



**NEW ZEALAND
THOROUGHBRED
RACING
2012-13
ANNUAL REPORT**

2012-13 GROUP 1 RACES

September

1 **MAKFI CHALLENGE STAKES:** Ocean Park, Xanadu, Justanexcuse

22 **WINDSOR PARK PLATE:** Mufhasa, Fleur de Lune, Xanadu

October

6 **NEW ZEALAND BLOODSTOCK INSURANCE SPRING CLASSIC:** Shez Sinsational, Guiseppina, He's Remarkable

November

10 **SOTHYS 40TH NEW ZEALAND 2000 GUINEAS:** Sacred Falls, Oasis Rose (AUS), Warhorse

17 **NEW ZEALAND BLOODSTOCK 40TH 1000 GUINEAS:** Rollout The Carpet (AUS), Waterford, Fix

30 **LEVIN RACING CLUB LEVIN CLASSIC:** Southern Lord (AUS), Le Choix (AUS), Soriano

December

8 **WESTBURY STUD CAPTAIN COOK STAKES:** Final Touch, Lady Kipling, Mufhasa

26 **ZABEEL CLASSIC:** Veyron, Shez Sinsational, Shootoff

January

1 **SISTEMA RAILWAY STAKES:** Fleur de Lune, Jetset Lad, Durham Town

19 **JR & N BERKETT TELEGRAPH HANDICAP:** Final Touch, Xanadu, Burgundy

26 **HARCOURTS THORNDON MILE:** Historian, Lady Kipling, Miss Pelear

February

9 **DARCI BRAHMA INTERNATIONAL STAKES:** Sangster, Dolmabache, Asavant

9 **WAIKATO DRAUGHT SPRINT:** Final Touch, Xanadu, Zurella

23 **HAUNUI FARM GROUP ONE WFA CLASSIC:** Nashville, Veyron, Better Than Ever (AUS)

March

2 **TV3 NZ DERBY:** Habibi, Fix, Castlzeberg

6 **BARFOOT & THOMPSON AUCKLAND CUP:** Sangster, El Soldado, Chaparrone

9 **HAUNUI FARM DIAMOND STAKES:** Ruud Awakening (AUS), Bounding (AUS), Al Strada

9 **LINDAUER NEW ZEALAND STAKES:** Ocean Park, Veyron, Better Than Ever (AUS)

16 **WELLFIELD NEW ZEALAND OAKS:** More Than Sacred (AUS), Blanket Bay, Aurora Lights

30 **THE OAKS STUD MANAWATU SIRES' PRODUCE STAKES:** Recite, Al Strada, Constellation

April

6 **FIBER FRESH NZ THOROUGHBRED BREEDERS STAKES:** Xanadu, Twilight Granita, Diademe

13 **MANCO EASTER HANDICAP:** Viadana, Postmans Daughter, Our Famous Eve



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BOARD OF DIRECTORS OF NEW ZEALAND THOROUGHBRED RACING INCORPORATED

Matthew Goodson (Chairman), from Auckland, is Managing Director of Salt Funds Management Limited. He has 20 years of investment experience in NZ and New York at firms such as First NZ Capital and Goldman Sachs JB Were. He is both a thoroughbred breeder and owner. Matthew has a Masters of Commerce & 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 the New Zealand Racing Board, 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.



From left to right: Greg McCarthy, Joe Walls, Matthew Goodson, John Stace, Ben Nettleton, Des Friedrich

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 1990s 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 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. 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.

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).

New Zealand Thoroughbred Racing underwent a Governance review and restructure through 2010-11 to ensure an efficient governance model and Board structure with appropriate skills and capabilities.

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

The 67 members (racing clubs) of New Zealand Thoroughbred Racing support the process of selection of the independent Board to run New Zealand Thoroughbred Racing. 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, Breeders and Jockeys), is charged with responsibility for all aspects of the appointment, appraisal and termination (if required) of the six independent Directors.

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.

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 10 times in 2012-13. The Board met twice with the Members' Council in 2012-13.

No directors resigned in 2012-13.

The Company Secretary maintains a Register of Directors' Interests. Board members with perceived or real conflicts of interest are excluded from Board discussions and decision making.

In FY13 the Board reviewed:

- the NZTR Board Charter
- the NZTR Board Code of Conduct

The Appointments & Remuneration Committee:

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

NZTR reviewed its Delegated Authority Policy for expenditure for the Chairman, Chief Executive, senior managers and staff.

Board Meeting Attendance 2012 – 2013	Total
Matthew Goodson (Chairman)	10
Joe Walls (Deputy Chairman)	9
Des Friedrich	10
Greg McCarthy	9
Ben Nettleton	10
John Stace	10

NZTR BOARD PERMANENT COMMITTEES

The Board is supported by three permanent committees as follows:

The Audit & Risk Committee¹

Comprises three persons appointed by the Board.
All Directors may attend meetings of the Committee.
The Committee met 7 times in 2012-13.

Chairman: Greg McCarthy

Members: Matthew Goodson and Des Friedrich

Attendee: Greg Purcell, Campbell Moncur

Secretary: Simon Lang

Resignations in 2012-13: Nil

The Appointments & Remuneration Committee

Comprises three persons appointed by the Board.
The Committee met 6 times in 2012-13.

Chairman: John Stace

Members: Matthew Goodson, Joe Walls

Attendee: Greg Purcell

Secretary: Natasha Freeman

Resignations in 2012-13: Nil

The Integrity Committee

Comprises three persons appointed by the Board.
The Committee met 10 times in 2012-13.

Chairman: Peter Hutt

Members: John Stace and Ben Nettleton

Attendee: Greg Purcell and a Chief Stipendiary Steward from the Racing Integrity Unit

Secretary: Simon Cooper

Resignations in 2012-13: Greg Purcell

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 & the NZTBA.*

OTHER BOARDS, COMMITTEES AND TRUSTS WITH NZTR APPOINTEES

Training and Development Committee

Chairman: Peter Hutt

Members: Ross Neal, Will Harnett, David Jewell

Attendee: Greg Purcell

Secretary: David Jewell

Resignations in 2012-13: Deborah Bragger

General Trust Fund²

Chairman: John Rattray

Trustees: Keith Neylon, Colin Jenkins

Secretary: Simon Lang

Apprentice Jockeys' Fund³

Trustees: Matthew Goodson, Greg Purcell

Secretary: Simon Lang

New Zealand Pattern Committee⁴ (formerly Graded Stakes Committee)

Chairman: Chas Amon

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

Secretary: David Jewell

Resignations in 2012-13: Nil

Racing Integrity Unit

Chairman: Paul Foley NZRB

Directors: Peter Hutt (NZTR), Ray O'Connor (HRNZ), Khoa Nguyen (NZGRA)

Resignations in 2012-13: Dr Alan Jackson, Mauro Barsi and Kerry Hoggard

Judicial Control Authority

Chairperson: Kristy McDonald QC

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

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

Kirstie Lang

Aimee Swain

Handicapping

Dean Nowell

Brett Scelly

George Strickland

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 Patmore

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 – Auckland/Waikato

Pip Howell – Waikato/Northern

Sarah Malone – Central

Natalie Gameson – Christchurch

National Jumps Co-Ordinator

Andre Klein



From left to right standing: Campbell Moncur, David Jewell

From left to right sitting: Greg Purcell, Simon Cooper

EMPLOYEES AND REMUNERATION

Salaried Full time staff	07/2009	07/2010	07/2011	07/2012	07/2013
Internal	25	24	25	27	28
Field	14	12	2	4	4
Total	39	36	27	31	32

Total Remuneration (\$'000)	07/2009	07/2010	07/2011	07/2012	07/2013
0 - 50	14	13	15	16	17
51 - 100	20	18	8	10	10
101 - 150	4	4	3	3	2
151 - 200	1	0	0	1	2
201+	0	1	1	1	1
Total	39	36	27	31	32

CHAIRMAN'S STATEMENT



Across two surveys NZTR conducted in 2011-12 and 2012-13, we asked you to tell us what you believed were the major challenges facing the industry. Your responses were expressed in a number of ways but the two overarching themes were clear and consistent:

1. The need to increase returns to stakeholders
2. The relevance of racing to future generations of New Zealanders

These two issues are inter-linked and are entirely consistent with the thinking and concerns of the Board. We have responded by focusing on fundamental improvement to our industry's economic returns and marketing.

Our new Strategic Plan outlines our goals and key initiatives over a five-year horizon, following consultation with stakeholders regarding the key challenges and opportunities facing our code.

This strategy has been purposely aligned to that of the Racing Board (NZRB) to ensure the best possible chance of success, with five key goals of growing returns to owners by 50%, growing the surplus for distribution by \$20.5m, growing prize-money by \$24m, lifting prize-money to 80% of NZTR distributions and stimulating \$30m in infrastructure investment.

These goals are underpinned by a set of initiatives devised to grow participation, interest and investment in the sport of thoroughbred racing, support club performance and enhance customer experience.

Increasing returns to stakeholders

Our prize-money bottomed in early 2011, the year the Board took office. From \$13,758 in FY11, average NZTR funded prize-money per race rose 5.4% to \$14,503 in FY12, by 8.2% to \$15,687 in FY13 and will rise by a further 4.0% to \$16,311 in FY14 when prize money increases take effect from 1 January 2014 (+5.7% including free entries).

A further uplift is likely in FY15 based on early NZRB projections for that year and due to the full season effect of the 1 January 2014 increases.

Actual average prize-money per race is almost \$1,000 higher due to stakes added from non-NZTR sources.

Key funding changes from 1 January 2014 include:

- Group 2 minimum stakes will rise from \$85k to \$100k.
- Premier meetings will have greater tiering that reflects both their performance and strong stakeholder feedback on the desirability of worthwhile targets to retain good horses and attract new owners. Five meetings will have \$40k minimums, 15 will have \$30k minimums, 22 will be unchanged at \$20k minimums and five will revert to Feature status.
- Feature minimums for R75 and R85 races will lift from \$15k to \$17.5k and for R65 races from \$12.5k to \$15k. This has been part-funded by lowering Feature maiden races to \$10k.
- Special interest funding will increase from \$100k to \$300k, with this including a component to incentivise matched funding.
- Industry meeting prize money will not change but free entries for maidens and R65 races were restored from 1 March 2013. We will look with interest to see if this has an impact on starter numbers.

Legislative Settings

The increasing use of overseas bookmaker websites by domestic and overseas punters to bet on New Zealand racing, or free-riding, is a major barrier to growing returns to stakeholders. Tackling this issue is a major opportunity.

NZTR is strongly advocating for the introduction of race fields legislation to counter the scourge of the offshore bookmakers who accepts bets on our racing without any payments of fees, duty or taxes. It is this huge, unfair cost advantage that allows them to offer better odds rather than any inherent lack of competitiveness from the TAB.

The NZRB estimates that over \$300 million leaks overseas, and anecdotal evidence is seen by how fixed odds betting volumes are highly sensitive to the prices set. Officials who believe the leakage is far lower are mis-informed and we fully support the recently stepped up efforts by the NZRB to generate legislative change. There are clear precedents elsewhere in most other racing jurisdictions and the lack of action to date has caused considerable damage to our industry. We strongly call for action now.



Pacific Jewellers Wellington Cup – Blood Brotha

Section 16 of the Racing Act remains a major concern but tackling it is a far thornier issue. No normal business would allocate resources between its divisions based on their respective revenues without regard to the capital they employ or their profitability. Given the enormous fixed costs of opening the TAB for business each day, it is difficult to believe that the average thoroughbred race with a domestic turnover of \$143,000 has the same profit margin to the NZRB as the much lower turnover per race codes. The simplistic revenue share basis of Section 16 ignores the much higher margins that thoroughbreds provide to the NZRB and which we need to be paid to cover our higher capital costs. This issue may take some time to solve but we will continue to pursue a fair and economically rational outcome.

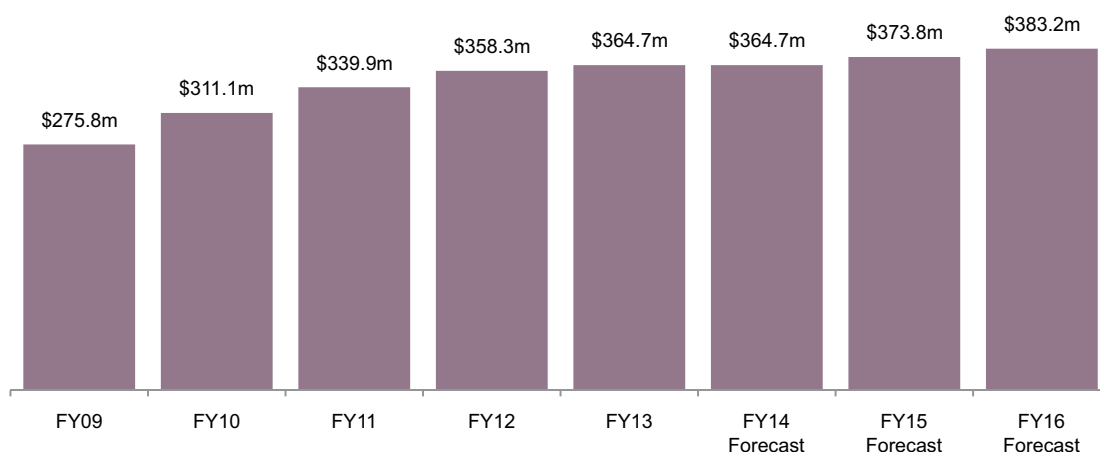
Large Jackpot Bet-Type

NZTR has strongly advocated for a large jackpot bet type and we are pleased that the NZRB is undertaking considerable research into this. Lotto has seen strong growth within a flat overall NZ gambling market due to their large jackpots and NZTR therefore sees this as critical to reviving domestic growth. We are focused both on the potential income from the bet in itself and also its strong potential to grow customer numbers by encouraging once a year punters to experience the thrill and excitement of our sport more frequently.

Export Growth

Growing returns substantially from our domestic population of only 4.4 million people, who have an exploding range of leisure and gambling options, presents a considerable challenge. We must therefore look overseas. Australia has 23.1 million people and, while some Asian jurisdictions do not provide a market at present, the region hosts 60% (4.3 billion) of the world's current population. Growing export markets will be a key driver of medium to long term revenue growth.

Australian Totalisator Sales on New Zealand Thoroughbred Races (\$NZ)



The 2012-13 season was difficult, with thoroughbred export turnover growing 1.8% to \$365m. On a per starter basis, the growth was 5.3%. However, this should be compared to export turnover (\$NZ) for Harness racing at -10.6% and Greyhound racing at -5.9%.

The growth rate tapered off as the year progressed due to the drought, the positive effects of the March 2012 programme changes coming into the comparison and a stronger New Zealand dollar. The currency impact was sizeable, with growth per starter in A\$ terms being a very acceptable +9.5%.

Overall, we see further growth potential in the Australian market and in Asia in the longer term. The interests of strong domestic industries mean that such growth will take patience and may not be straight-line but we must doggedly pursue the goal.

Promoting racing to future generations of New Zealanders

The need to attract more customers is our industry's other key challenge.

To provide context, from 2000 to 2012, regular weekly New Zealand TAB customers declined from 175,000 to 100,000. Similarly, a report for the US Jockey Club by McKinsey in 2011 showed that 2% of customers die each year, 5% lapse and only 3% are added. This net decline of 4% per year is remarkably close to the TAB's experience. These statistics highlight an undeniable decline in the relevance of racing to Kiwis, particularly young Kiwis. While there are still many gains from a continued internal focus on 'running the business better', we now face the far harder task of looking externally to make our sport relevant to a wider range of the New Zealand population.

This requires a step-change in thinking from our industry's almost exclusively internal focus. In conjunction with the NZRB and racing clubs, the strategic focus of NZTR is increasingly looking externally for customer growth.

NZTR's historic budget for marketing has been zero and the communication focus has been on existing stakeholders. This does not mean zero investment has been made by the industry but it has been disparate. The focus of the NZRB has rightly been on wagering, the focus of clubs has rightly been on specific race days and carnivals, and the focus of New Zealand Thoroughbred Marketing has been on highlighting the outstanding performance of the New Zealand thoroughbred mostly to an international audience. There has been little co-ordination or consistent branding.

In response, we have created a new budget line of \$400k per year for marketing, and will carefully assess this amount in future seasons as the initial results of our actions filter through. We will shortly announce a new structure for our marketing, which will remove industry duplication and achieve even greater value for money.

In the season just gone, NZTR has run with several low cost prototypes in areas such as Social Racing syndicates, video production and the generation of articles. The latter is working extremely well, with numerous articles by 'NZ Racing Desk' appearing in the mainstream media and on various widely followed websites. In F2013-14 we will drive a continued step up in the presence of New Zealand thoroughbred racing in new and old media both domestically and overseas.

The re-launch of Nzracing.co.nz midway through 2012-13 has delivered greatly improved video capability. The site now accurately renders to mobile devices, with this seeing tremendous growth. Annual visit numbers are very high and rose from 3.17m in 2011-12 to 3.37m in 2012-13.

In 2013-14, video and written content will be further upgraded, form presentation will be improved, accurate sectional timing information will be provided, an inadequate presence on social media will be remedied and considerable cost savings from using the site as a service centre for participants will be realised.

We have high hopes for future stages, which will aim to allow trainers to easily reach new and current owners by providing video and other information about their horses in one go-to portal. The sheer size of our audience gives us some very interesting commercialisation possibilities, with past efforts being unsatisfactory but significant potential being evident.



New Zealand Thoroughbred Racing Awards – Ruud Awakening

As part of our initiatives to increase the relevance of racing to future generations of New Zealanders, NZTR engaged a leading branding agency in 2012-13 to assess where we are at and the steps required to create a distinctive brand that clearly displays thoroughbred racing as a leading sport in New Zealand.

The aim is to move thoroughbreds from being ‘product,’ that fills a five minute betting slot, to a widely recognised sport with all the critical elements of suspense, excitement, triumph and failure that engage a whole new generation of fans.

2013-14 will see a number of initiatives that are consistent with building this brand but an improved race day experience must precede full implementation. We firmly believe it would be a mistake to offer glamour and suspense but fall down on delivery.

TV and radio are also key components in helping to make our sport more relevant to New Zealanders. ‘Wall to wall racing’ and the unclear overlap between TAB TV and Trackside has not served us well. Race lead-in times have been severely compromised and post-race excitement and stories been left behind in the rush to get to the next race, whatever and wherever that might be.

NZTR has called strongly for a thoroughbred-only channel, and while that is unlikely to be achieved in the NZRB Broadcast Review, we believe that all Codes will see considerable improvement in coverage consistency in 2013-14.

Racing Club Partnership Programme

The vast majority of wagering occurs off-course but the on-course experience is our critical shop window. There have been outstanding success stories from some clubs but the consistent application of best practice has not occurred. Racing is in the entertainment business and the competition has lifted its game. We must too.

NZTR now has two seasons of information from the 2011 introduction of scorecard evaluations of every race meeting. These show huge variation in the financial and operational performance between the strongest and weakest performers in each category of clubs and meetings. Historically however, there has been no resourcing to fix this.



From 2013-14 onwards, NZTR will fund the staged roll-out of a club partnership programme to support clubs and share best practice in terms of governance, accounting, marketing and event management. The aim is to sharply improve performance while retaining the key advantage of the club structure, which is the deep roots and support that every viable club has within its community.

When a customer goes to say a Super 15 game or to any major fast food franchise outlet, they know exactly what is on offer and how much it will cost. Only the NZRB has the resources to deliver on a national franchise concept and NZTR has therefore committed to partner with them to build on the outstanding success of the 'Christmas At The Races' and 'Inter-Islander Summer Festival' franchise models. We are working towards having the NZRB on-course marketing and events team partner with clubs to deliver a professional customer-focused race-day experience, with an initial focus on key promotable Premier days and on Twilight meetings.

Historically, racing has been held at a time and place that suits participants. It has been supply-driven. Unfortunately, potential fans now have many options, so we have to move the show. To this end, we are delighted that the NZRB has agreed that 13 Tuesday meetings be re-allocated in FY14, including 7 to Saturdays and 4 to Sundays. Later start times have also had a very positive impact and the number of Twilight licences will increase from 12 to 18. Monday racing might seem completely contradictory to this philosophy but that is the slot when New Zealand can reach international customers by having a higher proportion shown on Sky 1 in Australia.

Infrastructure Policy and Investment

A clear need has built up over several decades to invest in both track surfaces and public amenities. Your feedback unequivocally shows that race-day experiences are held back by poor amenities. The problem is that industry funding formulae take no account of the thoroughbred code's greater capital needs and accompanying higher profit margins, as outlined earlier. In the face of this structural head-wind, NZTR is committed to doing what we can to leverage our scarce resources by stimulating co-investment in racing, training and public facilities.

To this end, NZTR has set aside \$1m per year to fund key projects at the 14 tracks that have been identified by a detailed scorecard as Strategic or Significant. Several locations are on the boundary of this status and in the longer term we could see the number being between 12 and 16. Given our financial constraints, only critical projects elsewhere can be supported with NZTR funding.

Examples of projects currently being funded include Ruakaka, where NZTR has provided \$500k of funding for a track-widening programme which will cost \$1 million in total and which will greatly enhance the ability of our best winter track to carry the load it receives during that period.

NZTR has also funded \$245k out of \$450k of expenditure on much-needed drainage at Riccarton and part-funded a number of smaller projects. In all cases, the funding is structured so that it will be returned to the industry in the event a club chooses to cease racing at some future point. NZTR acknowledges and appreciates the support of the Racing Safety Development Fund (RSDF) for those projects which have safety elements.

Many stakeholders call for industry rationalisation by drastically reducing the number of tracks. While understanding the sentiment, the cost-benefit analysis does not stack up. There is a clear cost from racing being lost to a community, with Nelson for example having very low thoroughbred turnover statistics despite being wealthier and older than the national average.

The benefits are lower capital needs as activity is centralised, a saving in travel costs and critically, a significant potential capital release that can be reinvested in stakeholder returns. However, many tracks are not freehold and one of the many failings of the Racing Act is that it gives no certainty that the proceeds from the sale of any track reside with the industry and there is not even any requirement for a club to dissolve if racing ceases. This means that sensible rationalisation requires enlightened decision-making at a club and regional level. We congratulate the Auckland RC on their significant land rezoning and leasehold sale success. The strong positive moves by the Avondale JC towards achieving a major rezoning are also noteworthy.

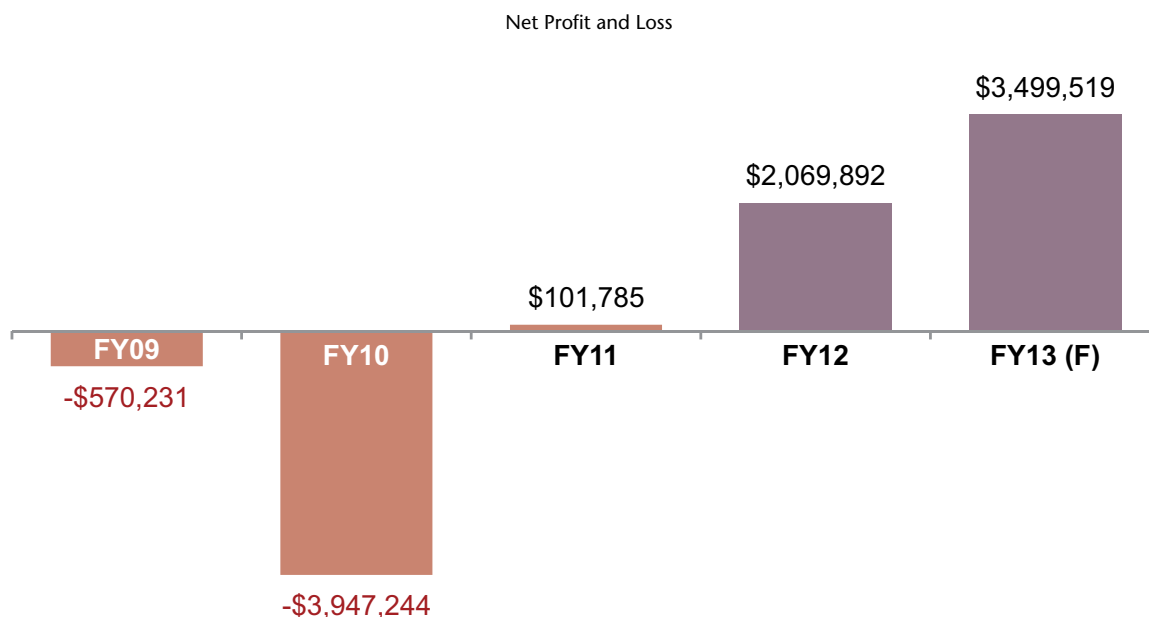
Another key barrier to industry rationalisation is that we require sufficient consistent racing, training and trialling surfaces. This is particularly the case in the Northern Region, where 47.4% of horses are based. NZTR remains committed to a synthetic training and trialling surface in the Waikato region as the preferred option. This will be lower cost than a full synthetic racing surface, it will allow the divergent passionate views about the performance of such a track to be properly tested under New Zealand conditions, and it will provide many of the gains of a full racing surface in terms of horse capacity and location incentives for trainers.

Our financial modelling shows clear gains in wagering revenue due to improved field size and cost savings to owners from a high quality training and trialling surface allowing horses to get to the races more quickly and more often. We continue to negotiate with the NZRB to provide a suitable part-funding package and hope to achieve an outcome in the season ahead.

Outside the Northern region, capacity constraints are far less apparent and, at this stage, are better dealt with by high value spending on drainage and irrigation.

NZTR

All of the above initiatives require money. NZTR will continue to keep core operational cost growth as close to flat as possible, with inflationary pressure and new initiatives in one area being funded by savings in other areas. To ensure transparency, we have clearly identified separate line item costs for special projects, marketing and infrastructure expenditure. We face difficult choices in allocating scarce funding but our thought process is to deliver a sustainable lift in prize-money each season, while carefully investing in future growth. Administrative cost increases are last in line.



To conclude, I thank my five fellow Board members – Joe Walls, Greg McCarthy, John Stace, Des Friedrich and Ben Nettleton – for their dedicated work on behalf of the thoroughbred code over these past 12 months.

I acknowledge the additional work undertaken by the Board on our three permanent committees, in particular the three chairmen: Greg McCarthy, who is not only our nominee on the NZRB Board but also chairs the Audit and Risk Committee, John Stace, who chairs the Appointments and Remuneration Committee, and Peter Hutt, who heads our Integrity Committee. Peter also sits on the Racing Integrity Unit Board on behalf of the thoroughbred code, and chairs our Training and Development Committee.

I must also record my appreciation of Alan Jackson, for his service as Chairman of the NZRB, before being forced to step down following a challenge from Greyhound Racing NZ. The loss of his expertise and passion was a very disappointing outcome.

We welcome the appointment of Glenda Hughes to the Chair of the Board of the NZRB.

Victoria Carter took up the chairmanship of the NZTR Members' Council following Peter Francis's decision to step down after taking up the Chair from its induction at the start of 2011. I would like to thank him on behalf of the Board for his tremendous work on behalf of the thoroughbred industry in that capacity.

I would also like to thank Greg Purcell and the entire team at NZTR for stepping up and meeting the many and varying demands of the Board and stakeholders throughout 2012-13. Many participants may not realize that the great bulk of management time is taken up by the demands and complexities of “business as usual”. The implementation of a significant change programme that goes well beyond this reflects the dedication and passion of our team as they have put in huge hours on a budget that has little room for expansion.

As your representatives for this code, the Board thanks you for your support over the last 12 months.

Prior to publishing this Annual Report we also published our 2014-18 Strategic Plan and our second annual Performance Report which measures our performance in 2012-13 against our key performance indicators and forecasts in our 2013-15 Business Plan, published last year. At the time of going to press, our 2014-16 Business Plan is under consideration by the NZRB, as required by the Racing Act.

We are conscious that as an independent rather than representative Board, we need to continually seek ways to effectively communicate with our stakeholders and the wider industry. I give you our assurance that we will continue to do all we can to ensure we meet your objectives and provide you with progress reports on initiatives NZTR is considering, has in progress and has carried out.

We are acutely aware that NZ prize-money needs to continue to rise but this can only be paid out of income, which in turn will only grow if we look outwards to attract new fans. A careful balance with infrastructure and marketing expenditure is therefore required. We have confidence that recent increases are sustainable and that steady further rises in excess of inflation are likely in the seasons ahead.

Matthew Goodson

Chairman

CHIEF EXECUTIVE'S REPORT



The 2012-13 racing season saw many achievements on and off the track and a number of challenges, including 101 races abandoned due to weather, as well as sadness.

NZTR believes we now have strong foundations in place on which we can build the key improvement strategies outlined in our Strategic Plan 2014-18.

Our performance for the season was benchmarked against 39 key performance indicators detailed in the 2013-15 Business Plan. Full information and analysis can be found in the 2013 Performance Report online at www.nzracing.co.nz.

In summary, of the 39 KPIs set for 2012-13, NZTR:

- met or exceeded KPIs on 15 of 39 (38%)
- met or exceeded prior year performance but did not meet KPIs on 10 (26%)
- neither met KPIs nor prior year performance on 14 (36%)

Crucially, we were able to lift prizemoney by \$2.8m in 2012-13 and remove the \$50 (excluding GST) nomination fee from all races below rating 75 from 1 March 2013. That meant there were no nomination or acceptance fees for horses that nominate, accept and start in all maiden, rating 65, non-black-type two-year-old, three-year-old, four-year-old, and special conditions races.

Removing nomination fees from lower tier races will provide direct savings of more than \$1.2 million to owners each year.

This decision followed the NZRB's welcome announcement of an increase in its forecast profit for F2012-13 and a projected increase in distributions to the three Racing Codes of \$135 million (from \$134 million). It continued our phased new structure of racing and prizemoney, which we started in March 2012, designed to maximize field sizes for domestic and international wagering across the week, and to encourage ownership.

Average minimum base prize money increased by more than \$1000 ahead of the previous year to \$15,687.

Our horses performed outstandingly in 2012-13. A record eight horses trained in New Zealand achieved international elite status by recording an international rating of 115 or more for their peak race performance during the season, and were included within the ranks of the world's best horses for 2012-13. Significantly, six of the eight horses recorded their peak rating performance in races conducted in New Zealand. Ocean Park (122) and Dundeel (121) are both rated within the world's top fifty thoroughbred horses. The other 6 New Zealand-trained horses are Mufhasa (118), Veyron (118), Nashville (116), Sacred Falls (115), Final Touch (115) and Sangster (115).

Over the season we witnessed some outstanding individual performances:

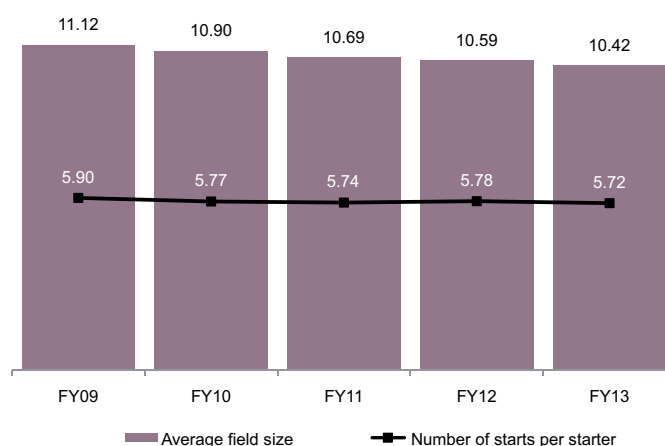
- Ocean Park's sequence of Group One wins culminating in the Underwood Stakes, the Caulfield Stakes and the W S Cox Plate
- Dundeel's four Group One wins in Australia including the Australian Derby by 5½ lengths to claim the Sydney three-year-old Triple Crown after wins in the Randwick and Rosehill Guineas
- Habibi's win in the TV3 New Zealand Derby at Ellerslie
- Sangster's two Group One wins including the Barfoot and Thompson Auckland Cup
- Final Touch's three Group One wins including the JR & N Berkett Telegraph Handicap
- Other outstanding performances by Sacred Falls, Shez Sinsational, Veyron, Ruud Awakening, Blood Brotha, Silent Achiever, Fix, Nashville, Mufhasa, Xanadu, Platinum Kingdom, Fleur De Lune and Recite

Our focus in 2012-13

Our focus has been moving from the initial actions required two years ago to reverse the drastic cuts to prize money that confronted us in 2011 to consistently increasing prize-money and establishing a marketing platform to grow awareness and investment in the industry.

Even with three key months of the season being severely drought impacted, we continued to make sustainable increases to prize money. We expect to conduct 2,940 races in FY14, a 3.3% reduction on the 3,040 we had expected to conduct in 2012-13.

Average Field Size and Number of Starts per Starter in FY09-FY13



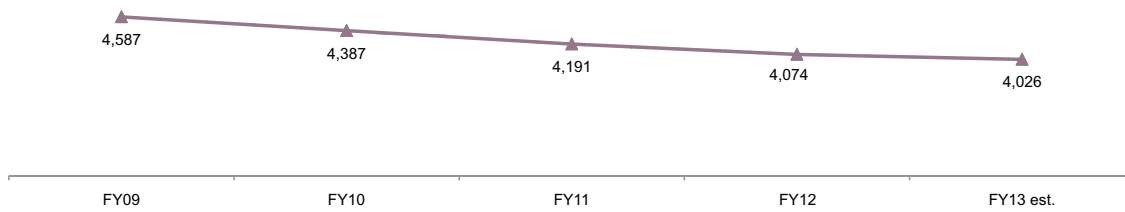
Overall field size was reasonable in 2012-13 with the exception of the period February-March, where an average national field size of 0.5 below normal meant that we ended the year with a disappointing 10.42 average versus 10.59 in 2011-12 and our target of 10.7.

Average Field Size (Flat and Jumps) by Calendar Month in FY13 vs FY12

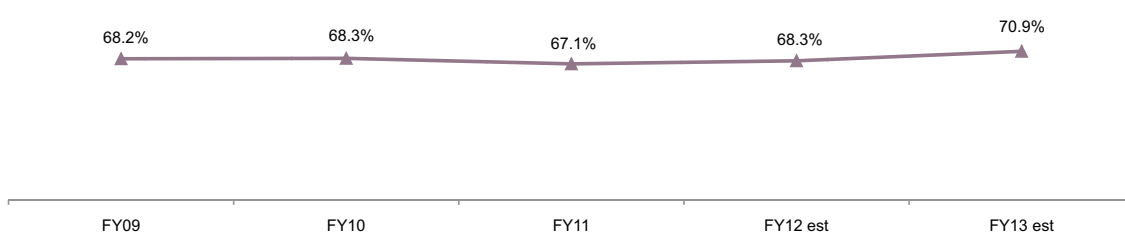


Our foal crop analysis suggests an adequate number of available horses in coming seasons, with a steady decline in mares bred being largely offset by a higher foaling percentage of better quality foals that are more likely to be race-worthy. That said, it is clear that we are operating at the limits of our activity potential. Accordingly, even though there will be a modest revenue impact, we will schedule 2,955 races in 2013-14 with an expectation of conducting 2,940. This is down 100 from the expected 3,040 (and the actual 3,007) in the 2012-13 season.

Live foals FY09 to FY13



Mares served to live foals FY09 to FY13



Habibi – Connections after victory in the TV3 NZ Derby at Ellerslie

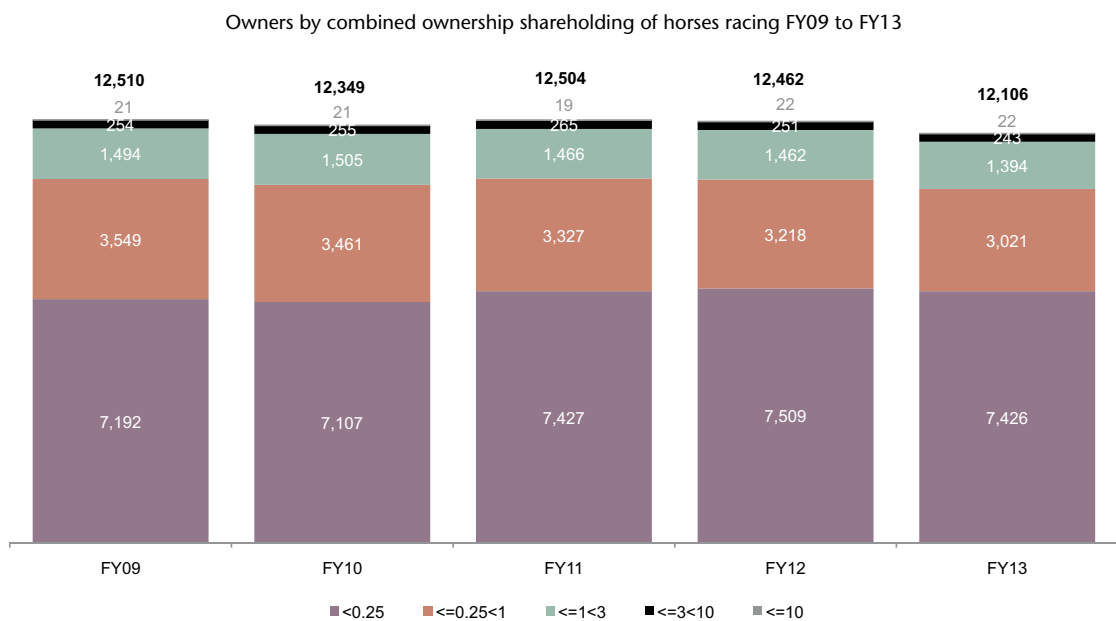


Marketing

In 2012-13 NZTR established, jointly with New Zealand Thoroughbred Marketing (NZTM), the NZ Racing Desk, a thoroughbred industry media service to generate stories across all media platforms including websites, social media, television and print media to promote industry stories and up-coming race meetings and events.

We consulted with stakeholders and developed, with a brand agency, a brand for the sport of thoroughbred racing in New Zealand to refresh and improve visibility, awareness and sustainability, and developed, with NZTM, a brief to retain and promote horse ownership, including an ownership service centre in the new www.Nzracing.co.nz website, which will provide a wide range of ownership services and information for existing owners and an associated website built around Social Racing.

Our efforts to promote thoroughbred racing to a non-racing audience, at no cost to the member, included racing four horses under the Social Racing banner Lady Hauraki (Radio Hauraki), Hoofsain Bolt (ZM radio), Huffer, (Huffer Fashion Label) and Conchita (Daniel Vettori).



In a couple of cases the Radio Station broadcast live from the race meeting and there were also a number of successfully hosted race day hospitality events during the season for these members.

We also worked with Socialize to produce a variety of video clips on different aspects of the thoroughbred racing industry and post these clips up on to the NZTR website NZRacing.co.nz and the NZTR Facebook page. These clips alongside videos clip from Trackside, editorial content from the NZRacing Desk and access to a wide range of photos have all enhanced the content and popularity of NZTR's website and Facebook page.

This was extended to developing a racing club website template for clubs which currently do not have a website or for clubs which are looking to upgrade their current website. The first sites have been built for the Waikato Racing Club and the Whangarei Racing Club.

Racing Clubs

In 2012-13 61 Thoroughbred race clubs conducted 3,007 races at 358 meetings at 50 venues attended by approximately 487,000 people.



Race clubs earned \$5.4m in net sponsorship, \$2.3m from catering and \$5.8m from other income (club nomination & acceptance fees, racebooks, admission, gaming grants); spent \$18.1m on race day expenses (excluding stakes); paid \$50.0m in prizemoney; and produced an aggregate raceday profit (before fixed overheads) of \$10.6m (\$9.7m excluding grants).

While on-course thoroughbred wagering is now less than 9% of total New Zealand Thoroughbred turnover, the on-course experience remains our 'shop window'.

Christmas At The Races and the Interislander Summer Festival franchise events continue to grow and have been an outstanding success. In 2012-13 NZTR worked more closely with the NZRB on-course marketing and events team to leverage off this expertise and asset base to develop the racing clubs event management capability to ensure clubs deliver a professional customer-focused race-day experience across the full racing season.

On 1 August 2011 NZTR put in place a mandatory standardised race day profit and loss reporting process, and since that time has been collecting this information and analysing each club's annual report. This information has proved to be invaluable in identifying the relative financial performance of each club in the country and is a key element of the Racing Club Partnership Programme engagement with racing clubs during 2013-14.

NZTR has expended considerable effort with clubs in putting together a collective insurance proposal. We estimated it would offer annual cost savings of \$300k on current industry-wide payments and \$1.2m on an equivalent coverage basis. The difficulty is that many clubs have strong historic relationships with their brokers and given the scheme's requirement that clubs are all in or all out, we decided to put a full and final scheme scope and costing to a club vote.

It was disappointing the scheme did not meet approval. However it did benefit every club either through introducing contestability or improving existing cover. Nevertheless, it highlights again the difficulties of getting diverse clubs to act in concert for the greater good.

The Chairman's Statement outlines the Racing Club Partnership Programme which will be rolled out from the 2013-14 season. Much of the base for this programme was developed in 2012-13.

Racing Programme and Funding

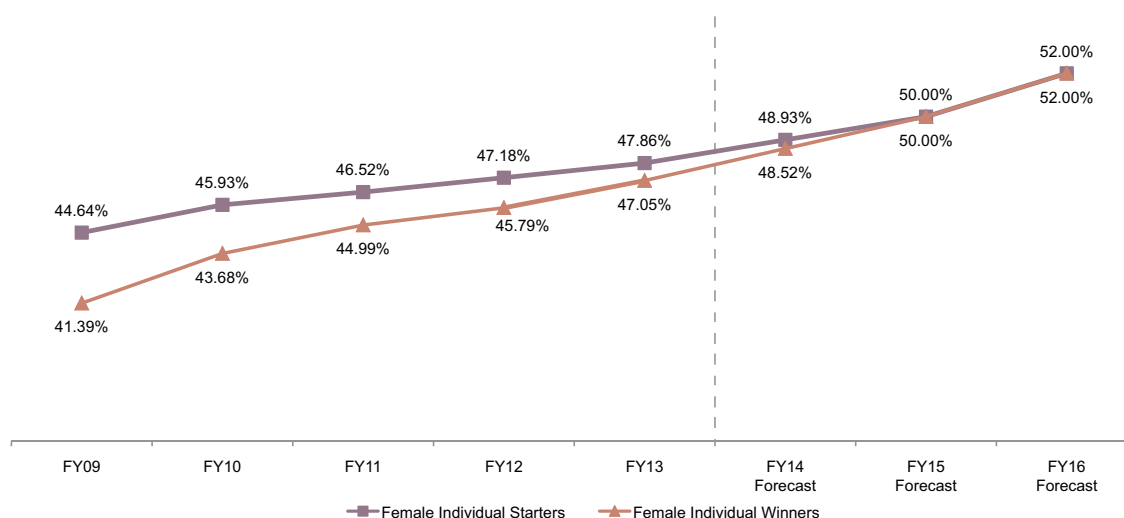
NZTR reviewed the 2012-13 funding model and, as a consequence and in consultation with clubs, made a number of changes to the 2013-14 Funding Policy, including increases in prize money from 1 January 2014, which are also set out in the Chairman's Statement.

Monday racing is not our most popular initiative but it is doing its job with domestic turnover being \$72k per race and export being \$91k. The upside for export from being on Sky 1 in Australia is clear. The domestic popularity of thoroughbreds lifts all racing turnover on what is otherwise a very quiet day. In return for this, we are paid slightly above our raw Section 16 market share. For now, a 6-8 race Monday programme combined with 7-9 races on Wednesday-Friday with later start times delivers better overall returns, (net of the extra costs), than running 9-10 races on Wednesday-Friday and retaining winter Sundays. We are not wedded to Mondays in themselves and in the event that our returns change, or future horse numbers decline more than projected, then we will consider the best mix at that time.

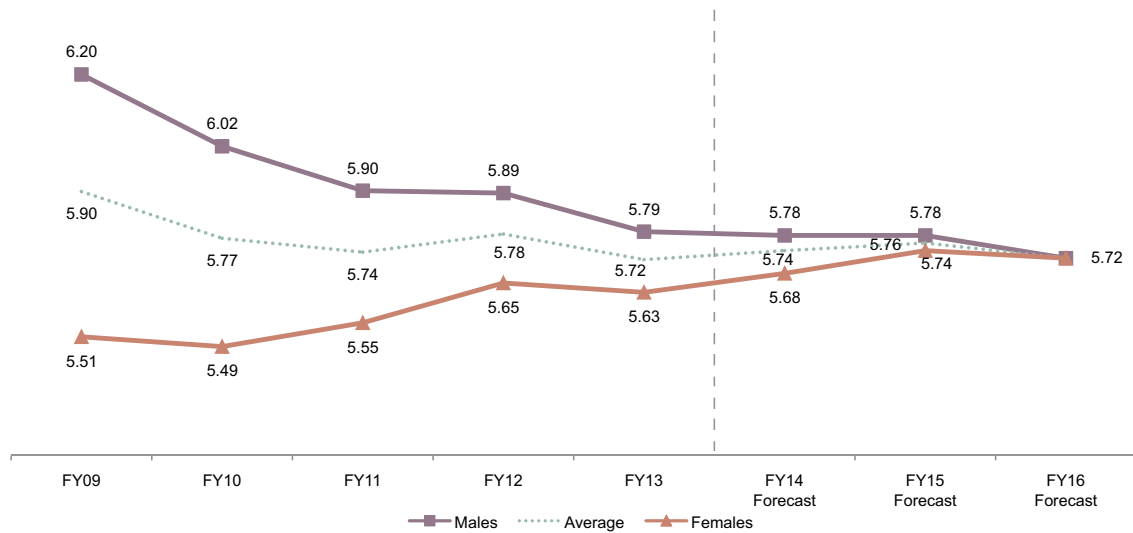
The percentage of fillies and mares as individual winners also continues to climb as a result of initiatives and incentives introduced in 2012-13. Two years ago, we identified that fillies and mares were racing and winning significantly less than was implied by their population percentage. This provided clear upside potential. Three actions have been put in place:

- A move from a 1.5kg to 2kg allowance;
- Specific fillies and mares series;
- Encouragement and logistical support to the NZTBA in launching the 'Pearl Series'. This initiative has seen exceptional enrolments at 647, well above the projection of 400 and we look forward to the first bonuses being paid in the 2013-14 season.

Percentage of Female Individual Starters relative to Female Individual Winners FY09 to FY13 and Forecast FY14 to FY16



Average Starts per Annum per Horse by Sex FY09 to FY13 and Forecast FY14 to FY16



New Zealand Pattern races were under grave threat two years ago from a move to international rating benchmarks at a time when New Zealand races were receiving unduly low international ratings. This threat has been largely mitigated in the short term via the provision of clear evidence and strong representation on the International and Asian Pattern Committees but it remains a concern that New Zealand races tend to rate towards the bottom end of required benchmarks.

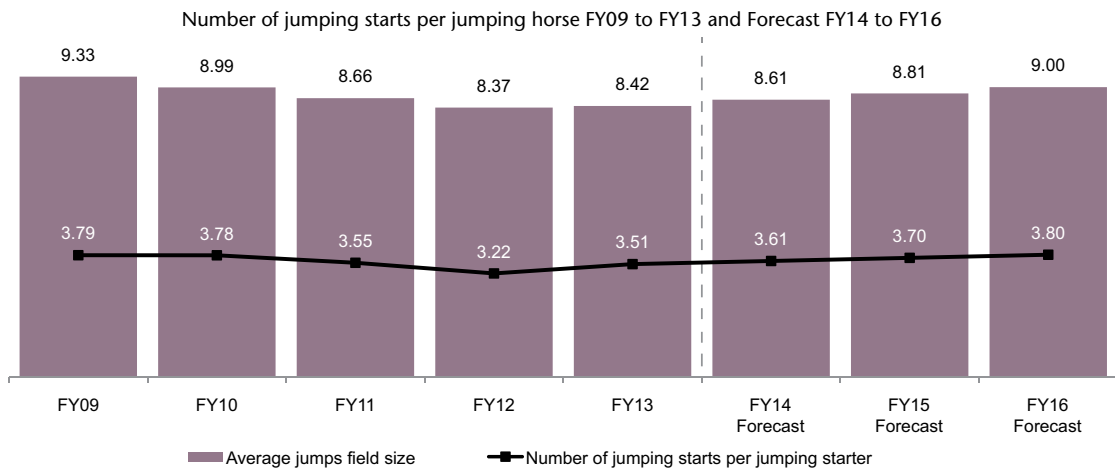
Status	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Group 1	22	22	22	22	22	22
Group 2	23	23	23	23	22	21
Group 3	33	33	33	33	36	39
Listed	68	68	66	68	65	65
Total	146	146	144	146	145	147

At the request of the Pattern Committee (NZPC), (an independent group that has members nominated by the NZTBA, NZB and NZTR), we instigated in 2012-13 an independent review of the current Pattern. We agree with the NZPC that there are a number of potential improvements that may avoid possible downgrades and create better domestic opportunities for the best New Zealand horses. We look forward to considering the recommendations.

A continuation of past levels of field size and betting turnover in jumps racing is unsustainable. As signalled last year, NZTR conducted a review with New Zealand Jumps Inc and three key changes were introduced:

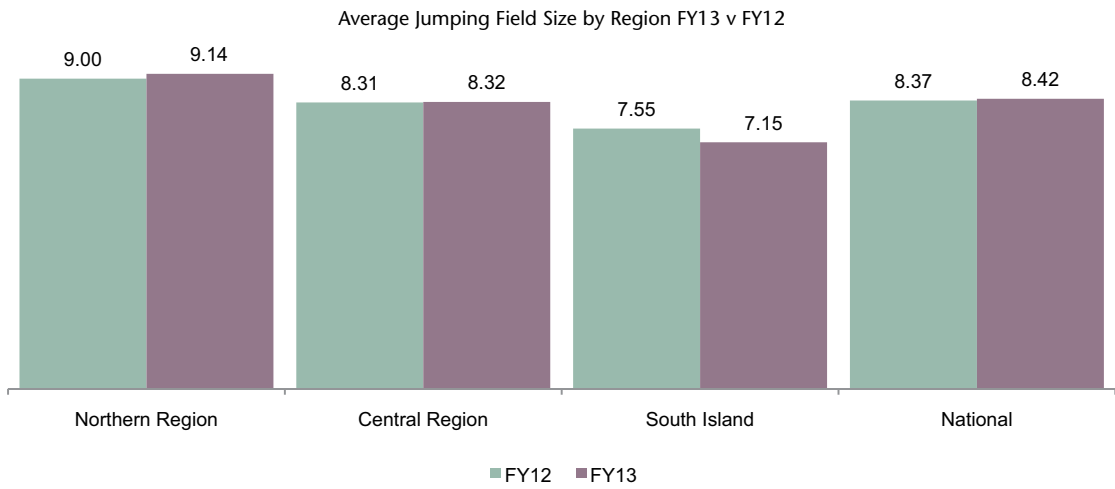
- Open nominations to create greater certainty that a jumping race will be held and the ability to split a race if strong nominations are received;
- A modest re-focusing of activity to areas where there is a sustainable base of jumping horses and jockeys;
- A significant lift in prize-money for a number of the key events.

Given the lead times in preparing a jumper, it is too early to expect strong results but the initial outcomes are moderately encouraging, with average field size lifting in the second half of 2012-13 to 8.2 from 7.9 in the second half of 2011-12. We are looking for significant further improvement.

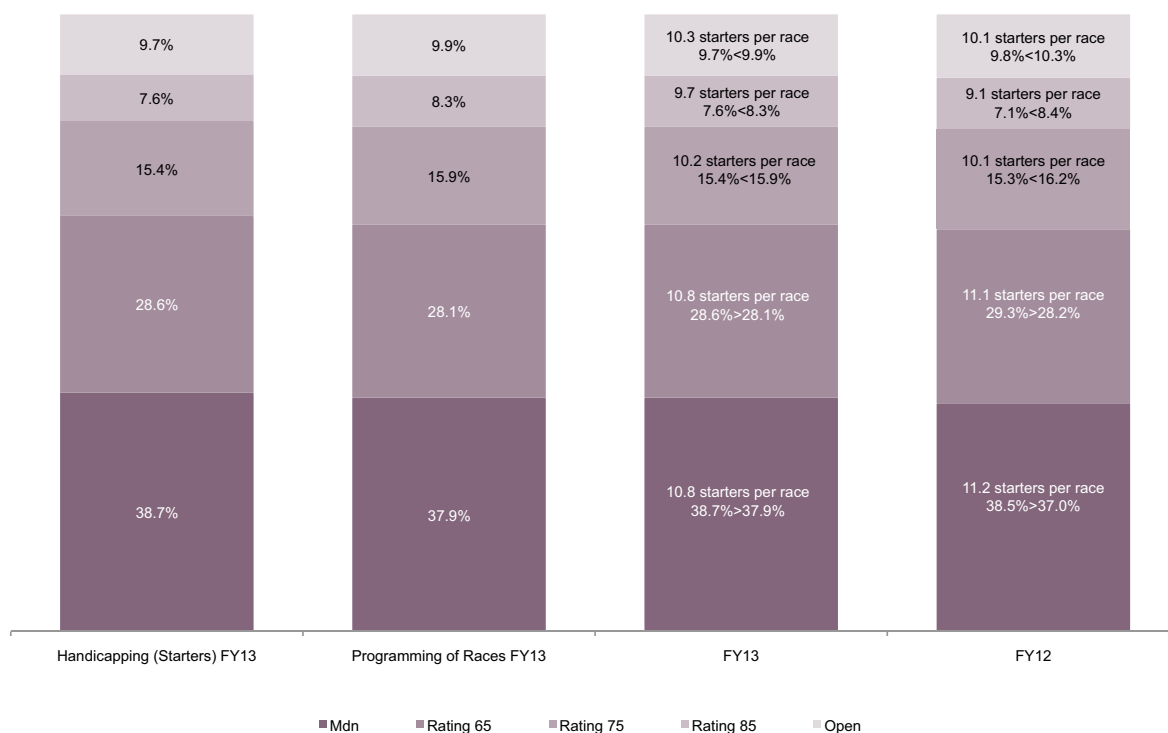


Despite our difficulties with overall field sizes in 2012-13, the results of the handicapping review have been an outstanding success. The best marginal use of a horse in terms of generating revenue is to move it from say a 15 horse field to a 7 horse field. I am pleased to report that the number of fields with less than 8 horses fell to 431, well below the 489 in 2011-12 and our target of 470.

Progress from here will be harder given that 55 of the sub-scale fields were two year-old or jumping races but we expect further improvement. We are particularly pleased with the way the benchmark system is creating more opportunities to place horses, with the previous black-spot of rating 85 fields rising by 0.6 to a 9.7 average.



Misalignment of Horses by Band to Races Programmed in FY13



For as long as there has been handicapping, there have been complaints. However, the new rating grades have settled down and horses are moving up and down through them more evenly and we are heartened by a reduction in the number of issues that have arisen. To further cement confidence, we appointed two independent reviewers for when complaints to the handicapper were not resolved. To date, only three issues have escalated to that level, with one rating change made prior to independent review.

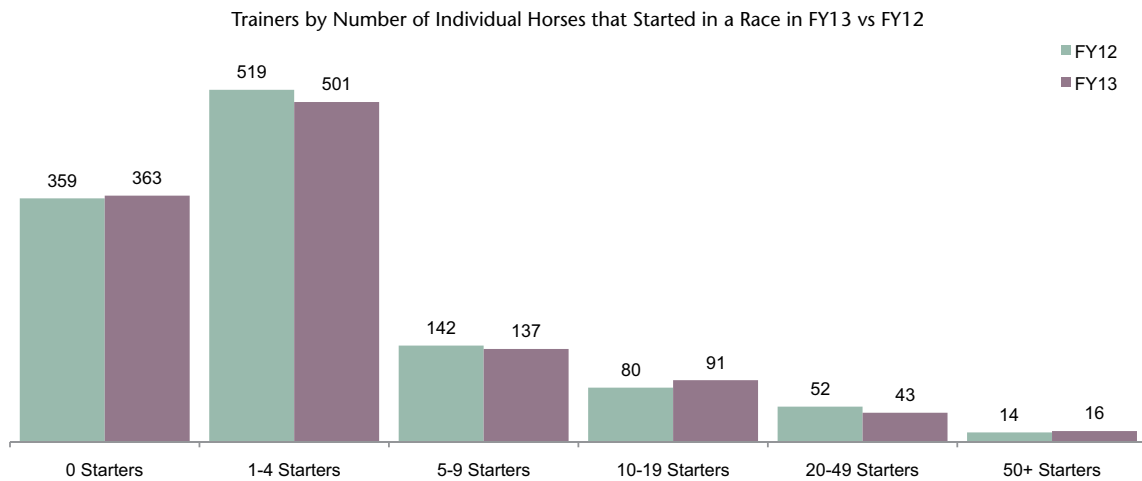
Stakeholders

ACC costs continue to be a major burden on trainers and therefore owners. Crippling increases saw the levy rate rise from 6.28% in 2007-08 to a peak of 11.17% in 2010-11. This created a near perfect storm given its coincidence with falling prize-money. NZTR has invested time and effort, in consultation with ACC, in understanding and defining thoroughbred industry claims.

The levy is now staging a welcome reversal to 9.58% in 2011-12, 6.91% in 2012-13 and will be 5.94% in 2013-14. As was the case last year, this reflects welcome improvements in ACC's overall funding position, improved work practices within our industry, and a more accurate definition of the nature of employee risk. Further declines in levy rates are possible.

Individual transactions made through the Trainers' Service Centre as a % of all transactions increased 1.0% from 2011-12 to 2012-13 but fell short of the 44.0% forecast.

In 2012-13 NZTR further improved this online service for trainers, which will aim to allow trainers to easily reach new and current owners by providing video and other information about their horses in one go-to portal. The sheer size of our audience gives us some very interesting commercialisation possibilities, with past efforts being unsatisfactory but significant potential being evident.



In 2012-13 NZTR amended the Rules of Racing regarding inconsistencies relating to the payment of prizemoney percentages to trainers and riders by NZTR (on behalf of Clubs). NZTR is now working through an adjudication process with the Inland Revenue to establish the GST consequences of this rule change.



NZTR Communication

NZTR takes very seriously its commitment to improve stakeholder information and communication. This extends to regional meetings in all our regional centres, monthly teleconferences with the executive of all racing clubs and sector organizations, quarterly meetings with Strategic and Significant race club managers, and quarterly regional programming meetings.

In addition to the introduction of a racing club conference prior to the NZTR AGM in November 2012, we published an annual Business Plan for the third year with detailed KPIs and actions, a Statement of Intent as required by The Racing Act, and a Performance Report measuring NZTR's performance against the previous year's Business Plan.

In December 2012 we released stage one of a website upgrade, which was designed to enhance usability, search and navigation and provide improved video and social media integration, was rolled out. Further work is planned during 2013-14. In 2012-13 www.Nzracing.co.nz attracted 3.37 million visits, an average of 6.27 page impressions, and average visit duration of 6.53 minutes.

At the start of 2012-13 NZTR issued a stakeholder perception survey to improve our services and communication, and to help in delivering NZTR's Business Plan objectives. NZTR was gratified by the high level of engagement from stakeholders and the amount of helpful comments included in the survey responses.



A summary of the 258-page report of the survey was provided on the NZTR website at www.Nzracing.co.nz and some salient points from the survey included in the 2012 Performance Report.

At the close of the 2012-13 season NZTR issued a follow-up stakeholder survey to measure our performance against the previous survey. This will be a basis for improvements across NZTR's strategic planning and service delivery in 2013-14 and beyond. A summary of results can be found on Nzracing.co.nz.

Other Initiatives

A clear need has built up over several decades to invest in both turf track surfaces and public amenities. The problem is that industry funding formulae take no account of the thoroughbred code's greater capital needs and accompanying higher profit margins. All codes are paid by the NZRB as if each dollar of revenue has the same profit margin associated with it. In the face of this, in 2012-13 NZTR set aside \$1m per year to fund key projects at tracks identified as Strategic or Significant. The Chairman's Statement provides some detail on these infrastructure initiatives.

Animal welfare is an increasingly important part of NZTR's responsibilities. In November 2012, in consultation with NZTR, the RIU began collecting detailed information on all raceday incidents and fatalities (NZTR and the RIU did not join Racing Victoria's ARID incident reporting system due to IT integration costs). This information will provide guidance on any problem areas or emerging trends and help us identify them and deal with them, as well as giving us access to more complete data to analyse and to assist in the development of safety and welfare initiatives for horses, and providing benchmarks for venues around the country to ensure that all tracks are as safe as possible.

In 2012-13 NZTR initiated a partnership programme with Equestrian Sport NZ (ESNZ) with the aim of raising awareness with all stakeholders in Thoroughbred racing of equestrian sport as a second career for Thoroughbreds coming out of training and building a bridge for Owners and Trainers to make this transition as simple as possible. The success of New Zealand Thoroughbreds in eventing competitions around the world, highlighted by Clifton Promise (registered by NZTR as Bachelor Boy by Engagement out of Darn Style), has helped in these endeavours.

NZTR submitted in 2012-13 a Rule change, for final approval, which would offer the option of de-registering a horse from racing and/or breeding and place certain requirements on the owner of a horse leaving the racing industry to inform NZTR when a horse is sold or gifted to another party, including the full identity and contact details of the new owner.

NZTR has also been involved in re-drafting the *1993 Welfare Code for Equines* with the NZ Equine Health Association (NZEHA). The National Animal Welfare Advisory Committee (NAWAC) released a draft of the code for public consultation. It sets out minimum standards and best practice guidelines for all horses, ponies, donkeys and crossbreds.

The level 3 Stable Procedures qualification is undertaken on a voluntary basis and is available for any licensed stablehand or trackwork rider to gain a formal nationally recognized qualification. At 31 July 2013 there were 120 trainees undertaking the Level 3 Stable Procedures certificate, significantly up on the 19 recruited in its first part-year.

In 2012-13 NZTR continued its introductory 'Limited Credit Programme' for stable hand licensees.

This mandatory training aims to ensure a basic level of competence and knowledge. There is a requirement to complete this programme within 12 months in order to retain the stable hand licence. The mandatory training provides 20 credits out of the 100 credits required to complete the voluntary Level 3 Stable Procedures Certificate.

NZTR is engaging in a carefully staged project to provide low cost sectional timing using GPS technology. After some minor initial issues, we are satisfied that the system will soon be ready for a full race-day test and that Nzracing.co.nz can be configured to add it to the form information. By season's end, we hope to provide accurate post-race sectionals and exact distances covered by every horse in every race. We believe this very valuable information will enhance turnover and allow us to more effectively compete in export markets.

Vale

NZTR and New Zealand racing was deeply saddened at the passing of jockey, Ashlee Mundy, following a fall at Kurow race course on 30 December 2012. Ashlee was apprenticed to Michael Pitman in Christchurch in March 2004 and rode her first winner the same year on Starkay at Oamaru. She rode a total of 232 winners in New Zealand including four black type races. She had been riding in Australia for the last few years and had ridden 43 winners in Queensland. This was the first time a jockey has died in New Zealand from injuries suffered in a race fall for nearly nine years.

NZTR

Our operational expenditure, excluding marketing costs, was below budget and under 2011 levels on a like-for-like basis, with additional services fully funded by internal cost savings. This is reflected in our Profit and Loss statement, with a \$3.5m surplus (before infrastructure provision). As a result, we are now operating sustainably and within our means – with incomings exceeding outgoings, removing the need to tap into reserves.

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

My thanks also go 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 Federation of Thoroughbred Racehorse Owners, the New Zealand Thoroughbred Breeders' Association, New Zealand Thoroughbred Marketing, the New Zealand Equine Health Association, the New Zealand Equine 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 all NZRB staff.

Finally, I owe particular thanks to the entire NZTR team who have all worked extremely hard in 2012-13.

Greg Purcell

Chief Executive

Club Statistics, Stakes and Funding 2012-13

Thoroughbred Clubs	Meetings	Races	Starters	Offcourse Tone Turnover	Oncourse Tone Turnover	Total FOB (Off & Oncourse)	Export Turnover (\$NZ)	Stakes Paid	Club Noms & Acceptances	Total Funding	Stakes to Funding Ratio
Ashburton RC	7	59	641	4,224,238	204,699	1,275,083	8,158,571	630,000	5,125	877,992	71.2%
Auckland RC	25	225	2,476	37,056,538	6,772,520	12,304,993	35,802,078	9,028,550	927,378	9,748,672	83.1%
Avondale JC	9	65	667	4,381,982	337,137	1,499,239	6,508,740	506,825	0	819,722	61.8%
Banks Peninsula RC	2	16	152	953,181	88,458	276,426	1,493,521	137,500	0	201,996	68.1%
Beaumont RC	1	8	61	335,990	14,585	102,141	325,110	59,000	0	93,302	63.2%
Cambridge JC	3	27	315	2,869,805	298,558	909,651	2,556,731	519,000	23,375	661,450	74.9%
Canterbury JC	23	195	2,178	22,843,117	3,135,110	6,678,724	29,141,504	5,194,900	541,818	6,109,228	76.2%
Central Otago RC	2	18	164	1,161,114	144,784	313,827	2,634,695	147,000	0	233,055	63.1%
Counties RC	14	112	1,221	10,108,799	879,804	3,226,274	12,965,434	1,451,325	63,400	2,003,348	69.3%
Dargaville RC	2	16	136	1,012,079	192,980	355,055	1,907,310	115,000	0	208,779	55.1%
Egmont RC	7	55	594	4,264,329	287,356	1,221,996	6,435,053	560,000	13,500	811,490	67.3%
Feilding JC	3	26	262	2,890,126	253,053	753,463	2,521,235	358,500	14,875	503,770	68.2%
Gore RC	4	33	361	2,374,641	131,511	619,207	3,599,004	363,500	7,125	507,977	70.2%
Greymouth JC	1	10	82	703,707	111,027	198,185	751,697	95,500	0	140,685	67.9%
Hawke's Bay RI	15	127	1,334	15,089,608	1,836,034	4,461,721	17,675,276	2,758,800	220,438	3,621,736	70.1%
Kumara RC	1	10	102	904,582	351,307	227,890	848,574	104,000	0	194,259	53.5%
Kurow JC	1	9	86	781,552	119,086	218,720	459,726	94,000	0	139,110	67.6%
Levin RC	4	32	336	3,111,265	316,184	985,785	4,318,634	741,500	103,324	873,162	73.1%
Manawatu RC	8	74	796	8,945,105	1,180,091	2,726,979	8,818,998	1,740,400	93,350	2,203,748	74.7%
Marlborough RC	3	24	212	1,407,110	129,911	470,354	1,982,246	220,000	0	308,689	71.3%
Marton JC	4	37	375	4,455,722	429,455	1,366,912	5,028,337	680,000	18,913	890,979	74.2%
Masterton RC	1	10	81	797,899	83,494	238,199	975,554	150,000	0	190,205	78.9%
Matamata, Racing	12	98	1,091	9,027,669	709,768	2,731,419	14,303,374	1,133,000	22,300	1,626,564	68.3%
Oamaru JC	3	27	281	1,538,485	71,563	477,421	1,773,586	301,000	0	414,929	72.5%
Otago RC	14	116	1,117	8,918,783	919,924	2,521,803	9,868,363	1,549,800	36,525	2,165,033	69.9%
Otaki-Maori RC	9	71	710	6,198,790	578,037	1,809,659	9,041,459	834,000	13,500	1,230,129	66.7%
Paeroa RC	6	39	372	2,615,355	169,049	904,321	4,563,058	299,000	0	513,014	58.3%
Pakuranga HC	1	8	85	938,284	185,862	207,003	1,138,483	157,500	4,350	222,537	68.8%
Poverty Bay TIC	2	14	137	1,034,063	103,881	377,123	1,447,058	112,000	0	178,257	62.8%
Rangitikei RC	2	18	226	1,913,009	132,010	511,319	1,613,166	297,500	7,000	388,781	74.7%
Reefton JC	1	8	69	557,433	60,061	219,152	707,468	77,000	0	112,499	68.4%
Riverton RC	5	43	429	2,604,876	293,773	755,651	3,445,382	524,900	8,175	739,976	69.8%

Rotorua, Racing	10	79	780	7,087,275	612,779	2,072,239	8,465,371	938,500	31,175	1,345,371	67.4%
Rotorua-BOP HC	1	9	67	423,724	57,535	141,873	655,665	77,825	0	120,449	64.6%
South Canterbury RC	9	78	759	4,928,096	230,408	1,506,971	9,118,400	659,825	8,250	977,287	66.7%
South Waikato RC	1	8	89	627,500	86,486	306,717	1,071,375	62,000	0	103,812	59.7%
Southland RC	5	37	358	2,555,972	330,563	787,439	4,290,540	486,950	5,875	696,372	69.1%
Stratford RC	3	26	276	1,807,601	216,185	472,700	2,101,955	204,000	0	321,259	63.5%
Tapanui RC	1	9	97	738,517	71,400	219,748	813,359	87,500	0	122,645	71.3%
Taranaki TRI	14	116	1,158	11,708,594	1,333,674	3,292,415	15,654,944	1,585,100	27,488	2,195,802	70.9%
Taumarunui RC	1	9	120	1,659,405	223,517	452,641	1,280,369	260,000	11,725	303,921	81.7%
Taupo, Racing	4	35	321	2,358,617	236,961	890,883	3,886,514	257,825	0	417,191	61.8%
Tauranga, Racing	13	108	1,102	11,168,159	1,501,827	3,297,433	12,854,018	1,485,000	25,725	2,160,887	67.5%
Te Aroha, Racing	9	79	835	5,917,496	456,372	1,830,077	8,460,840	976,000	27,000	1,339,856	70.8%
Thames JC	2	17	164	1,787,729	296,511	594,358	1,935,505	160,000	0	269,936	59.3%
Waikato RC	17	155	1,725	19,646,924	2,045,336	6,149,530	20,133,135	3,186,500	154,475	4,106,528	73.8%
Waikouaiti RC	1	10	79	800,203	146,343	232,926	283,332	96,150	0	148,794	64.6%
Waimate RC	3	27	274	1,429,857	67,312	389,893	2,665,084	218,000	0	318,443	68.5%
Waipa RC	6	45	442	3,456,306	195,184	1,010,002	5,235,404	400,000	0	631,420	63.3%
Waipukurau JC	2	16	166	1,247,497	182,101	465,700	1,393,341	134,000	0	220,882	60.7%
Wairarapa RC	4	32	309	2,780,466	523,465	854,255	3,345,249	288,000	6,125	495,008	56.9%
Wairoa JC	1	8	74	391,152	21,851	111,305	564,826	80,000	0	114,076	70.1%
Wairoa RC	2	16	178	1,199,816	171,595	382,357	1,378,573	147,000	0	212,375	69.2%
Wanganui JC	11	97	1,079	8,878,085	611,969	2,471,880	11,920,156	1,188,325	34,500	1,643,634	70.2%
Waverley RC	5	38	406	2,698,214	108,228	744,646	3,750,254	277,000	0	455,443	60.8%
Wellington RC	11	102	1,137	16,322,840	2,986,460	4,696,489	15,462,405	3,717,500	532,726	4,628,374	68.8%
Westland RC	1	10	79	660,706	82,626	196,132	1,016,534	101,000	0	138,400	73.0%
Whakatane RC	4	31	270	1,852,946	195,389	700,006	3,601,698	226,000	0	379,558	59.5%
Whangarei RC	11	94	984	9,109,267	873,058	2,915,429	11,697,713	1,058,500	6,000	1,550,661	67.9%
Winton JC	3	24	240	1,201,305	64,554	362,989	2,540,834	193,800	0	295,648	65.6%
Woodville RC	6	45	452	3,111,137	282,487	943,215	4,836,481	364,000	0	605,019	60.2%
Wynndham RC	2	17	162	776,474	42,133	231,679	1,470,396	143,000	0	207,627	68.9%
Total	358	3,007	31,331	294,351,116	34,775,385	89,669,623	364,693,697	50,000,300	2,995,533	65,461,756	71.8%

Notes

1. Offcourse Tote Turnover does not include Pick 6 or Turbo Quaddies.
2. Oncourse Tote Turnover does not include oncourse FOB.
3. Total Funding is all NZTR funding paid to clubs (including minimum stakes, Group and Listed, special interest, iconic, meeting, venue, jumping support, carnival and on-course payments).
4. Stakes to Funding Ratio is the sum of Stakes Paid minus Club Noms & Acceptances, then divided by Total Funding.

FINANCIAL STATEMENTS

NEW ZEALAND THOROUGHBRED RACING INCORPORATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE 12 MONTHS ENDED 31 JULY 2013

	Notes	31 July 2013 \$	31 July 2012 \$
INCOME			
NZRB Code Distributions		74,393,715	69,631,686
Nomination and Acceptance Fees		2,870,338	2,527,255
TRM and Publications		219,272	254,538
Registrations		586,636	626,224
Licence Fees		209,309	224,441
Stud Book		1,401,894	1,462,552
Interest		195,046	199,831
Sundry Income		334,358	352,265
TOTAL INCOME		80,210,568	75,278,792
LESS EXPENSES			
Club Product Payments and Subsidies		69,782,982	66,102,129
TRM and Publications Expenses		287,051	271,154
Ownership and Industry Initiatives		39,780	32,059
Training and Development		127,759	94,195
Property and Central Overheads	2	404,812	360,574
IT Infrastructure and Network Costs	3	578,466	571,242
Special Projects	4	166,508	185,459
Salaries and Other Staff Costs		2,909,041	2,700,211
Other Department Costs	5	1,032,217	588,208
Sundry Costs	6	1,123,917	1,592,124
TOTAL EXPENSES		76,452,533	72,497,355
SURPLUS BEFORE INFRASTRUCTURE PROJECTS		3,758,035	2,781,437
Infrastructure Projects			
RSDF Funding/Gaming Grant – Infrastructure	7	439,159	812,553
Infrastructure Expenditure	7	(697,675)	(1,524,098)
NZTR INFRASTRUCTURE EXPENDITURE NET OF FUNDING		(258,516)	(711,545)
TOTAL SURPLUS		3,499,519	2,069,892

The notes on pages 36 to 46 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 2013

	Notes	Retained Earnings \$	Infrastructure Reserve \$	Total Equity \$
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>
EQUITY as at 1 August 2012		2,705,789	783,651	3,489,440
Surplus for the FY13 Year		3,499,519	–	3,499,519
Transfer of Retained Earnings to Infrastructure Reserve	10	(1,741,484)	1,741,484	–
EQUITY as at 31 July 2013		<u>4,463,824</u>	<u>2,525,135</u>	<u>6,988,959</u>

The notes on pages 36 to 46 should be read in conjunction with these financial statements

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2013

	Notes	31 July 2013 \$	31 July 2012 \$
Opening Equity (excluding Infrastructure Reserve)		2,705,789	1,419,548
Retained Earnings		1,758,035	1,286,241
Infrastructure Reserve		2,525,135	783,651
TOTAL EQUITY		6,988,959	3,489,440
CURRENT ASSETS			
Cash		1,753,222	400,669
On Call Deposits		2,672,869	1,396,349
Short Term Deposits		1,279,150	1,227,839
Trade and Sundry Debtors		1,031,860	1,008,480
Income Receivable		390,600	42,902
NZRB Income		–	718,900
Short Term Loans and Advances	11	30,000	–
Code Distribution Account		2,027,931	564,100
TOTAL CURRENT ASSETS		9,185,632	5,359,239
LESS CURRENT LIABILITIES			
Trade and Sundry Creditors		3,188,376	2,649,540
Provision for Annual Leave		222,159	193,933
Fees and Subscriptions in Advance		381,853	436,103
TOTAL CURRENT LIABILITIES		3,792,388	3,279,576
NET CURRENT ASSETS		5,393,244	2,079,663
NON-CURRENT ASSETS			
Property, Plant and Equipment	8	279,476	217,933
Intangibles	9	325,033	208,300
Loans and Advances	11	991,206	983,544
TOTAL NON-CURRENT ASSETS		1,595,715	1,409,777
NET ASSETS		6,988,959	3,489,440

The Financial Statements of New Zealand Thoroughbred Racing Incorporated are accepted on behalf of the Board of Directors on 14 October 2013.



MATTHEW GOODSON
BOARD CHAIRMAN



GREGORY McCARTHY
AUDIT AND RISK COMMITTEE CHAIRMAN

The notes on pages 36 to 46 should be read in conjunction with these financial statements

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
STATEMENT OF CASH FLOW
FOR THE 12 MONTHS ENDED 31 JULY 2013

	Notes	31 July 2013 \$	31 July 2012 \$
CASH FLOW FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Fees, Services and Subscriptions		2,799,806	3,030,448
Receipts from the NZRB and Other Income		77,982,952	71,440,041
Interest Income		147,196	164,490
		80,929,954	74,634,979
<i>Cash was applied to:</i>			
Payment to Suppliers and Employees		(6,599,497)	(8,102,621)
Payments to Clubs and Other Initiatives		(69,782,982)	(66,102,129)
		(76,382,479)	(74,204,750)
Net Cash Flow from Operating Activities		4,547,475	430,229
CASH FLOW FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Sale of Motor Vehicle		17,500	29,178
Repayment of Loans		23,337	11,482
Distribution Account		(1,463,831)	(1,861,566)
		(1,422,994)	(1,820,906)
<i>Cash was applied to:</i>			
Purchase of Property, Plant and Equipment		(179,688)	(79,028)
Purchase of Intangibles		(234,410)	(194,671)
Investment in Term Deposits		(51,310)	(47,592)
Advance of Loans		(30,000)	-
		(495,408)	(321,291)
Net Cash Flow from Investing Activities		(1,918,402)	(2,142,197)
Net Increase/(Decrease) in Cash held		2,629,073	(1,711,968)
Add Opening Cash		1,797,018	3,508,986
CLOSING CASH		4,426,091	1,797,018
RECONCILIATION OF OPERATING CASH FLOW WITH NET SURPLUS			
Total Surplus for the Year		3,499,519	2,069,892
Add Non-Cash Items:			
Impairment of Loan		34,000	-
(Profit)/Loss on Sale of Fixed Assets		-	(27,675)
Interest Capitalised on Loans		-	(84,485)
Depreciation		100,645	108,555
Amortisation		117,676	130,919
Decrease in Provisions		(65,000)	-
		187,321	127,314
Add Movement in Other Working Capital Items			
Accrued Income		(347,697)	(424,336)
Sundry Debtors		(23,380)	(232,289)
Sundry Creditors		567,062	(395,097)
Fees in Advance		(54,250)	3,645
FY12 NZRB Funding received in FY13		718,900	(718,900)
		860,635	(1,766,977)
NET CASH FLOW FROM OPERATING ACTIVITIES		4,547,475	430,229

The notes on pages 36 to 46 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 2013

1. STATEMENT OF ACCOUNTING POLICIES

The accounting policies which the Directors consider 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 races 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) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, other short term highly liquid investments with original 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 2013

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 2013

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 Statement of Financial Performance 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 Statement of Financial Performance 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 Statement of Financial Performance 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 recognised when invoiced or payment is made for that fee.

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2013

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 2013 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 in accordance with the Racing Industry Funding Model agreed to in FY12.

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 to clubs (funding) and stakeholders (prizemoney). At balance date payments that haven't been made are accrued for.

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:

The costs for Conferences, Committees and Regional Forums that were previously included in Sundry Costs have been moved to Other Departmental Costs. The impact of this reclassification of these costs and retrospective restatement of FY12 comparatives has been disclosed in Note 19.

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2013

2. PROPERTY AND CENTRAL OVERHEADS

The expenses included in Property and Central Overheads are:

	12 Months Ended 31 July 2013	12 Months Ended 31 July 2012
	\$	\$
Rent and Property Expenses	70,936	60,629
Insurance	99,542	103,939
Printing and Postage	62,769	67,503
Lease Expenses	22,653	22,028
Depreciation	28,554	29,562
General Expenses	39,960	19,696
Bank Fees	31,700	28,235
NZRB Charges	18,851	12,402
ACC Levy	29,847	16,580
	404,812	360,574

3. IT INFRASTRUCTURE AND NETWORK COSTS

The expenses included in IT Infrastructure and Network Costs are:

Depreciation	35,113	52,558
Amortisation	113,450	130,919
Maintenance and Network Costs	429,903	387,765
	578,466	571,242

4. SPECIAL PROJECTS

Board Approved:

Stakes Payment Alignment	46,283	–
Strategic Business Planning	37,725	–
Brand Development	50,000	–
Industry Taxation Litigation	32,500	–
Restructuring, and Business Plan Implementation Costs	–	120,459
NZTR Digital Business Strategy Development	–	40,000
Television Pilot from Video Content	–	25,000
	166,508	185,459

Other Initiatives:

Industry Publication Support	–	53,000
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NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2013

5. OTHER DEPARTMENT COSTS

The expenses included in Other Department Costs are:

DNA Typing and Microchipping	243,398	223,278
Travel including Motor Vehicle Expenses	143,976	106,646
Depreciation	29,728	10,264
Cellphone	11,111	13,056
Freephone Number	31,294	24,858
Appeals and Enquiries	4,476	3,116
Accommodation	47,140	45,127
Subscriptions	10,744	5,565
Marketing	301,367	–
General Expenses	3,535	(6,713)
Conferences and Committees	166,809	161,182
Jockey and Horse Drug Testing	–	1,829
Stud Book	38,639	–
	1,032,217	588,208

6. SUNDRY COSTS

The expenses included in Sundry Costs are:

Board Expenses	50,137	90,021
Board Fees	161,500	150,906
Legal and Professional Fees	109,366	230,478
Audit Fees	34,605	38,655
Bad Debts Expense	69,460	–
Raceday Services and Initiatives	437,309	797,419
Racecourse Depreciation	16,173	16,172
Annual General Meeting	21,638	16,291
Sale of Fixed Assets	–	(8,696)
General Expenses	25,231	3,599
Industry Grants	185,006	246,279
Medical Advisor	13,492	11,000
	1,123,917	1,592,124

7. INFRASTRUCTURE PROJECTS

External funding for Infrastructure Projects was received from the following sources:

Racing Safety Development Fund	439,159	312,553
The Lion Foundation	–	500,000
	439,159	812,553

Infrastructure costs were incurred on the following projects:

Hurdle Pads	7,808	39,161
Judicial Towers	190,948	1,017,885
Riccarton Drainage	58,403	–
Running Rails	320,516	467,052
Ruakaka Racecourse Development	100,000	–
Otaki Drainage	20,000	–
	697,675	1,524,098

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2013

8. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment \$	Motor Vehicles \$	Computer Hardware \$	Racecourse Equipment \$	Total \$
Cost					
Balance at 31 July 2012	396,060	62,404	650,132	161,726	1,270,322
Additions	61,284	63,627	54,777	–	179,688
Adjustments	–	–	–	–	–
Disposals	–	(17,500)	–	–	(17,500)
Balance at 31 July 2013	<u>457,344</u>	<u>108,531</u>	<u>704,909</u>	<u>161,726</u>	<u>1,432,510</u>
Accumulated Depreciation					
Balance at 31 July 2012	352,119	39,953	603,061	57,256	1,052,389
Depreciation expense for the year	28,858	29,728	35,113	16,173	109,872
Disposals	–	(9,227)	–	–	(9,227)
Balance at 31 July 2013	<u>380,977</u>	<u>60,454</u>	<u>638,174</u>	<u>73,429</u>	<u>1,153,034</u>
Net Book Value					
Balance at 31 July 2012	43,941	22,451	47,071	104,470	217,933
Balance at 31 July 2013	76,367	48,077	66,735	88,297	279,476

9. INTANGIBLES

	Computer Software and Web Development \$
Cost	
Balance at 31 July 2012	3,280,612
Additions	234,410
Disposals	–
Balance at 31 July 2013	<u>3,515,022</u>
Accumulated Amortisation	
Balance at 31 July 2012	3,072,312
Amortisation expense for the year	117,677
Disposals	–
Balance at 31 July 2013	<u>3,189,989</u>
Net Book Value	
Balance at 31 July 2012	208,300
Balance at 31 July 2013	325,033

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
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10. INFRASTRUCTURE PROJECTS RESERVES

In FY12 NZTR approved a new infrastructure projects reserve. NZTR has allocated \$2,000,000 to infrastructure expenditure in FY13, of which a net \$258,526 has been spent and the \$1,741,484 has been transferred from FY13 retained earnings to the infrastructure projects reserve to be available for infrastructure projects in future years.

	\$
BALANCE as at 1 August 2012	783,651
Transfer of Retained Earnings to Infrastructure Reserve	1,741,484
BALANCE as at 31 July 2013	<u>2,525,135</u>

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 2013	31 July 2012
		\$	\$
Short Term Loans and Advances			
New Zealand Equine Education Trust	Interest Free	85,000	–
Waikato RC	3.5%	30,000	–
Total Short Term Loans and Advances		<u>115,000</u>	<u>–</u>
Provision for Diminution of Loans		(85,000)	–
Total Short Term Loans and Advances as per Statement of Financial Position		<u>30,000</u>	<u>–</u>
Non-Current			
New Zealand Equine Education Trust	Interest Free	–	119,000
RACE Inc	N/a	–	369,827
Otaki-Maori Racing Club	N/a	–	148,218
RACE Inc	3.6%	520,000	–
Hawke's Bay Racing Incorporated	3.5%	471,206	496,499
Total Non-Current		<u>991,206</u>	<u>1,133,544</u>
Provision for Diminution of Loans		–	(150,000)
Total Loans as per Statement of Financial Position		<u>991,206</u>	<u>983,544</u>

On 23 October 2012 the RACE Inc and Otaki-Maori Racing Club loans were consolidated into one loan.

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

Refer note 14 for detail of the reduction in the NZEET Loan and Provision for Diminution of Loans.

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2013

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.

13. LEASE COMMITMENTS

There are no lease commitments as at 31 July 2013 (2012:\$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 2013	31 July 2012
	\$	\$
New Zealand Equine Education Trust	85,000	119,000

At 31 July 2013, an arrangement was in the process of being completed whereby NZTR would offset the NZEET loan amount against NZTR taking ownership of the building used by NZEET. The building was independently valued in July 2013 with a market value of \$85,000.

As the market value of the building represents the maximum amount recoverable on this loan, the loan to NZEET has been impaired to \$85,000. Due to uncertainty around this arrangement at balance date a provision equal to the value of the NZEET building (\$85,000) has been maintained.

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 owned or operated by NZTR Board Members.

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
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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.
- New Zealand Equine Education Trust (“NZEET”). The NZEET manages the education of apprentices. NZTR contributes funding towards administration costs of the NZEET.
- 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 and On Course services.

	12 Months Ended 31 July 2013	12 Months Ended 31 July 2012
	\$	\$
Apprentice Jockeys Fund management fee	6,000	5,700
General Trust Fund net of funding over management fee	(7,700)	(42,700)
Apprenticeship Board net of funding over expenses	–	(50,000)
Annual movement in Code Distribution account	(1,463,831)	(1,861,566)
NZRB Code Distributions less Club Product Payments and Subsidies	4,610,733	3,529,557

15. CAPITAL COMMITMENTS

We are not aware of any capital commitments that will materially affect the Financial Statements (2012: 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. Both loans were secured by mortgages over RACE property.

At 31 July 2013 the balances of the two loans were \$5,773,000 and \$2,997,794 respectively (2012: \$7,505,194 and \$2,997,794 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.

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

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
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On the 5th of January 2009, the New Zealand Racing Board provided a loan of \$300,000 to Whangarei Racing Club, secured by a Deed of Guarantee under which NZTR acts as guarantor.

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

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

At 31 July 2013 the balance of the loan was \$21,225.06.

17. CONTINGENT LIABILITIES

In FY13 NZTR has entered into contractual agreements with Whangarei RC, Canterbury JC and Waikato RC with committed undistributed funding of \$656,201 (2012: Nil).

	Total Contractual Funding \$	Actual Funding to 31 July 2013 \$	Committed Funding in 2013-2014 \$
Whangarei RC	500,000	100,000	400,000
Canterbury JC	245,000	58,402	186,598
Waikato RC	69,603	–	69,603
	814,603	158,402	656,201

18. SUBSEQUENT EVENTS

We are not aware of any subsequent events that will materially affect the Financial Statements (2012: Nil).

19. CHANGE IN ACCOUNTING POLICIES AND PRIOR PERIOD IMPACT

Due to a change in accounting policy to reclassify costs for Conferences, Committees and Regional Forums that were included in Sundry Costs to Other Department Costs, retrospective adjustments to the 31 July 2012 Statement of Financial Performance have been made to recognise the change in accounting policy for the reporting of these two expenses.

The change in accounting policy better reflects the nature of the costs to their respective departments.

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

	Previously Reported 31 July 2012 \$	Adjustment 31 July 2012 \$	Restated Balance 31 July 2012 \$
Other Department Costs	460,432	127,776	588,208
Sundry Costs	1,719,900	(127,776)	1,592,124

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 32 to 46, which comprise the statement of financial position as at 31 July 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 for our audit work, for this report, or for the opinions we have formed.

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 and fair presentation of the financial statements 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 32 to 46 present fairly, in all material respects, the financial position of New Zealand Thoroughbred Racing Incorporated as at 31 July 2013, and its financial performance, movements in equity and cash flows for the year ended on that date in accordance with generally accepted accounting practice in New Zealand.



Chartered Accountants
14 October 2013
Wellington, New Zealand

This audit report relates to the financial statements of New Zealand Thoroughbred Racing Incorporated for the year ended 31 July 2013 included on New Zealand Thoroughbred Racing's website. The Directors are responsible for the maintenance and integrity of New Zealand Thoroughbred Racing's website. We have not been engaged to report on the integrity of the New Zealand Thoroughbred Racing's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these 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 financial statements and related audit report dated 14 October 2013 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ACKNOWLEDGEMENTS

The Board and Management wish to record their appreciation of the co-operation and assistance they have received during the 2012-13 season from the following people and organisations:

The Honourable Nathan Guy MP, 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
Equine Branch, New Zealand Veterinary Association
Environmental Science and Research Ltd
Massey Foundation
Massey University
New Zealand Breeders' Association
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 Racing Laboratory Services Ltd
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

NZTR Annual Report photos:

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



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