeting venues, more 1-2 meeting venues and fewer 3-9 meeting venues.

Avondale's future is central to any wider decisions in the Northern Region. The Avondale Jockey Club has met a series of conditions previously set out by NZTR and has resumed trials and racing after a gap of two years. The AJC is working positively on a spatial plan, which will aim to realise some of the considerable value inherent in the site and ensure the venue's long term financial viability.

Infrastructure

During the 2011-12 season NZTR has, on behalf of the industry, co-ordinated and part-funded the purchase of 17 new judicial towers; replacement of all pipe running rails at eight venues with new Simtrack running rails; two new sets of hurdles – Te Rapa and Riccarton; and a plastic running rail for Ellerslie (post 1 August).



NZTR funding of \$716k was supported by gaming grants and money from the Racing Minister's Racing Safety Development Fund, which plays a very important role in providing funding for racing club infrastructure projects.

NZTR has developed a clear Infrastructure Policy, which will be supported by the establishment of a NZTR Infrastructure Fund, funded annually from Board-approved allocations from NZTR surpluses. This Policy aims to co-fund the highest priority projects in the highest priority locations to ensure that we have a sustainable racing infrastructure for the long term.

NZTR continued to directly fund 15 individual training centres at a total of \$385k in recognition of each of their contributions to the industry via the provision of training facilities and tracks. Nearly two-thirds of all starters in 2011-12 were trained at funded Strategic training centres. In addition, NZTR provides funding towards track maintenance and Turftech reports to help ensure its major racing and training venues continue to meet industry standards.

NZTR has carried out considerable work on the technical aspects, costing and possible locations for a synthetic track. The first such track will logically be located in the Waikato/Counties region to maximise its use given the capital invested. There is a variance of opinion on the desirability of a synthetic track but we view it as essential. While a well-prepared grass track is preferable, evidence provided to NZTR indicates that a properly drained and laid synthetic surface outperforms a variable grass track. A synthetic surface would be a work-horse for the industry, capable of hosting training for several hundred horses and 40+ meetings. The missing piece to

the puzzle is a workable funding model which recognises the revenue upside and cost savings that an artificial surface will provide. One possible path forward may be to initially proceed with an artificial training track. This would be far lower cost, it would add greatly to the industry's training and trialing capacity, it would lower the technical risks and it would familiarise stakeholders with the pluses and minuses of the surface.

The Amount of Racing and Future Horse Numbers

There is a strong view from a number of stakeholders that we are running too many races given declining foal crops. We are not concerned for the next two seasons but do see horse numbers potentially beginning to be a modest issue from the 2014/15 season onwards.

While fewer broodmares have been bred in recent years, the ones that haven't been mated have tended to be those who are older and less fertile meaning that the decline in race-worthy foals is nothing like the decline in mares bred.

NZTR's response is to drive an increase in starts per horse to offset the likely modest decrease in racehorse numbers. The Board has therefore challenged management to design and implement a series of policies to lift annual starts per horse from the 5.7 mark to at least 6.0 times. Key elements of this include prizemoney; fillies and mares opportunities; a handicap system that spreads the horse population evenly; matching programming to the horse population by grade and region; track conditions; summer/winter racing mix; and an appropriate jumps racing programme.

Moving from Incremental to Fundamental Change

Many of the actions taken over the season can be described as running the industry more efficiently. We congratulate management on their efforts and are satisfied that positive "incremental change" is occurring. However, the Board is fully aware that stakeholders are looking for far more significant positive "fundamental change". In asking what this means to many varying stakeholders around the country, it has been evident that the answers are very racing centric and tend to involve radical changes to the racing programme, major club mergers and/or widespread venue closure.

There may be some instances where such changes make sense but we have no intention of making unproven radical changes for the sake of it. In our view, the real challenge is to move away from the many decades of internal focus that has typified this industry, where the racing product has been provided at a time, manner and location that suits its producers. When we contemplate how our position has changed, the growth in demands on people's time and the onslaught of competition from foreign racing, Lotto, poker machines, sports betting, casinos and Instant Kiwi means that consumers now have a vast array of choice. Closing a few venues and running a few less races is a wholly inadequate response.

The bottom line is that this industry will sustainably grow again when consumers increasingly opt for thoroughbred racing as an entertainment option. This requires NZTR, clubs, the NZRB and all stakeholders to move beyond our internal focus and take an outside-in perspective. How do we initially get people's attention? What do consumers want? How do we then provide it? Successfully answering these very difficult questions will deliver positive fundamental change.

In searching for the answers, there are many lessons to be learned from other sports and from other racing industries around the world. Actions that we take in this area will become increasingly evident in the coming season.



Jimmy Choux Windsor Park Plate

Firstly, the development of a wide-ranging digital business strategy has been approved. This involves:

i) Redevelopment of our website www.nzracing.co.nz to greatly enhance information, usability and integrate social media technologies to capitalise on its extraordinary number of visitors; ii) A social racing ownership campaign to introduce large numbers of new participants to our sport; iii) An industry website platform that can be used by breeders, owners, syndicators and trainers to communicate with each other along with the necessary training and devices to deal with the wildly varying levels of digital capability; iv) Content generation to engage current participants and attract the next generation of fans.

Secondly, the historical fragmentation of marketing efforts between the NZRB, NZTR, NZTM, NZB, NZTBA and race clubs is a major concern. To provide some common direction, a Marketing Steering Group incorporating all of these parties was formed in 2011-12 and is working in a collaborative manner to drive new initiatives. As step one, a thoroughbred brand will be developed, with this being integral to supporting initiatives around ownership, event promotion, wagering on thoroughbreds, on-course attendance and social media.

Thirdly, we will continue to refine the timing of when our racing is conducted to better match the wishes of consumers. At one level, we need to provide a predictable schedule of racing activity to drive the off-course wagering activity that is our life-blood. Monday and much of our mid-week racing fits firmly into this category. At an entirely different level, we will work with clubs to sharpen the focus on identifying our most promotable events and use them to drive interest and attendance. Elements here include racing later in the day, holding more twilight meetings to the degree that NZRB schedules allow, continuing a move of racing from winter to summer, and reviewing the current Premier structure to ensure that our very best days are promoted and delivered as such.

Fourthly, we are acutely aware that participants in Lotto and rapidly growing sports betting have much younger and more female skewed demographics than traditional thoroughbred fans. We believe that there is significant potential for thoroughbred racing to offer a high stakes jackpot-type bet that would appeal to the demographics that currently view our offer as too complex and too time-consuming. We continue to talk with the NZRB about the potential for such a product.

Finally, while our industry has huge advantages in terms of its comparatively low costs and climate, we face the structural disadvantage of NZ's lack of scale, which has been compounded by the fragmentation of the domestic wagering market over the last 20 years. The obvious answer is to get value for our broadcast and wagering rights from much larger overseas markets.

Hong Kong, Singapore and the USA are significant markets with much potential but must be regarded as longer term plays. In the foreseeable future, Australia is absolutely critical and the allocation and co-ordination of race start times between countries is the most important short term issue to get right. A co-ordinated race clock provides the best opportunity to optimise the broadcast coverage of thoroughbred racing and the wagering potential for the TAB on both sides of the Tasman. NZ racing represents over 60% of Sky Channel's international revenue and therefore is a key player for Australia to maximise its international revenue going forward.

Communication

We are acutely aware that as an independent rather than a representative Board, we need to continually seek ways to effectively communicate with our diverse range of stakeholders. Communication and consultation do not necessarily mean agreement but they do mean listening to all the varying points of view and explaining the rationale for our actions in a clear and consistent way. We have set out clear performance targets in our three year Business Plan and we have provided an in-depth analysis in our Performance Report. We are committed to genuine, regular consultation with clusters, clubs and bodies such as the NZTA, NZJA, NZTROF and NZTBA. We have carried out a major stakeholder survey and published the results at www.nzracing.co.nz

Closing Comments

I would like to conclude by thanking the Board, the CE, Greg Purcell and the entire team at NZTR for their extreme levels of hard work and dedication through the 2011-12 season. I also thank the former NZTR directors, Con Anastasiou and Dean McKenzie, for their contributions to the Board during the year. I thank the outgoing NZRB directors and management, including Michael Stiasny and Bill Colgan, for their work, which has such major ramifications for our financial health. I congratulate the new Chairman, Alan Jackson and the NZTR nominee, Greg McCarthy on their appointments along with that of the other new NZRB Board members and the CEO, Chris Bayliss. Finally and most importantly, I would like to acknowledge all of our dedicated participants for their passion and professionalism.

I am looking forward to 2012-13 with much anticipation and best wishes for your racing endeavours over the season.

Matthew Goodson

Chairman

CHIEF EXECUTIVE'S REPORT



Racing Performances

The 2011-12 racing season provided some fantastic racing performances from New Zealand trained horses including:

- Mufhasa trained by Stephen McKee recording four Australasian Group 1 wins in the Makfi Challenge Stakes, the Westbury Stud Captain Cook Stakes, the Toorak Handicap and the Caulfield Futurity Stakes.
- Silent Achiever trained by Roger James being the first filly in 19 years to win the Group 1 Telecom New Zealand Derby, following wins in the Group 2 Radio Live Championship Stakes, Group 3 HS Dyke Waikato Guineas, and the Group 2 The Falls Restaurant & Mullins Tyres Avondale Guineas.
- Shez Sensational trained by Allan Sharrock scoring three Group 1 wins in the Zabeel Classic, Darci Brahma International Stakes and the Stella Artois Auckland Cup as well as the Group 2 Hollindale Stakes.
- Veyron trained by Linda Laing recording three Group 1 wins in the Waikato Draught Sprint, Hainui Farm Group One WFA Classic at Otaki and the Manco Easter Handicap.
- Jimmy Choux trained by John Bary recording Group 1 wins in the Windsor Park Plate and New Zealand Bloodstock Insurance Spring Classic and running second in the WS Cox Plate at Moonee Valley before representing New Zealand in the Hong Kong International Mile.
- Say No More trained by Paul Duncan recording two Group 1 wins in the Harcourts Thorndon Mile and the Fiber Fresh NZ Thoroughbred Breeders Stakes at Te Aroha.

Other outstanding Group 1 performances included Rock 'n' Pop's win in the Sothys 39th New Zealand 2000 Guineas, Artistic taking out the Wellfield New Zealand Oaks, Guiseppina's win in the J & N Berkett Telegraph Handicap, Planet Rock's win in the New Zealand Bloodstock 39th 1000 Guineas, Sangster's win in the VRC Derby and Quintessential's victory in the Queensland Oaks.

Mufhasa was named New Zealand horse of the year for the second time.

A thrilling finish to the trainer and jockey premierships went down to the last meeting of the season at Oamaru on 30 July 2012 with:

- John Sargent training four winners to establish a new all time training record of 111 wins for the season, surpassing the previous record of 108 wins by Mark Walker in the 2010 season; and
- Lisa Allpress holding off Matthew Cameron to claim her first New Zealand jockey premiership with 159 wins.

New Zealand bred horses also enjoyed a great season internationally with So You Think and Little Bridges both scoring at Royal Ascot, Super Easy's eleven unbeaten wins in Singapore, Fay Fay's Hong Kong Derby win, Chase Me's Singapore Derby win, the naming of Ambitious Dragon as Hong Kong's horse of the year for the second year in a row, being just some of the highlights.

In 2011-12 New Zealand bred horses accounted for:

- 5.4% of horses racing in Australia and won 6.2% of all Australian races including 17.6% (12 of 68) of Group 1 events and 12.6% of black type races.
- 35.5% of horses racing in Hong Kong and won 39.4% of all Hong Kong races, 33.3% (5 of 15) of Group 1 events and 38.2% of black type races
- 33.8% of horses racing in Singapore and won 37.6% of all Singapore races including 33.3% of (2 of 6) Group 1 events and 42.8% of black type races.

NZTR Operations

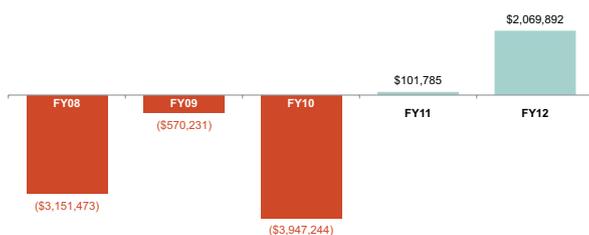
I am pleased to report that in the 2011-12 season, NZTR has:

- Implemented a structure of racing and prizemoney that is sustainable in the long-term
- Implemented a national structure of racing and programming
- Executed a four-year inter-code funding agreement with Harness Racing New Zealand, Greyhound Racing New Zealand and the New Zealand Racing Board
- Ensured NZTR operational expenditure was below FY11 levels
- Put in place an operational business plan and performance reporting process which provides transparency and accountability to NZTR's performance
- Supported the delivery of an improved trading performance by the Racing Board (NZRB)

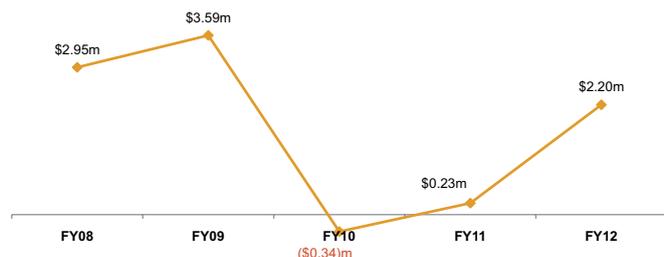
NZTR's finances have been returned to a sustainable position after a series of successive losses, created by NZTR's previous policy of putting in place a structure of racing and prizemoney which required a level of funding higher than current earnings, and which was reliant on NZRB growth.

NZTR's current structure of racing and prizemoney is sustainable without NZRB earnings growth.

NZTR Profit and Loss



Net Current Assets





In November 2011 NZTR formally executed a four-year inter-code funding agreement with Harness Racing New Zealand, Greyhound Racing New Zealand and the New Zealand Racing Board.

Under this arrangement NZTR will receive additional funding from the other codes to enable changes to the racing structure and increases to thoroughbred prizemoney introduced on 1 March 2012.

In 2011-12 NZTR received an additional +\$5.5 million of funding under this new agreement:

- +\$3.96 million in NZRB distributions, increasing to \$69.63 million in FY12, from \$65.67m in FY11
- +\$1.54 million savings of integrity services costs, which are now paid by NZRB prior to funding distributions to the codes.

NZTR 2012-2014 Business Plan

In December 2011, NZTR launched its 2012-2014 Business Plan.

The Business Plan was put in place within six months of the operation of the new NZTR Board and focused on stopping the negative trajectory of thoroughbred racing through a number of positive incremental initiatives.

The Business Plan is an operationally based plan with a 1-3 year horizon and provides a significant increase in NZTR accountability and transparency.

NZTR published a performance report which records NZTR's performance against its key performance indicators.



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

- Met or exceeded targets on 11 of the 16 (69%);
- Improved on FY11 but failed to meet FY12 targets, or, materially completed outside the time required on 4 of the 16 (25%); and
- Are yet to complete on 1 of 16 (6%).

With regard to our 10 headline KPIs, listed on page 6 of this report, we:

- Met or exceeded targets on 4 (40%);
- Improved on FY11 but failed to meet FY12 targets, or, materially completed outside the time required on 3 (30%); and
- Failed to improve on FY11 and failed to meet FY12 targets for 3 (30%).

Of the 52 unique KPIs in our 2012-14 Business Plan, we:

- Met or exceeded targets on 21 (40%);
- Improved on FY11 but failed to meet FY12 targets, or, materially completed outside the time required on 16 KPIs (30%); and
- Failed to improve on FY11 and failed to meet FY12 targets or have not yet materially completed on 15 of the 52 KPIs (29%).

Whilst an updated 2013-2015 NZTR Business Plan (operational plan) will be released at the NZTR Annual Meeting, NZTR Board and Management are actively developing a Strategic Plan with a 5-10 year horizon, designed to drive a process of fundamental change to enable long-term sustainable growth within the New Zealand Thoroughbred Racing industry.

NZTR approach to enabling long-term sustainable growth will be based on moving the industry’s business focus from an inside looking out “product driven” focus to an outside looking in “customer driven” focus.

New Zealand Thoroughbred Racing Resilience

Numbers of owners, individual starters, trainers and foals all showed remarkable resilience over the last season. Each fell slightly in FY12, with ownership participation and the number of individual horses that started in at least one race, actually exceeding levels from five years before.



Put simply, New Zealand racing participation has been relatively stable over the past five years, but absent of any growth.

Over the twelve months of FY12 there were:

- 350 thoroughbred race meetings run – compared to 323 in FY11
- 3,061 races run – compared to 3,048 in FY11
- 32,425 starters – compared to 32,592 in FY11
- 5,610 individual horses started in at least one race – compared to 5,682 in FY11
- \$47.4m in prizemoney was paid – compared to \$48.2m (which included \$2.1m of the Minister’s stake funding which was discontinued in FY11)
- Non-black type prizemoney totalled \$31.4m – compared to \$29.3m in FY11
- Average field size was 10.7 starts per flat race – compared to 10.8 in FY11

New Structure of Racing and Prizemoney

On 5 March 2012 NZTR implemented a new national structure of racing and prizemoney designed to maximize domestic and international wagering earnings. New Zealand thoroughbred racing now races 52 weeks a year on Mondays, Wednesdays, Thursdays, Fridays and Saturdays, with some racing on Tuesdays in autumn and spring and on Sundays between November and March.

Prizemoney and programming amendments have been introduced to provide a greater differentiation between quality Saturday racing and other days of the week.

Minimum Prizemoney Structure by Meeting Category from 1 March 2012

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

Source: NZTR 2012-13 Funding Policy

Programming and Handicapping

Following a highly consultative Handicapping Review, on 14 November 2011, NZTR introduced a new national programming and handicapping system which:

- More closely aligned the available horse pool within each rating band to the types of races scheduled
- Weighted all horses as mature age males and provide a transparent system for weight allowances to fillies and mares and 3YO's
- Increased the fillies and mares allowance from 1.5kgs to 2.0kgs
- Aimed to increase the average field size of Open and R85-90 races

A summary of information by race category is set out below:

Race Programming and Handicapping Summary FY11 v FY12 (1-Aug to 31-Jul)

1-Aug-11 to 31-Jul-12	Races	Starters	Male Starters	Female Starters	Male Winners	Female Winners	Male Starters	Female Starters	Male Winners	Female Winners	Average Starters
Meetings Conducted	350										
Races Conducted	3,061	32,425	17,453	14,972	1,671.5	1,389.5	53.8%	46.2%	54.6%	45.4%	10.6
Maiden	945	10,606	5,593	5,013	515.0	430.0	52.7%	47.3%	54.5%	45.5%	11.2
Rating 65	488	5,406	2,922	2,484	262.0	226.0	54.1%	45.9%	53.7%	46.3%	11.1
Rating 75	516	5,527	3,042	2,485	273.0	243.0	55.0%	45.0%	52.9%	47.1%	10.7
Rating 85	275	2,545	1,526	1,019	157.0	118.0	60.0%	40.0%	57.1%	42.9%	9.3
Rating 95	59	513	340	173	39.0	20.0	66.3%	33.7%	66.1%	33.9%	8.7
Open	244	2,461	1,650	811	150.0	94.0	67.0%	33.0%	61.5%	38.5%	10.1
2YO	109	1,027	525	502	66.0	43.0	51.1%	48.9%	60.6%	39.4%	9.4
3YO	62	626	377	249	38.0	24.0	60.2%	39.8%	61.3%	38.7%	10.1
Special Conditions	90	997	575	422	62.5	27.5	57.7%	42.3%	69.4%	30.6%	11.1
Sub-Total Flat Open Sex	2,788	29,708	16,550	13,158	1,562.5	1,225.5	55.7%	44.3%	56.0%	44.0%	10.7
Male Restricted Races	6	54	54	-	6.0	-	100.0%	0.0%	100.0%	0.0%	9.0
Female Restricted Races	155	1,726	-	1,726	-	155.0	0.0%	100.0%	0.0%	100.0%	11.1
Sub-Total Flat Races	2,949	31,488	16,604	14,884	1,568.5	1,380.5	52.7%	47.3%	53.2%	46.8%	10.7
Jumps Races	112	937	849	88	103.0	9.0	90.6%	9.4%	92.0%	8.0%	8.4
Total Flat & Jump Races	3,061	32,425	17,453	14,972	1,671.5	1,389.5	53.8%	46.2%	54.6%	45.4%	10.6

The new national structure of racing and prizemoney, and the new structure of handicapping and programming has supported a significant improvement in the New Zealand Racing Board's (NZRB) wagering performance.

Key indicators such as field size, market share and wagering turnover have all increased since Monday racing began in March with the NZRB reporting:

- Domestic thoroughbred totalisator and fixed odds wagering turnover up +\$7.4 million (+5.2%) for the period 5 March to 31 July 2012 when compared to the prior year period;
- Imported thoroughbred totalisator and fixed odds wagering turnover up +\$19.1 million (+11.9%) for the period 5 March to 31 July 2012 when compared to the prior year period.

In addition to the change made above, other factors such as the introduction of fixed odds place betting, improved NZRB customer relationship management, changes in the racing schedule and changing economic conditions have improved performance during the period since the commencement of the Monday racing on 5 March 2012.

The NZRB's trading performance and industry funding contribution is expected to continue to improve in 2012-13.

Internationalisation

With a population of just 4.4 million people, many thoroughbred racing participants already derive significant revenue from international bloodstock and wagering sources.

We are now dependent upon our international business.

As expected, in 2011-12, Australian totalisator wagering on New Zealand thoroughbred racing exceeded New Zealand totalisator wagering on New Zealand thoroughbred racing for the first time.



International racing and wagering will be of increasing importance to the future growth and sustainability of the New Zealand racing industry. For that reason NZTR remains committed to maintaining a strong international involvement with the International Federation of Horseracing Authorities and the Asian Racing Federation and, above all, building on our three most economically important international bi-lateral relationships, namely Australia, Hong Kong and Singapore, for the benefit of all stakeholders.

Racing Infrastructure

Our current infrastructure is inadequate and does not match industry needs or customer expectation.

Over the past two decades NZTR, race clubs and their communities have not undertaken sufficient infrastructure maintenance or investment.

NZTR estimates that infrastructure spending of \$60-\$100 million is required over the next ten years for appropriate training and public facilities to be maintained at our best 14-18 racecourses.

NZTR has developed an infrastructure policy and will be working with race clubs, communities, NZRB and government to improve tracks and facilities at our strategic and significant venues.

In 2011-12 NZTR supported infrastructure work of \$1.5 million including:

- Replacement of pipe running rails at all racing venues with Simtrack running rail
- Replacement of 17 judicial towers
- Two sets of hurdle pads for Te Rapa and Riccarton

A number of high priority works are planned for 2012-13 including:

- Widening of the racecourse and training grass at Whangarei
- Drainage works at Riccarton, Otaki and Trentham

Marketing and Communications

In 2011-12 NZTR established an industry marketing steering group to achieve a coordinated approach to thoroughbred marketing.

The marketing steering group is made up of representatives from NZTR (Greg Purcell and Campbell Moncur), NZ Thoroughbred Marketing (Chris Weaver and Andrew Birch) New Zealand Bloodstock (Petrea Vela), Racing Clubs (Jason Fleming), NZRB (Janice Hill), along with Penny Clydesdale from Norwest Advertising, George Simon and Karyn Fenton-Ellis from Trackside and Patrick MacFie from Socialize.

Five key elements have been identified and are now under development:

- Development of a thoroughbred brand
- Digital media
- Media desk
- Ownership participation
- Oncourse attendance and event development

Communication with Stakeholders

NZTR initiated a Stakeholder Survey in July 2012 to help improve services, enhance communication about NZTR's roles and responsibilities and assist in delivering objectives of the 2012-14 NZTR Business Plan. The survey was sent to 8,672 participants and 395 club personnel. Data was collected from 1,272 participants (14.7%) and 64 (16.2%) club management and committee members.

Feedback from the survey included:

- When asked to assess the NZTR's performance compared to 3 years ago, more than two in five stakeholders stated it had 'improved'. 45% of stakeholders indicated that NZTR's performance was 'unchanged'. Only 13% stated that NZTR's performance had declined.
- When Clubs were asked the same question, more than two in five stated it had 'improved.' Over half stated it was unchanged and only 7% believed it had declined.
- When asked to list challenges facing New Zealand racing, owners, trainers and breeders all listed low prizemoney as the most important. Clubs saw their primary challenges including their ability to self-fund, self-manage and govern effectively, providing an attractive product, retaining owners, attracting younger people to the races, and maintaining facilities.

Our website – www.nzracing.co.nz – attracts more than 3.2 million hits a year, accessing an average seven page impressions per visit and achieving a very high average seven-minute engagement per visit. NZTR is working on release 1 of a website redevelopment to enhance usability and integrate new social media technologies for delivery in December 2012.

A range of other improvements to NZTR's existing communications have included:

- Publication and presentation of a comprehensive annual Business Plan with detailed KPIs and actions
- Publication and presentation of a comprehensive annual Performance Report against the Business Plan
- Chairman's end-of-season report
- Regular reporting to key stakeholder groups

Welfare

NZTR is committed to the need to focus on jockey health and safety and animal welfare.

NZTR is planning to work with the NZ Jockeys' Association and other racing authorities to develop better management of concussion. This includes adoption of a simple screening tool for use at the track with any jockey who has had a fall, and of a more individualised return to riding plan for riders who are concussed.

This collaboration will consider the introduction of an individualised safe riding weight. Some riders take excessive risk in reducing rapidly to a required riding weight. The risks are now well understood by sporting international bodies. The solutions include better training in nutrition and weight management from apprentice stage and throughout a rider's career, and use of a certified safe riding weight for individual riders to prevent pressure for excessive wasting and dehydration.

NZTR has carried out a comprehensive assessment of equine welfare models from around the world and consulted with welfare agencies and industry partners. As a result of this, in FY12 NZTR adopted guidelines for racehorse welfare from the International Group of Specialist Racing Veterinarians' (IGSRV) – New Zealand Thoroughbred Racing Horse Welfare Guidelines, and is proposing some Rule amendments aimed

at strengthening Rule 417 'Notification on Horse's Death' and proposed new Rules requiring notification of horses leaving racing/breeding.

In tandem with these improvements NZTR is developing, with the RIU, a racing incident database (NZRID) for riders and horses to monitor in detail all injuries and fatalities.

NZTR has also approved in principle the formation and purposes of a thoroughbred rehabilitation group comprising key sectors of the thoroughbred industry to assess and recommend amendments to welfare policies and procedures, accredit and support rehabilitation centres caring for former racehorses and periodically monitor their performance and develop fund-raising from within and outside the racing industry to support rehabilitation of former racehorses.

Concluding Comments

I would like to conclude by thanking all those who contributed, participated and invested in the New Zealand thoroughbred racing over the past season.

Thank you to the hard working committees and staff of our race clubs, and to the executive of the New Zealand Trainers Association, New Zealand Jockey's Association, the New Zealand Thoroughbred Racehorse Owners Federation, the New Zealand Thoroughbred Breeders Association, New Zealand Thoroughbred Marketing, the New Zealand Equine Health Association, the New Zealand Veterinary Association and the Racing Integrity Unit for your effort and support.

I would also like to thank the Minister for Racing the Honourable Nathan Guy MP and his staff.

NZTR was grateful for the work of outgoing NZRB interim chief executive Bill Colgan, all the NZRB staff and we look forward to working collaboratively with his successor Chris Bayliss and the members of the new NZRB Board.

Finally, I owe particular thanks to the entire NZTR team who have all worked extremely hard in 2011-12.

Greg Purcell

Chief Executive

ACKNOWLEDGEMENTS

The Board and Management wish to record their appreciation of the co-operation and assistance they have received during the 2011-12 season from the following people and organisations:

The Honourable Nathan Guy, Minister for Racing
The office of The Minister for Racing
The New Zealand Racing Board
Harness Racing New Zealand
Greyhound Racing New Zealand
Agriculture Industry Training Organisation
Department of Internal Affairs
The Judicial Control Authority
Equine Branch, New Zealand Veterinary Association
Environmental Science and Research Ltd
Massey Foundation
Massey University
New Zealand Racing Laboratory Services Ltd
New Zealand Equine Health Association
New Zealand Equine Research Foundation
New Zealand Jockeys' Association
New Zealand Jumps Inc.
New Zealand Police Department
New Zealand Qualifications Authority
New Zealand Thoroughbred Breeders' Association
New Zealand Thoroughbred Marketing Ltd
New Zealand Thoroughbred Racehorse Owners' Federation
New Zealand Trainers' Association
Racing Club Committees, Managers and Staff
Racing Journalists and Broadcasters
Tertiary Education Commission

2011-12 NZTR Annual Report

Photos: Annie Studholme, Race Images (Palmerston North), Race Images – Kenton Wright, Trish Dunnell, Steve Montgomery

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FINANCIAL STATEMENTS

NEW ZEALAND THOROUGHBRED RACING INCORPORATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE 12 MONTHS ENDED 31 JULY 2012

	NOTES	31 July 2012 \$	31 July 2011 \$
INCOME			
NZRB Code Distributions		69,631,686	65,669,069
Nomination and Acceptance Fees		2,527,255	2,030,117
TRM and Publications		254,538	254,631
Registrations		626,224	657,116
Licence Fees		224,441	256,800
Stud Book		1,462,552	1,512,484
Interest		199,831	159,969
Sundry Income		352,265	782,768
TOTAL INCOME		75,278,792	71,322,954
LESS EXPENSES			
Club Product Payments and Subsidies		66,102,129	63,446,814
TRM and Publications		271,154	272,859
Ownership and Industry Initiatives		32,059	4,503
Training and Development		94,195	80,104
Property and Central Overheads	2	360,574	434,082
IT Infrastructure and Network Costs	3	571,242	757,452
Special Projects	4	185,459	108,023
Salaries and Other Staff Costs		2,700,211	2,814,065
Other Department Costs	5	460,432	766,652
Sundry Costs	6	1,719,900	1,776,576
Racing Integrity Unit Costs		-	760,039
TOTAL EXPENSES		72,497,355	71,221,169
SURPLUS BEFORE INFRASTRUCTURE PROJECTS		2,781,437	101,785
Infrastructure Projects			
Gaming Grant/RSDF Funding – Infrastructure		812,553	-
Infrastructure Projects expenditure	7	(1,524,098)	-
TOTAL NZTR INFRASTRUCTURE FUNDING AND EXPENDITURE		(711,545)	-
TOTAL SURPLUS		2,069,892	101,785

The notes on pages 32 to 41 should be read in conjunction with these financial statements

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
STATEMENT OF MOVEMENT IN EQUITY
FOR THE 12 MONTHS ENDED 31 JULY 2012

	NOTES	Retained Earnings \$	Infrastructure Reserve \$	Total Equity \$
EQUITY as at 1 August 2010		1,317,763	-	1,317,763
Surplus for the FY11 Year		101,785	-	101,785
EQUITY as at 31 July 2011		<u>1,419,548</u>	<u>-</u>	<u>1,419,548</u>
EQUITY as at 1 August 2011		1,419,548	-	1,419,548
Surplus for the FY12 Year		2,069,892	-	2,069,892
Transfer of Retained Earnings to Infrastructure Reserve	10	(783,651)	783,651	-
EQUITY as at 31 July 2012		<u>2,705,789</u>	<u>783,651</u>	<u>3,489,440</u>

The notes on pages 32 to 41 should be read in conjunction with these financial statements

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2012

	NOTES	31 July 2012 \$	31 July 2011 \$
Opening Equity		1,419,548	1,317,763
Retained Earnings		1,286,241	101,785
Infrastructure Reserve		783,651	-
TOTAL EQUITY		<u>3,489,440</u>	<u>1,419,548</u>
CURRENT ASSETS			
Cash		400,669	1,808,986
On Call Deposits	19	1,396,349	1,700,000
Short Term Deposits		1,227,839	1,180,245
Trade and Sundry Debtors		1,008,480	776,192
Income Receivable		42,902	118,566
NZRB Income		718,900	-
TOTAL CURRENT ASSETS		<u>4,795,139</u>	<u>5,583,989</u>
LESS CURRENT LIABILITIES			
Trade and Sundry Creditors		2,649,540	3,093,348
Grants in Advance		-	500,000
Provision for Annual Leave		193,933	145,221
Fees and Subscriptions in Advance		436,103	432,459
Code Distribution Account		(564,100)	1,297,466
TOTAL CURRENT LIABILITIES		<u>2,715,476</u>	<u>5,468,494</u>
NET CURRENT ASSETS		<u>2,079,663</u>	<u>115,495</u>
NON-CURRENT ASSETS			
Property, Plant and Equipment	8	217,933	248,962
Intangibles	9	208,300	144,549
Loans and Advances	11	983,544	910,542
TOTAL NON-CURRENT ASSETS		<u>1,409,777</u>	<u>1,304,053</u>
NET ASSETS		<u>3,489,440</u>	<u>1,419,548</u>

The Financial Statements of New Zealand Thoroughbred Racing Incorporated are accepted on behalf of the Board of Directors on 25 October 2012.



MATTHEW GOODSON
BOARD CHAIRMAN



GREGORY McCARTHY
AUDIT AND RISK COMMITTEE CHAIRMAN

The notes on pages 32 to 41 should be read in conjunction with these financial statements

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE 12 MONTHS ENDING 31 JULY 2012

	31 JULY 2012	31 JULY 2011
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Fees, Services and Subscriptions	3,030,448	3,566,209
Levies	-	104,629
Receipts from the NZRB and Other Income	71,440,041	67,699,186
Interest Income	164,490	129,057
	74,634,979	71,499,082
<i>Cash was applied to:</i>		
Payment to Suppliers and Employees	(8,102,621)	(7,012,738)
Payments to Clubs and Other Initiatives	(66,102,129)	(63,446,814)
	(74,204,750)	(70,459,551)
Net Cash Flow from Operating Activities	430,229	1,039,531
CASH FLOW FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of Property, Plant and Equipment	29,178	44,386
Repayment of Loans	11,482	368,672
Distribution Account	(1,861,566)	311,260
	(1,820,906)	724,318
<i>Cash was applied to:</i>		
Purchase of Property, Plant and Equipment	(79,028)	(46,339)
Purchase of Intangibles	(194,671)	(39,586)
Investment in Term Deposits	(47,592)	(48,299)
	(321,291)	(134,224)
Net Cash Flow from Investing Activities	(2,142,197)	590,094
Net Increase/(Decrease) in Cash held	(1,711,968)	1,629,625
Add Opening Cash	3,508,986	1,879,361
CLOSING CASH	1,797,018	3,508,986
RECONCILIATION OF OPERATING CASH FLOW WITH NET SURPLUS/(DEFICIT)		
Total Surplus for the Year	2,069,892	101,785
Add Non-Cash Items:		
(Profit)/Loss on Sale of Fixed Assets	(27,675)	21,309
Interest Capitalised on Loans	(84,485)	-
Depreciation	108,555	158,126
Amortisation	130,919	219,662
	127,314	399,097
Add Movement in Other Working Capital Items		
Accrued Income	(424,336)	(20,964)
Sundry Debtors	(232,289)	239,681
Sundry Creditors	(395,097)	362,520
Fees in Advance	3,645	(42,588)
FY12 NZRB Funding received in FY13	(718,900)	-
	(1,766,977)	538,649
NET CASH FLOW FROM OPERATING ACTIVITIES	430,229	1,039,531

The notes on pages 32 to 41 should be read in conjunction with these financial statements

NOTES TO THE FINANCIAL STATEMENTS

NEW ZEALAND THOROUGHBRED RACING INCORPORATED NOTES TO THE FINANCIAL STATEMENTS FOR THE 12 MONTHS ENDED 31 JULY 2012

1. STATEMENT OF ACCOUNTING POLICIES

The accounting policies which the Directors considers appropriate for the measurement and reporting of the results and financial position are as follows:

Statement of Compliance

New Zealand Thoroughbred Racing Incorporated (“NZTR”) is an incorporated society registered and domiciled in New Zealand. Its principal activity is to govern thoroughbred racing in New Zealand.

NZTR’s primary objectives are to:

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

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (“NZ GAAP”), the Financial Reporting Act 1993, and the Racing Act 2003. They comply with New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities that qualify for and apply differential reporting concessions.

Functional and Presentation

The financial statements are presented in New Zealand dollars which is the functional currency of NZTR, rounded to the nearest dollar.

Basis for Preparation

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

NZTR qualifies for differential reporting as it is not publicly accountable and it is not large. NZTR has applied all relevant differential reporting exemptions except for: NZ IAS 7: Cash Flow Statements.

Specific Accounting Policies

The specific accounting policies used in the preparation of the financial statements are as follows:

a) Gaming Grant/RSDf Funding – Infrastructure

Infrastructure Projects expenditure maturities of three months or less, and bank overdrafts.

b) Employee Benefits

Provision is made for benefits 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 benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2012

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

c) **Financial Instruments**

Financial instruments comprise trade and other receivables, cash and short term deposits, loans and borrowings, and trade and other payables.

Financial instruments are recognised initially at fair value plus any directly attributable transaction costs. All financial assets are classified as loans and receivables and all financial liabilities as other financial liabilities. Subsequent to initial recognition all financial instruments are measured at amortised cost determined using the effective interest rate which is the rate that exactly discounts future estimated cashflows through the expected life of the financial asset, or, where appropriate a shorter period.

A financial instrument is recognised if NZTR becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if NZTR's contractual rights to the cash flows from the financial assets expire or if NZTR transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

d) **Goods and Services Tax**

NZTR is Goods and Services Tax ("GST") registered and these financial statements have been prepared exclusive of GST, with the exception of Statement of Financial Position balances such as receivables and payables, which are stated GST inclusive.

e) **Income Tax**

NZTR is specifically mentioned in the Income Tax Act 2007 as being exempt from income tax. Accordingly, no income tax has been provided for in the financial statements.

f) **Property, Plant and Equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses with depreciation calculated on the following:

Office Equipment	20% straight line
Motor Vehicles	33.33% straight line
Computer Hardware	33.33% straight line
Racecourse Equipment	10% straight line

The useful lives and residual values are reviewed annually.

g) **Intangible Assets**

Computer software is a finite life intangible 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.

h) **Grants in Advance**

Grants in advance are recognised in the Statement of Financial Position until such a time as the expense that the Grant was applied for is incurred and recognised in the Statement of Financial Performance.

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2012

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

i) Impairment

The carrying amounts of NZTR's assets are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the profit and loss in the period in which it occurs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in the profit and loss immediately.

j) 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.

k) Investments

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned and are initially measured at fair value.

l) Cash Flow

"Operating Activities" include all transactions and other events that are not investing activities. Transactions relating to operating activities and other events include interest received and interest paid.

"Investing Activities" are those activities relating to the acquisition and disposal of current and non-current term deposits and advances and other non-current assets.

m) Revenue

Revenue is measured at the fair value of consideration received. Specific revenue accounting policies are:

Registration, Stud Book, Licence, and TRM and Publication Revenue

Revenue from fees is recognised when payment is made or invoiced for that fee.

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2012

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

Levies

Pursuant to the Rules of Racing, and the NZTR Constitution, levies are charged to Clubs and are set annually in relation to each financial year. Levies revenue is recognised when invoiced. In the year ended 31 July 2012 levies were charged at Zero. As levies are charged to industry participants and not to the wider public, NZTR continues to adopt differential reporting as NZTR does not have the power to levy to obtain public funds.

Fines

Revenue from fines and penalties is recognised when the fine or penalty is imposed.

Interest

Interest revenue is recognised using the effective interest rate method.

Code Distribution

Revenue is recognised each month pursuant to Section 25 of the Racing Act 2003 based upon the Base Level of Code Funding from the New Zealand Racing Board plus additional distributions as agreed in the FY12 Racing Industry Funding Model.

Each racing code is responsible pursuant to Section 25 of the Racing Act 2003 to distribute funding to the clubs in line with their funding policy. Expenditure is recognised when payments are made.

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.

n) *Changes in Accounting Policies*

The following changes in accounting policies have been made in the current period:

Owner Settlement Account (TROSA)

The recognition of the TROSA account has changed in the current period to recognise the gross assets and liabilities which had been disclosed as a net balance previously. The impact of the application of this accounting policy and retrospective restatement has been disclosed in Note 19. TROSA balances are disclosed as gross balances in the Statement of Financial Position.

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2012

2. PROPERTY AND CENTRAL OVERHEADS

The key expenses that are included in Property and Central Overheads are:

	12 Months Ended 31 July 2012	12 Months Ended 31 July 2011
	\$	\$
Rent and Property Expenses	60,629	64,191
Insurance	103,939	88,382
Printing and Postage	67,503	73,124
Lease Expenses	22,028	19,811
Depreciation	29,562	31,414

3. IT INFRASTRUCTURE AND NETWORK COSTS

The key expenses that are included in IT Infrastructure and Network Costs are:

Depreciation	52,558	67,431
Amortisation	130,919	221,014
Maintenance and Network Costs	387,535	460,752

4. SPECIAL PROJECTS

Board Approved:

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

Other Initiatives:

Jumps Initiatives	-	30,085
Strategic Plan Development	-	19,727
Industry Publication Support	53,000	37,000

5. OTHER DEPARTMENT COSTS

The key expenses included in Other Department Costs are:

Drug Detection	-	21,098
DNA Typing	187,020	219,225
Travel including Motor Vehicle Expenses	106,646	266,579
Depreciation	10,264	41,756
Telephone	13,056	27,759
Microchipping	36,258	55,316
Appeals and Enquiries	3,116	3,100

6. SUNDRY COSTS

The key expenses included in Sundry Costs are:

Board Expenses	90,021	178,192
Board Fees	150,906	156,929
Legal and Professional Fees	230,478	167,730
Audit Fees	38,655	23,765
Bad Debts Expense	-	10,157
Raceday Services and Initiatives	797,419	792,208
Racecourse Depreciation	16,172	16,172

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2012

7. INFRASTRUCTURE PROJECTS

Funding for Infrastructure Projects was received from the following sources:

Racing Safety Development Fund	312,553	-
The Lion Foundation	500,000	-

Infrastructure costs were incurred on the following projects:

Camera Towers	1,017,886	-
Running Rails	467,052	-
Hurdle Pads	39,160	-
	1,524,098	-

8. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Motor Vehicles	Computer Hardware	Racecourse Equipment	Total
	\$	\$	\$	\$	\$
Cost					
Balance at 31 July 2011	374,726	72,582	611,438	161,726	1,220,472
Additions	21,334	17,500	40,194	-	79,028
Adjustments	-	-	(1,500)	-	(1,500)
Disposals	-	(27,678)	-	-	(27,678)
Balance at 31 July 2012	<u>396,060</u>	<u>62,404</u>	<u>650,132</u>	<u>161,726</u>	<u>1,271,822</u>
Accumulated Depreciation					
Balance at 31 July 2011	322,557	57,367	550,503	41,084	971,511
Depreciation expense for the year	29,562	10,264	52,558	16,172	108,556
Disposals	-	27,678	-	-	27,678
Balance at 31 July 2012	<u>352,119</u>	<u>39,953</u>	<u>603,061</u>	<u>57,256</u>	<u>1,052,389</u>
Net Book Value					
Balance at 31 July 2011	52,169	15,215	60,935	120,643	248,962
Balance at 31 July 2012	43,941	22,451	47,071	104,470	217,933

9. INTANGIBLES

	Computer Software and Web Development
	\$
Cost	
Balance at 31 July 2011	3,085,942
Additions	194,670
Disposals	-
Balance at 31 July 2012	<u>3,280,612</u>
Accumulated Amortisation	
Balance at 31 July 2011	2,941,393
Amortisation expense for the year	130,919
Disposals	-
Balance at 31 July 2012	<u>3,072,312</u>
Net Book Value	
Balance at 31 July 2011	144,549
Balance at 31 July 2012	208,300

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2012

10. INFRASTRUCTURE PROJECTS RESERVES

NZTR has approved a new infrastructure projects reserve. NZTR has allocated \$783,651 from retained earnings which will be made available in the following year for infrastructure projects.

	\$
BALANCE as at 1 August 2011	-
Transfer of Retained Earnings to Infrastructure Reserve	783,651
BALANCE as at 31 July 2012	783,651

11. LOANS

NZTR has advanced the following amounts at commercial interest rates, with the exception of the loans indicated as being interest free:

	31 July 2012	31 July 2011
	\$	\$
Non-Current		
New Zealand Equine Education Trust	119,000	119,000
RACE Inc	369,827	321,879
Otaki-Maori Racing Club	148,218	128,905
Hawke's Bay Racing Incorporated	496,499	490,758
Total Non-Current	1,133,544	1,060,542
Provision for Diminution of Loans	(150,000)	(150,000)
Total Loans as per Statement of Financial Position	983,544	910,542

NZTR hold charge over Hawke's Bay Racing Incorporated (HBRI) assets in relation to the HBRI loan.

12. FINANCIAL INSTRUMENTS

Nature and Extent of Activities

NZTR has exposure to financial instruments principally through debtors, cash, short term bank investments, loans and advances, and creditors. It does not enter into transactions involving off balance sheet financial instruments.

Fair Value

The carrying value of all Statement of Financial Position financial assets and liabilities are considered to be materially equivalent to their fair value, except for interest free loans. The difference between the fair value and the carrying value of the interest free loan is considered immaterial.

Credit Risk

Financial instruments, which potentially subject NZTR to concentrations of credit risk, consist primarily of cash at bank, short term investments, loans to Racing Clubs and debtors.

NZTR places its cash and short term deposits with quality financial institutions, such as a registered Bank.

NZTR only deals with counterparties where the risk of default is considered low.

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2012

13. LEASE COMMITMENTS

There are no lease commitments as at 31 July 2012 (2011: \$nil).

14. RELATED PARTY TRANSACTIONS

14.1 Loans to related parties

NZTR has advanced the following interest free loan to a related party:

	31 July 2012	31 July 2011
	\$	\$
New Zealand Equine Education Trust	119,000	119,000

14.2 Transactions involving related parties

Board

All members of NZTR's Board may have interests in thoroughbred racing in New Zealand through ownerships, breeding or training. All members of NZTR's Board may race horses and be eligible for stake money from thoroughbred racing clubs.

In the financial year no services were purchased by NZTR from businesses operated by NZTR Board Members.

Racing Integrity Unit

The Racing Integrity Unit ("RIU") was incorporated on 5 November 2010. Effective 1 February 2011 the RIU took over the functions of all integrity services on behalf of NZTR.

NZTR owns a 25% share of the RIU.

Other Related Entities

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

- Apprentice Jockeys Fund ("AJF"). The AJF hold apprentice and their employer's earnings in trust. NZTR charge a management fee to the AJF to manage the fund.
- General Trust Fund ("GTF"). The GTF financially supports injured licensees. NZTR charge a management fee to the GTF to manage the fund. NZTR also provides funding through the Funding Model to support the GTF.
- Apprenticeship Board. The Apprenticeship Board manages the education of apprentices. NZTR contributes funding towards the Apprenticeship Board.
- The New Zealand Racing Board ("NZRB"). The NZRB distributes funds to NZTR to fund thoroughbred racing.

As well as distributing funds and paying clubs on NZTR's behalf, the NZRB also charged to NZTR: telephone, IT, property costs, Broadcast services, On Course services and Trackside radio.

	12 Months Ended 31 July 2012	12 Months Ended 31 July 2011
	\$	\$
Apprentice Jockeys Fund management fee	5,700	6,667
General Trust Fund net of funding over management fee	(42,700)	(42,700)
Apprenticeship Board net of funding over expenses	(50,000)	(56,000)
NZRB: operating fees less operating expenses	(1,861,566)	311,260
NZRB: funding revenue less funding expenses	3,529,557	2,222,255

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2012

15. CAPITAL COMMITMENTS

There are no capital commitments as at 31 July 2012 (2011:\$nil).

16. LOAN GUARANTEE

On the 5th of February 2009, the New Zealand Racing Board provided a guarantee to the Bank of New Zealand in relation to Racing at Awapuni, Otaki and Trentham Combined Enterprises Incorporated (RACE Inc.) to a value of \$8,820,000. Additionally the NZRB provided a loan of \$3,000,000 to RACE Inc.

At 31 July 2012 the balances of the two loans were \$7,505,194 and \$2,991,072 respectively.

NZTR has provided a back-to-back guarantee to the New Zealand Racing Board covering the amounts guaranteed to the Bank of New Zealand and amounts loaned by the NZRB.

NZTR do not believe that this guarantee will be invoked. As such no value has been ascribed to this guarantee.

On the 5th of January 2009, the New Zealand Racing Board provided loan of \$300,000 to Whangarei Racing Club.

NZTR has provided a guarantee to the New Zealand Racing Board covering the amounts outstanding to the NZRB.

As at 31 July 2012 the balance of the loan was \$20,627.90.

As Whangarei Racing Club are making regular payments NZTR do not believe that this guarantee will be invoked.

17. CONTINGENT LIABILITIES

We are not aware of any contingent liabilities that will materially affect the Financial Statements (2011: Nil).

18. SUBSEQUENT EVENTS

We are not aware of any subsequent events that will materially affect the Financial Statements (2011: Nil).

19. CHANGE IN ACCOUNTING POLICIES AND PRIOR PERIOD IMPACT

Due to the change in accounting policy to recognise gross assets and liabilities relating to the TROSA account (as described in note 1, n) the following changes have been made to the reporting of the Owners Settlement account (TROSA) within the Statement of Financial Position:

- Debtors previously netted off with Trade and Sundry Creditors have been added to Trade and Sundry Debtors,
- An additional current asset account has been included that accurately reflects the closing cash balance of this account.
The balance of this bank account is shown under 'On Call Deposits'.
- The dedicated TROSA bank account used for all prizemoney payments and club funding has been removed from Sundry Creditors and included as a current asset under 'Cash'.

Retrospective adjustments to the 31 July 2011 Statement of Financial Position and Cash Flow Statement have been made to recognise the change in accounting policy for the reporting of Owner Settlement account (TROSA).

The change in accounting policy recognises the TROSA account balances as gross balances.

The TROSA account balances had previously been disclosed as a net balance.

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2012

The change in accounting policy better reflects the nature of the Owner Settlement account as the asset and liability exist independently of one another.

The effect of the change in accounting policy and retrospective application is as follows:

	Previously Reported 31 July 2011 \$	Adjustment 31 July 2011 \$	Restated Balance 31 July 2011 \$
Cash	1,973,836	(164,850)	1,808,986
On Call Deposits	-	1,700,000	1,700,000
Trade and Sundry Debtors	224,591	551,601	776,192
Trade and Sundry Creditors	(1,006,597)	(2,086,751)	(3,093,348)
	<u>1,191,830</u>	<u>-</u>	<u>1,191,830</u>

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NEW ZEALAND THOROUGHBRED RACING INCORPORATED**

Report on the Financial Statements

We have audited the financial statements of New Zealand Thoroughbred Racing Incorporated on pages 28 to 42, which comprise the statement of financial position as at 31 July 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely for the exclusive use by the Members. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without prior written expressed consent. We accept or assume no duty, responsibility or liability to any other party in connection with the report or this engagement, including without limitation, liability for negligence in relation to the factual findings expressed or implied in this report.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of financial statements, in accordance with generally accepted accounting practice in New Zealand, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

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

Other than in our capacity as auditor, we have no relationship with or interests in New Zealand Thoroughbred Racing Incorporated.

Opinion

In our opinion, the financial statements on pages 28 to 42:

- comply with generally accepted accounting practice in New Zealand;
- present fairly, in all material respects the financial position of New Zealand Thoroughbred Racing Incorporated as at 31 July 2012, and its financial performance and its cash flows for the year ended on that date.



Chartered Accountants

25 October 2012

Wellington, New Zealand





New Zealand Thoroughbred Racing Incorporated

106-110 Jackson Street + Petone + Wellington + New Zealand

PO Box 38 386 + Wellington Mail Centre 5045 + New Zealand

Telephone: +64 4 576 6240 Facsimile: +64 4 568 8866 Email: office@nzracing.co.nz

Website: www.nzracing.co.nz