

NEW ZEALAND
THOROUGHBRED **RACING**



**NEW ZEALAND
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RACING
2014-15
ANNUAL REPORT**

**NEW ZEALAND
THOROUGHBRED RACING**



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BOARD OF DIRECTORS OF NEW ZEALAND THOROUGHBRED RACING INCORPORATED

Greg McCarthy (NZTR Nominee to the Board of the New Zealand Racing Board) 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 Spring Creek Estate Limited and Rangatira Forests Limited. He has been active in the Thoroughbred industry for over 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.

Matthew Goodson (Chairman) is Managing Director of Salt Funds Management, which manages \$1.5bn on behalf of its investors. He has over 20 years of investment experience in New Zealand and the United States at firms such as First NZ Capital and Goldman Sachs JB Were. He is an active thoroughbred owner and breeder. Matthew has a Masters of Commerce & Administration (Economics, First Class Honours), a BA in Economics and is a CFA charterholder.

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



From left to right: Greg McCarthy, Matthew Goodson, Rick Williams, John Stace, Victoria Carter and Ben Nettleton

John Stace built a career in the financial services sector in the City of London. He founded Stace Barr Ltd, which was one of Lloyd's of London's largest capital providers, and was Founding CEO of listed Angerstein Underwriting Trust, now Amlin plc who recently agreed terms to be acquired by Mitsui Insurance for £3.5bn. He was Deputy Chairman of Lloyd's and served on Lloyd's Market Board and Lloyd's Regulatory Board. He has served on the Board of Genesis Energy, Edward Lumley Holdings and Equestrian Sports New Zealand. Today he serves on the Boards of 3R Group Limited, Sportsground Limited.

Victoria Carter (Deputy Chairman) is a Director of Tax Management NZ, Co-founder of Cityhop cars by the hour, and Chairman of the Auckland Festival. She has been a Director of JUCY Group and Director of former NZX company Kidicorp. She was a Director of the Auckland Racing Club and Chairman of NZTR's Member's Council until becoming a Director. An Accredited Fellow of the Institute of Directors, Victoria has a Bachelor of Laws from the University of Auckland. She has a background in public relations and marketing. Victoria breeds and races thoroughbred horses with her husband, John.

Ben Nettleton 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 Queen's Counsel before joining French Burt Partners Solicitors. He previously worked as a journalist, and radio broadcaster/producer, and in television within the production team of Trackside TV. He is a chartered member of the Institute of Directors and sits on a number of commercial boards and non-profit organisations, including Invercargill City Forests Ltd and as a Ministers appointment to a high school board of trustees.

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 is governed by a Board of six independent Directors.

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

The Board met 11 times in 2014-15. The Board also met with the Members' Council twice in 2014-15.

One director retired by rotation and did not seek re-appointment in 2014-15: Mr Joe Walls.

One new director was appointed in 2014-15:
Mr Rick Williams

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.

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

The 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 and Jockeys, and Breeders), is charged with responsibility for all aspects of the appointment, appraisal and termination (if required) of the six independent Directors.

Members' Council of New Zealand Thoroughbred Racing Incorporated:

Wayne Guppy (Chairman) – Central Region
 Bill Cotton (Deputy Chairman) – Southern Region
 Murray Acklin – Southern Region
 Howard Clarke – Southern Region
 Karyn Fenton-Ellis – Northern Region
 John Fokerd – Breeders
 David Haworth – Trainers & Jockeys
 Paul Humphries – Central Region (Elected 2014-15)
 Paul Kenny – Northern Region
 Danny Moss – Northern Region
 Neil Oldfield – Owners
 John Wheeler – Central Region

Retired by rotation and did not seek re-election in 2014-15

Bruce Perry – Central Region

Appointments to the Members' Council are for three year terms and for a maximum of three terms.

Board meeting attendance 2014-15	Total
Matthew Goodson	11
Victoria Carter	11
Greg McCarthy	10
John Stace	9
Ben Nettleton	10
Rick Williams	8
Joe Walls <i>(Retired by rotation and did not seek reappointment)</i>	2

NZTR COMMITTEES AND TRUSTS

Audit & Risk Subcommittee ¹

Comprises three persons appointed by the Board. All Directors may attend meetings of the Committee. The Committee met 8 times in 2014-15.

Chairman: Greg McCarthy

Members: Matthew Goodson and Victoria Carter

Attendee: Greg Purcell

Secretary: Karen Larsen

Resignations in 2014-15: Nil

Integrity Committee

Comprises three persons appointed by the Board. The Committee met 8 times in 2014-15.

Chairman: Peter Hutt

Members: John Stace and Ben Nettleton

Attendees: Rick Williams, Greg Purcell and Ross Neal (Co-Chief Stipendiary Steward from the Racing Integrity Unit)

Secretary: Simon Cooper

Resignations in 2014-15: Nil

Appointments & Remuneration Subcommittee

Comprises three persons appointed by the Board. The Committee met 4 times in 2014-15.

Chairman: John Stace

Members: Matthew Goodson and Rick Williams

Attendee: Greg Purcell

Secretary: Simon Cooper

Resignations in 2014-15: Joe Walls

General Trust Fund ²

Chairman: Keith Neylon

Trustees: John Rattray, Colin Jenkins

Secretary: Karen Larsen

Apprentice Jockeys' Funds ³

Trustees: Matthew Goodson and Greg Purcell

Secretary: Karen Larsen

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.*

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

- (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

- (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

- (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

- (a) Directly nominate one member of the Racing Board's governing body and participate in recommending three other members (Sections 11 and 12).
- (b) Consult with the Racing Board about:
 - (i) the Board's business plan (Section 20)
 - (ii) the determination of racing dates (Section 42)
 - (iii) the terms of reference for performance and efficiency audits of the Racing Board (Schedule 2).

NZTR OPERATIONS TEAM

Greg Purcell

Chief Executive
04 576 6272
021 576 627

Campbell Moncur

Deputy CE, GM, Finance & ICT
04 576 6247
0277 048 511

Martin Burns

GM, Projects & Planning
04 576 6276
0275 110 348

Matthew Hall

GM, Racing & Operations
04 576 6249
021 587 729

Simon Cooper

Company Secretary
04 576 6270
027 498 9913

Timothy Aldridge

Operations Manager/Licensing
04 576 6262
027 490 7620

Cheryle Barnsley

National Racing Bureau
04 576 6243

Matthew Barnsley

Licensing, Equine Training
04 576 6265
027 807 9068

Sonia Bellingham

Finance Department
04 576 6250

Donna Cameron

National Racing Bureau
04 576 6245

Allan Child

Licensing, TRM
04 576 6279

Matthew Corban

National Racing Bureau
04 576 6242

Rachel Dalley

Operations Dept
04 576 6266

Stuart Duggan

IT Manager
04 576 6274
021 400 335

Kirstie Lang

Stud Book
04 576 6263

Tim Lambert

H&S Manager
04 576 6273

Karen Larsen

Finance Manager
04 576 6260
027 801 2496

Amanda Patmore

Finance, Admin Assistant
04 576 6256

Allan Pollitt

National Racing Bureau
04 576 6246

Dennis Quirke

Chief Handicapper
04 576 6261

Tony Severinsen

Senior Business Analyst
04 576 6268

George Strickland

Handicapper
04 576 6269, 027 207 8460

Vaine Strickland

Operations Dept
04 576 6258

Aimee Swain

Syndication/Licensing
04 576 6259

Julie Walker

Keeper of the Stud Book
04 576 6264

Douglas Woolridge

Website & IT System Support
04 576 6267
027 204 2350

Christine Young

Trainers' Riders'
& Owners' Settlement
04 576 6248

External Staff

Garry Foskett

National Venue Inspector
06 878 7171, 027 457 0178

Will Harnett

App Jockey Mentor/Training
0277 045 018

Georg Magerl

Business Analyst
03 312 0360

Aliesha Moroney

Project Manager Marketing
07 888 7298, 027 243 2740

Appointed 2015

Noel Harris

Riding Master & App Jockey Mentor
027 809 3678

Resigned 2014-15

Lucky Bryce

Finance Department

Natasha Freeman

Registrations Department

Adam King

National Racing Bureau

Simon Lang

Finance Manager

Brett Scelly

Chief Handicapper

Emergency Mobile

National Racing Bureau

0276 219 860

NZTR Advisers

Dr Andrew Grierson

NZTR Veterinary Consultant

Dr Phil White

NZTR Medical Adviser

NZTR Legal Advisers

Mike Colson

Partner Bell Gully

Mark Freeman

Partner Bell Gully



NZTR Management Team (L-R) Martin Burns, Matthew Hall, Greg Purcell, Simon Cooper and Campbell Moncur

NZTR OPERATIONS TEAM REMUNERATION

Salaried full time employees	31 July 2015	31 July 2014	31 July 2013	31 July 2012	31 July 2011
Total Other Related Parties	31	33	32	31	27
Total Remuneration (\$0,000)	31 July 2015	31 July 2014	31 July 2013	31 July 2012	31 July 2011
0-50	\$ 9	\$ 14	\$ 17	\$ 16	\$ 15
51-100	14	13	10	10	8
101-150	5	3	2	3	3
151-200	1	1	2	1	-
201+	2	2	1	1	1
Total	31	33	32	31	27



CHAIRMAN'S STATEMENT

The 2014-15 season marked another year of steady progress for New Zealand thoroughbred racing. Action on the track was right up with the high standards of the past, with the titanic struggles of Mongolian Khan and Volkstok'n'barrell on both sides of the Tasman being a particular highlight.

Off the track, forward progress continued to be made in the difficult funding situation facing our industry. NZTR constantly faces tough choices between competing requirements in prizemoney, infrastructure, marketing and customer/owner services. As detailed shortly, we see a number of realistic avenues for sizeable improvement.

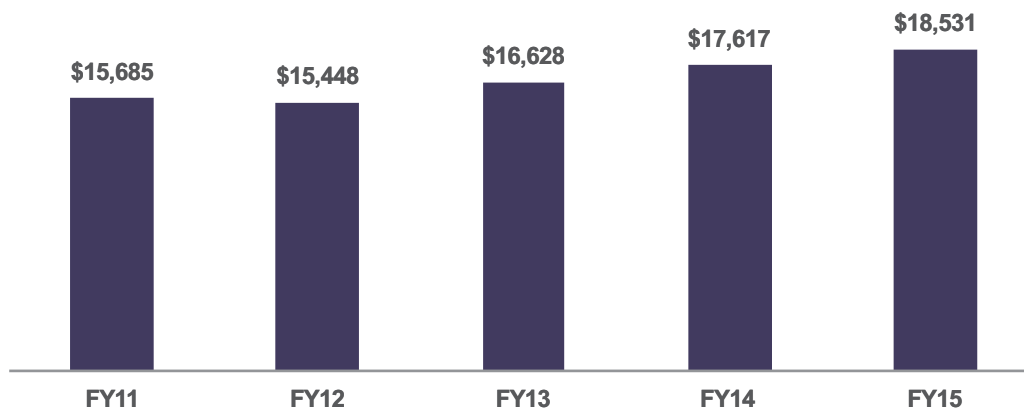
Since 2012 we have improved prizemoney by growing:

- Aggregate prizemoney by 3.7% per annum from \$47.3 million to \$52.8 million
- NZTR funded prizemoney by 4.2% per annum from \$44.4 million to \$50.3 million
- Average prizemoney per race by 6.3% per annum from \$15,448 to \$18,531

While greater increases are clearly desirable, we are committed to running a balanced budget and not funding prizemoney from debt – we have been down that path before and it did not end well.

At the same time, NZTR has rebuilt its net current assets from zero to \$4.3m to ensure capacity to absorb future revenue shocks and meet urgent infrastructure needs. Action in funding overhead starting gates this season illustrates the capacity that is now available.

Average Prizemoney FY11-15



NZTR Strategic Plan 2016-2020

NZTR has identified a minimum need for \$8m/year of additional prizemoney, \$5m/year of additional infrastructure expenditure and \$5m/year for the myriad other needs that are faced. This \$18m/year may seem daunting but we see a number of realistic avenues to deliver it.

Funding will be provided by driving six key revenue streams:

- Improved NZRB performance and/or structural change
- Racefields legislation
- Realising land assets
- Optimising our racing structure
- Growing thoroughbred export revenues on domestic racing
- Pioneering new funding streams

Improved NZRB performance / structural change

There has been much focus on NZRB cost increases. We welcome recent actions by the NZRB on this front but these will not in themselves materially change the funding outlook. International competitors to the TAB have vastly greater cost bases and spend multiples of New Zealand's annual capex bill – how can the TAB be expected to deliver world class services on a budget that is a fraction of its competitors?

In short, New Zealand prizemoney is low because NZRB profitability is low which is because there are significant fixed costs in running a national wagering and racing system. Estimates suggest the NZRB spends \$0.42 to generate \$1 of wagering income whereas Tabcorp spends \$0.21. The difference does not lie in employee expertise, employee salaries, rents or travel expenses – Tabcorp's costs are far higher and their capital expenditure is higher again. The driver is that Tabcorp has far greater revenue to spread over their fixed cost base.

New Zealand lacks scale.

NZTR's (very difficult) challenge to the NZRB is to either deliver the 4-6% annual domestic wagering income growth that Australian peers have delivered in recent years or find ways to get the scale that will allow this to occur. In this context, the planned mergers between Ladbrokes and Coral Bet and between Betfair and Paddy Power show how the economics of putting more revenue over one fixed cost platform are compelling.

If the NZRB can find a way to leverage off the scale of others, it would transform the NZ funding landscape.



Trentham Racecourse

Racefields legislation

Over 2 years ago, we contacted all clubs and industry bodies to ask for support in getting such legislation on the agenda. It is extremely pleasing that the Minister has appointed a highly diligent Working Group and we await their imminent findings with much anticipation.

At its simplest, we must get paid for the use of our racefields information and the TAB's odds information by bookmakers.

Other countries have also recently moved to tackle the more complex issues raised by bookmakers locating themselves in tax-free jurisdictions. Examples are the current moves in the UK to enforce a point of consumption duty and the 2015 Remote Gambling Act in Singapore which aims at the grave potential threats to income, integrity, problem gambling and money laundering posed by Philippines-based operators.

Realising land assets

Our industry has vast land holdings but almost all the value resides at the major racecourses where racing will continue forever. However, the current real estate boom has provided an opportunity to realise unutilised land and major progress has been made at venues such as Ellerslie, Riccarton and others. NZTR is working with other clubs and providing expertise to assist in driving plans forward. We conservatively estimate that \$100m will be realised over the next 5 years. At a 5% assumed rate of return, this will provide \$5m/year for clubs to fund their prizemoney and infrastructure priorities.

Optimising our racing structure

The 2015/16 season will see approximately 130 fewer races run than last season. The final quantum of the race reduction will be determined by the outcomes of the race consolidation process. Furthermore, NZTR currently plans to run up to 20 less meetings and 110 fewer races in 2016/2017. All up, the meeting savings and the reallocated prizemoney will allow approximately \$7m to be allocated over the remaining races. We are cutting our cloth to fit.

We must run a meeting structure that fits the number of available horses and owners. An average field size of 10.5-11 is the sweet spot in the trade-off between providing ample starting opportunities and maximising wagering outcomes. Our plan will deliver this.

Adding more funding to fewer races has obvious positive consequences for prizemoney per race. This strategy has helped drive the turnaround of jumps racing over the last two years. No club will be left without a meeting but those that attract the fewest horses and the weakest wagering will be removed first. NZTR's two year old commitment to Country Cups funding will ensure that every club has a promotable event.

The prizemoney implications of these changes will see \$20,000 minimums at Saturday meetings, \$40,000 open handicaps and a first move to \$7,500 mid-week as a step towards the desired \$10,000.

As a further step, NZTR endorses the NZRB's commitment to optimising the racing calendar across all Codes, beginning next season. In our view, the NZRB could make a much greater profit if the best race, be it domestic or international, is run in each time-slot to maximise turnover. There will be difficult decisions but anything that lifts NZRB profits is in all the industry's interest.

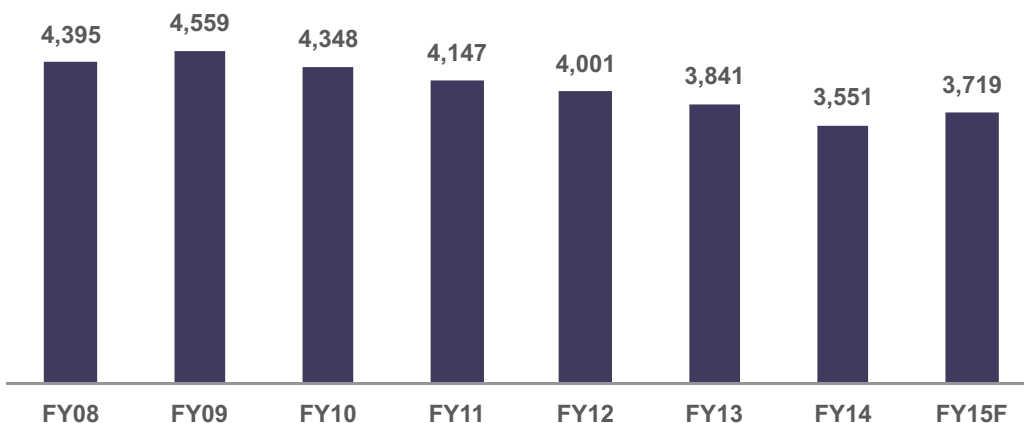
Export growth

The Inter-Code Agreement for 2015/16 onwards sees each Code receive 100% of its own export revenues. Given its historical lack of promotion, we believe there is major upside for New Zealand thoroughbred racing in Australia in the near term. We now need to deliver it.

New funding streams

The racing industry draws one in – our participants and fans have a deep commitment. NZTR has been working with an industry partner on a significant affinity scheme that will be launched around the time this report goes to print. It is very early days with a brand new concept but the revenue stream could be very sizeable if it grows as we hope.

Live Foals FY08-FY15 (Forecast)





Opie Bosson with Andrew Forsman and Murray Baker after victory in the TV3 NZ Derby with Mongolian Khan

Racing structure

While the declining foal crop is a concern, it is not an issue unique to New Zealand. Most major breeding jurisdictions have faced steeper declines although they are now stabilising. Added to New Zealand's decline, over 600 thoroughbreds have been exported to China during the past three years. The lagged impact means individual starters over the next six seasons will decline at around 2% per annum if nothing else changes.

Our plans for measured contraction were discussed earlier. Importantly, if starts per horse, future horse supply and owner demand responds to the signals of rising prizemoney, then there is ample flexibility to add more races and meetings in future seasons.

We also continued in FY15 to move meetings from some Community venues to Strategic and Significant venues. From FY11 to FY15, our top 21 venues have moved from 75.4% to 80.1% of all meetings. Small clubs work well with their volunteer base and community support with one or two meetings but more than this often presents resourcing issues. Strategic and Significant venues need as many meetings as possible to spread their costs and to ensure a premium product is delivered.

The reduction of races means that our Pattern race structure will need to adjust a little. From the danger of 4 years ago, our Group races now largely rate satisfactorily in the international ratings system but a small number are close to their lower thresholds and will likely be adjusted over the next season or two. The New Zealand Pattern Committee is overseeing this process.

Racing and training infrastructure

A focus solely on increasing prizemoney will not deliver improvements in track performance and venue facilities. A lack of expenditure over several decades has left much to do.

Since FY11, NZTR has carefully built up an infrastructure reserve and this distributes funding for high priority projects where it can be leveraged with co-funding from clubs, the Racing Safety Development Fund (RSDF) and other sources.

To date, this reserve has focused entirely on racing rather than customer infrastructure, with major expenditures made on safer running rails, starting gates, irrigation and drainage. In addition, it has supported new projects such as the inside track at Te Rapa, which will make a major difference to winter capacity issues in the North.

NZ thoroughbred racing can hold its head high in continuing to attract strong on-course attendances in an era when most sports' attendances are in freefall outside of the very largest events. However, many of our customer facilities are from a bygone era when vast crowds flocked to racing in the absence of any other options. Many facilities do not suit today's needs.

The costs of demolition and rebuilding far outweigh the resources available to NZTR and most clubs. Ultimately, this will only be solved with local and central Government support. Future work will need to show the positive economic outcomes and multiplier effects for a community from copying Australia and re-directing wagering duties to the rebuilding of essential infrastructure.

Black Caps Captain Brendon McCullum with Savabeel at Waikato Stud





Customers

The funding needs of prizemoney and infrastructure are urgent but we need to grow our owner and customer numbers to be sustainable in the long term.

This season has laid the foundations for re-creating a vibrant and consistent programme of high quality racing events, improving customers' race-day experiences and investing more in marketing and branding our sport.

A marketing plan, aimed at stimulating greater public interest in racing, attendance at race meetings and desire to share in the ownership experience, will be rolled out over the next three years starting in FY16.

The Racing Club Partnership Programme (RCPP) is now in its third year. One of its primary aims is to share information from the strongest performing clubs to lift performance across the industry. It is meeting with strong success and making a material difference to the profitability of some clubs.

We have worked closely with the NZRB's Industry Events Management and Logistics team to deliver national franchised events such as the very successful Christmas At The Races and the Summer Festival events. This team has a single-minded focus on meeting customer demands and it is pleasing to see the strong buy-in from clubs.

NZTR's annual perception surveys over the past three years have identified many potential improvements for our largest investors – Owners. We have worked hard to address these in areas such as syndication rules, simplifying forms and working with clubs to provide a great on-course ownership experience.

Over the past year we have continued to fund the highly successful NZ Racing Desk which has really lifted thoroughbred racing's presence in physical and online media. We are continually upgrading www.nzracing.co.nz which grew 13% to a massive 3.98m visits in FY15.

Health, safety and welfare

Far-reaching changes are being made to health and safety legislation. NZTR, NZRB and the other two Codes have commenced systematic changes to practices and policies for health and safety.

NZTR is committed to jockey safety. Aside from significant ongoing track investment, NZTR is paying for regular medical examinations and we have introduced comprehensive baseline concussion testing for all jockeys, so that individualised assessments are in place.

NZTR is committed to industry training. Historically, few stablehands, stud grooms and track work riders have undertaken formal qualifications. NZTR, in partnership with the Primary ITO, has invested in developing qualifications for industry professions alongside its Apprentice Training Academy jockey qualifications.

Animal welfare is a critical priority for NZTR. The number of horses leaving thoroughbred racing and breeding in New Zealand each year is 800. The welfare priority is securing future careers for them but once they leave the industry they are no longer within our jurisdiction and this presents a challenge.

We therefore introduced mandatory notification of horse retirement and expanded the Thoroughbreds in Equestrian Sport (TiES) partnership with Equestrian Sport New Zealand (ESNZ).

Conclusion

I announced in June that I would not be seeking reappointment for a further three-year term due to the recent growth of my personal business interests. I will retire from the NZTR Board at the conclusion of the 2015 AGM on 6 November 2015.

It has been a privilege to serve as Chairman since appointment to the restructured independent NZTR Board in 2011. I believe that we are now in a fundamentally better place than we were in those very difficult days. However, much remains to be done, with competing countries having moved ahead sharply in recent years.

From here, we have developed a series of realistic options for future growth.

I record my sincere appreciation to the Minister for Racing, the Hon Nathan Guy. His support for the industry and focus on the drivers that really matter should not be underestimated.

I thank my fellow Board members Victoria Carter, Greg McCarthy, John Stace, Ben Nettleton and Rick Williams for their considerable work.

Joe Walls retired from the Board at the AGM in November 2014. Joe brought an enormous amount of Thoroughbred racing knowledge and experience to the Board and his advice was invaluable.

I acknowledge the work of our committees, in particular their hard-working Chairmen Greg McCarthy (Audit and Risk), who is also our nominee on the NZRB Board, John Stace (Appointments and Remuneration) and Peter Hutt (Integrity and Training & Development). Peter also sits on the Racing Integrity Unit Board on behalf of the Thoroughbred code.

I am delighted that Dr Alan Jackson has been appointed to the Board and that John Stace was re-appointed.

I thank Wayne Guppy for his chairmanship of the NZTR Members' Council in FY15.

I thank Greg Purcell and the entire team at NZTR for stepping up and meeting the many demands of the Board and stakeholders throughout the season. Our small team faces huge demands from our passionate participants and we are very fortunate to have their knowledge, hard work and sheer love of racing.

My very best wishes for all your racing endeavours in the season ahead and thereafter.



Matthew Goodson

Chairman

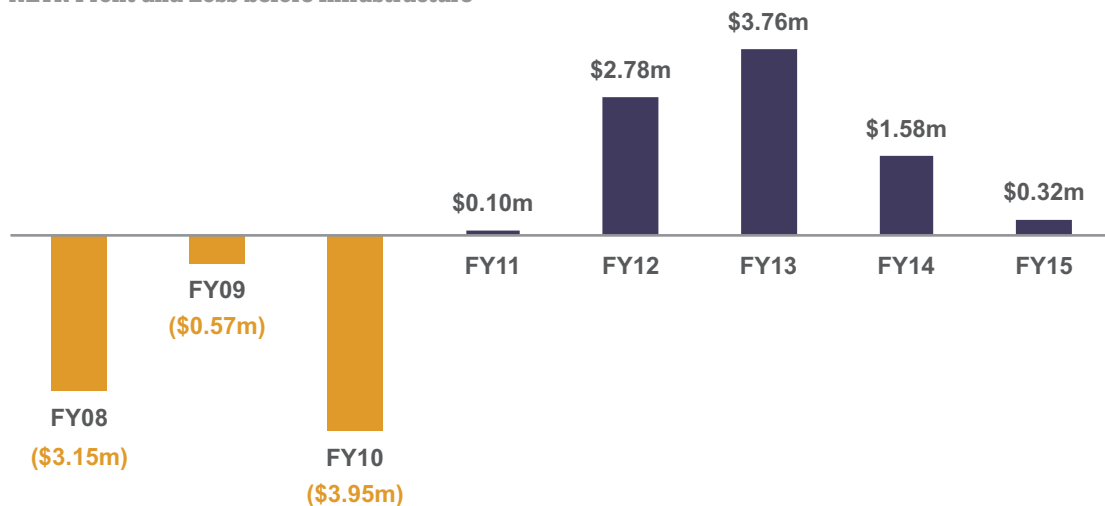


CHIEF EXECUTIVE'S REPORT

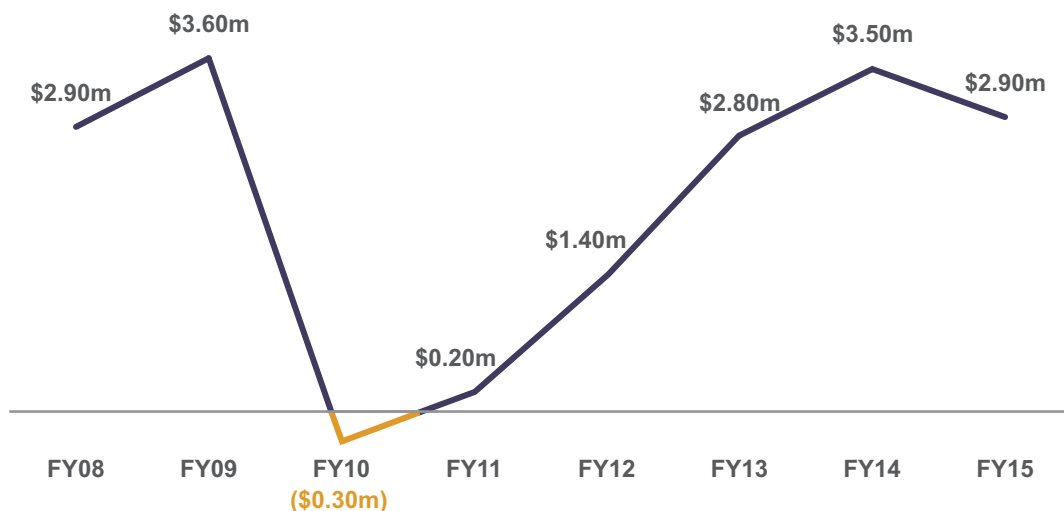
I am pleased to report New Zealand Thoroughbred Racing has returned to operating within its means:

- Sustainable prizemoney increases fully funded from earnings not reserves
- Sustainable structure of meetings and races
- Replenishment of cash reserves
- Modest infrastructure commitment
- No increase to licensing, stud book or registration fees for last four seasons (other than export fee)

NZTR Profit and Loss before Infrastructure



NZTR Net Current Assets (excluding infrastructure reserve)



NZTR continues to commit to delivering prizemoney increases, through cost control, consolidation in the number of races and race meetings and through supporting improved NZRB financial performance.

This is a substantial change, you will remember, from the cuts to prize money that confronted us between 2009 and 2011. Consistent prize money increases are now on a sustainable footing as set out in our Strategic Plan, which will be presented at the AGM on 6 November 2015.

A key initiative of that Strategic Plan is a consolidation in the number of races and race meetings on current levels. We have a broad plan to reduce the number of races run to approximately 2,500 and the number of meetings to approximately 315 by 2016-17.

This consolidation is critical to the long term sustainability and success of the Industry as a whole, and will enable NZTR to not only provide increases to average and aggregate prizemoney, but also appropriately adjusts our programme to the anticipated horse numbers which we forecast to track down by about 2% per year over the next 5 years.

It will provide the following benefits:

- Increase in aggregate and average prizemoney;
- An increased concentration of racing at strategic and significant venues; and
- Maintenance of average field size.

A summary of the minimum prize money levels that will be delivered by this consolidation from 1 December 2015 is provided below.

Proposed Feature Race Meeting Stakes from 1 December 2015

Feature Meetings	Open	R85	R75	R65/ Spec Cond	3&4YO	2YO	Mdn
Proposed from 1 December 2015	\$30,000	\$25,000	\$22,500	\$20,000	\$20,000	\$20,000	\$10,000
Current	\$25,000	\$20,000	\$18,500	\$17,500	\$17,500	\$17,500	\$10,000
Variance	+\$5,000	+\$5,000	+\$4,000	+\$2,500	+\$2,500	+\$2,500	Nil



Targeted Feature Stakes from 1 August 2016

Feature Meetings	Open	R85	R75	R65/ Spec Cond	3&4YO	2YO	Mdn
Proposed from 1 August 2016	\$40,000	\$30,000	\$25,000	\$20,000	\$20,000	\$20,000	\$10,000
Current	\$25,000	\$20,000	\$18,500	\$17,500	\$17,500	\$17,500	\$10,000
Variance to Current Stakes	+\$15,000	+\$10,000	+\$7,500	+\$2,500	+\$2,500	+\$2,500	Nil

While the number of races scheduled will reduce, trainers and owners can be assured that NZTR recognises the need to provide opportunities to plan a campaign for horses, so the Racing Bureau will have the ability to divide and/or programme additional races as required to meet anticipated demand for entries in distance, class and region.

The proposed consolidation strategy will provide a base for long-term sustainable growth in prizemoney. NZTR's Strategic Plan outlines intentions to increase aggregate prize money by much more significant levels over the next five years.

FY15 Minimum Prizemoney

Description	Group 1	Group 2	Group 3	Listed	Open	R85	R75 F&M	R75	R65 F&M	R65/ Spec Cond	3&4YO	2YO	Maiden
Iconic	200,000	100,000	70,000	50,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	
Premier 1	200,000	100,000	70,000	50,000	40,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Premier 2	200,000	100,000	70,000	50,000	40,000	30,000	25,000	25,000	25,000	20,000	20,000	20,000	20,000
Feature	200,000	100,000	70,000	50,000	25,000	20,000	25,000	18,500	25,000	17,500	17,500	17,500	10,000
T2 Feature				50,000	15,000	12,000	12,000	10,000	12,000	8,000	8,000	8,000	7,000
Industry					12,000	8,000	12,000	8,000	12,000	7,000	7,000	7,000	7,000



FY16 Minimum Prizemoney – from 1 December 2015

Description	Group 1	Group 2	Group 3	Listed	Open	R85	R75 F&M	R75	R65 F&M	R65/ Spec Cond	3&4YO	2YO	Maiden
Iconic	200,000	100,000	70,000	50,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	
Premier 1	200,000	100,000	70,000	50,000	40,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Premier 2	200,000	100,000	70,000	50,000	40,000	30,000	25,000	25,000	25,000	20,000	20,000	20,000	20,000
Feature	200,000	100,000	70,000	50,000	30,000	25,000	25,000	22,500	25,000	20,000	20,000	20,000	10,000
T2 Feature				50,000	15,000	12,000	12,000	10,000	12,000	8,000	8,000	8,000	7,000
Industry					12,000	8,000	12,000	8,000	12,000	7,000	7,000	7,000	7,000



FY17 Targeted Minimum Prizemoney (315 meetings and 2,500 races)

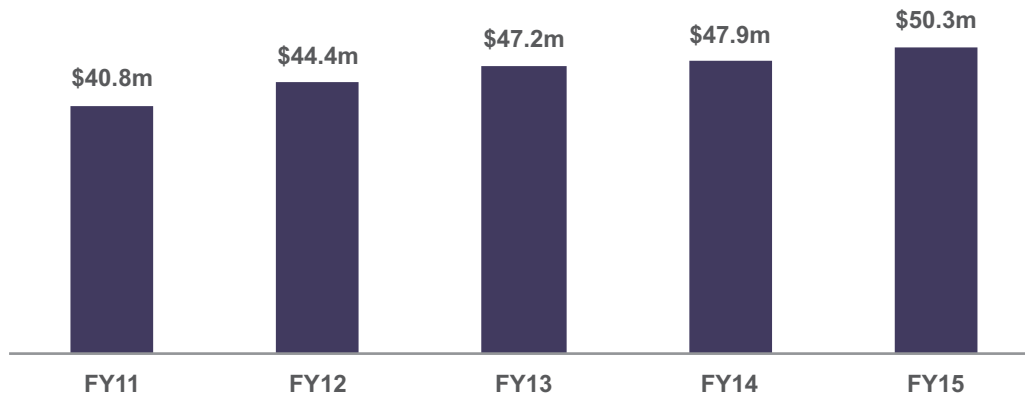
Description	Group 1	Group 2	Group 3	Listed	Open	R85	R75 F&M	R75	R65 F&M	R65/ Spec Cond	3&4YO	2YO	Maiden
Iconic	200,000	100,000	75,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	
Premier 1	200,000	100,000	75,000	50,000	40,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Premier 2	200,000	100,000	75,000	50,000	40,000	30,000	30,000	25,000	25,000	20,000	20,000	20,000	20,000
Feature	200,000	100,000	75,000	50,000	40,000	30,000	30,000	25,000	25,000	20,000	20,000	20,000	20,000
T2 Feature				50,000	15,000	12,000	12,000	10,000	12,000	7,500	7,500	7,500	7,500
Industry					15,000	12,000	12,000	10,000	12,000	7,500	7,500	7,500	7,500



FY20 Targeted Minimum Prizemoney (requires an additional \$9m in funding)

Description	Group 1	Group 2	Group 3	Listed	Open	R85	R75 F&M	R75	R65 F&M	R65/ Spec Cond	3&4YO	2YO	Maiden
Iconic	200,000	100,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	
Premier 1	200,000	100,000	75,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Premier 2	200,000	100,000	75,000	50,000	40,000	30,000	40,000	30,000	40,000	30,000	30,000	30,000	20,000
Feature	200,000	100,000	75,000	50,000	40,000	30,000	40,000	30,000	40,000	30,000	30,000	30,000	20,000
T2 Feature				50,000	15,000	12,000	12,000	10,000	12,000	10,000	10,000	10,000	10,000
Industry					15,000	12,000	12,000	10,000	12,000	10,000	10,000	10,000	10,000

NZTR-funded prizemoney FY11-FY15



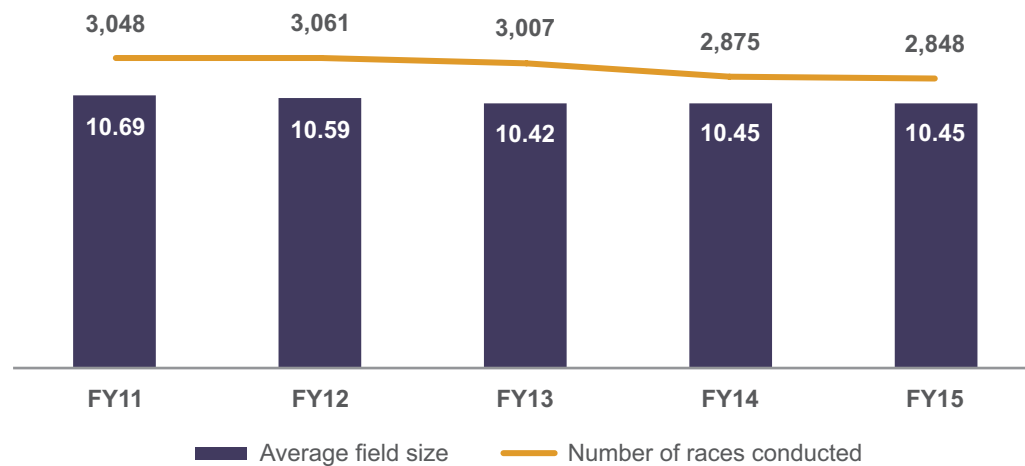
All of this requires careful, cost-conscious planning, funding distribution and investment by NZTR and the NZRB to provide a sustainable financial platform for all industry investors and a long term infrastructure plan to bring us up to international standards.

Racing programming & handicapping

As discussed above, to maintain average field sizes at around 10.5 starters per race and deliver competitive racing, we have planned for a reduction in the number of races and race meetings.

While slowly reducing the amount of racing in line with a gradual fall in the horse population, our focus was also on reducing the number of sub-eight horse fields in FY15 and beyond.

Number of races conducted and average field size FY11-FY15



We have continued to closely monitor handicapping to ensure competitive fields and racing. It has been evident in FY15 that our relatively narrow 5kg weight band restriction has resulted in horses not getting starts in the lower grade races. Mobility between the rating bands, so that horses are not stuck on an uncompetitive mark, will be reviewed by NZTR this year.

Due to the reduction of total flat races, the 5% pattern race to total races ratio has been exceeded and 'The Pyramid' model (i.e. more Group 2 races than Group 1 races, and the total number of Group 3 races exceeding Group 1 and Group 2 races combined) has not been upheld.

We are working with the New Zealand Pattern Committee to begin the process of reducing Pattern races to meet this 5% threshold.

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

Four years ago, we identified that fillies and mares were racing and winning significantly less than their population percentage. Three actions have been put in place to try to correct this:

- a) A move from a 1.5kg to 2kg allowance;
- b) Specific fillies and mares series;
- c) Encouragement and logistical support to the NZTBA in launching the 'Pearl Series'.

We have carefully tracked the outcomes and are satisfied that gradual, appropriate levels of improvement are occurring.

Field size and betting turnover in jumps races has seen an upswing following a review by NZTR and introduction of three key changes:

- a) 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;
- b) A modest re-focusing of activity to areas where there is a sustainable base of jumping horses and jockeys;
- c) A 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 long-term improvement but initial results are encouraging. We are looking for significant further improvement.

Our customers

One of our key challenges is attracting more customers.

The customer experience needs to be consistent throughout thoroughbred racing – on-course, online, owning or wagering. They are all our shop windows. There have been some outstanding success stories among 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 respond.

Only the NZRB has the resources to deliver a national franchise concept and NZTR continues to partner with the NZRB Events, Marketing and Logistics Team to work with clubs to build on the outstanding success of 'Christmas At The Races' and deliver a professional customer-focused race-day experience.

NZTR's marketing plan is focussing on establishing a new brand for our sport. NZTR has now committed to a permanent marketing budget and expect announcements in the near term around social media, our website, Social Racing syndicates, and branding. 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



Lisa Allpress



Noel Harris

that engage a whole new generation of fans. FY16 will see a number of initiatives that are consistent with building this brand.

The NZTR-funded NZ Racing Desk continues to provide an agency role for mainstream media and websites.

In FY16, video and written content will be further upgraded, form presentation will be improved, and accurate sectional timing information will be provided.

We are now winding out a system for capturing the last 600 metres and that nzracing.co.nz can be configured to add it to the form information for every horse in every race. We believe this very valuable information will enhance turnover and allow us to more effectively compete in export markets.

We 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 size of our audience gives us some promising commercialisation possibilities.

We have also continued to call for a thoroughbred-only channel on Trackside. This will be considered again by the NZRB.

Infrastructure policy and investment

A clear need has built up over several decades to invest in both track surfaces and public amenities. Customer feedback unequivocally shows that race-day experiences are held back by poor amenities. To this end, NZTR has set aside \$1m per year to fund key projects at Strategic and Significant venues. Given our financial constraints, only critical projects elsewhere can be supported with NZTR funding.

Looking ahead

NZTR is fully supportive of the introduction of race fields legislation to counter free-riding by offshore bookmakers who steal our product without any payments of fees or taxes. This cost advantage allows them to offer better odds. The NZRB estimates that over \$300m leaks overseas, and fixed odds betting volumes are highly sensitive to the prices set. Work is now being done to look at legislative change. There are clear precedents in many other racing jurisdictions.

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

Over the past year NZTR has delivered on many of our targets and, where we have not met them, we have looked at the reasons and tried to improve on our performance. We will continue to do that.

In October we published our second Strategic Plan, together with our fourth annual Business Plan (2016-18) and our third annual Performance Report, which measures our performance in FY15 against our key performance indicators and forecasts, set out in the Business Plan.

We will execute the Strategic Plan and Business Plan to the best of our ability despite limited resources.

However, while NZTR has that responsibility, fundamental positive change will only be undertaken when racing's participants have confidence in change, and a willingness to innovate and support change. This requires us to prioritise national or 'whole industry' policy ahead of regional or local requirements.

Our continuing objectives for the financial year ending 31 July 2016 are:

1. To drive increases in returns to all participants. This is the nutrient that allows the industry to grow.
2. To create a consistent programme of quality racing events to achieve a material improvement in the raceday experience, to compete with other sports and leisure options.
3. To ensure this happens we need facilities that tick all the boxes. A customers' race-day experience is critical. This is as important for strategic and significant venues as it is for all Community venues. The facilities and environment we provide must attract sufficient financial returns and community support to ensure venues have long-term futures.

Counties Racing Club track renovations





4. To work with racing clubs to improve club governance, management, marketing and event management. Clubs are our shop window and we all need them to operate successfully to provide our racing and sell it to existing and future fans. Without them we have no racing.
5. To bring our marketing plan to fruition. This will involve not only establishing the New Zealand thoroughbred sports brand but also growing interest and investment with more social media activity and better information.

Conclusion

Thoroughbred racing is continuing to make steady, sustainable progress. Average NZTR-funded stakes in FY15 was 28.6% above FY11. To keep growing requires careful cost-conscious investment by NZTR and the NZRB to grow our customer base.

I would like to conclude by thanking all those who contributed, participated and invested in 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 Jockeys' Association, the New Zealand Thoroughbred Racehorse Owners' Federation, the New Zealand Thoroughbred Breeders' Association, New Zealand Thoroughbred Marketing, the New Zealand Equine Health Association, the New Zealand Veterinary Association and the Racing Integrity Unit for your effort and support.

NZTR was grateful for the work of all NZRB staff.

Finally, I owe particular thanks to the entire NZTR team who all worked extremely hard in 2014-15.

A handwritten signature in black ink, appearing to read 'Greg Purcell', written in a cursive style.

Greg Purcell
Chief Executive

NZRB CLUB NET STAKES AND FUNDING STATISTICS 2014 / 2015

Thoroughbred Clubs	Mtgs	Races	Starts	Off-course totalisator turnover	On-course totalisator turnover	Total FOB (off & on-course)	Export Turnover (\$NZD)	Stakes Paid	Club Noms & Accepts & other charges/ payments	Total Club, Meeting & Stakes Funding	Stakes to Funding Ratio
Ashburton RC	10	63	685	4,012,853	185,499	1,722,545	6,523,476	696,000	4,813	1,001,709	69.00%
Auckland RC	24	215	2,302	34,002,664	5,958,321	17,086,782	31,852,523	9,703,350	951,547	10,579,674	82.72%
Avondale JC	14	114	1,214	8,232,010	472,689	3,911,847	12,917,824	869,000	0	1,377,590	63.08%
Banks Peninsula RC	1	9	94	648,135	43,378	271,390	1,223,240	81,000	0	119,130	67.99%
Beaumont RC	1	7	70	320,924	56,823	161,134	859,178	73,000	0	115,496	63.21%
Cambridge JC	2	18	207	2,123,142	197,910	1,239,209	2,021,381	401,000	24,775	508,161	74.04%
Canterbury Racing	21	196	2,181	21,445,027	3,095,827	9,627,601	25,895,468	5,840,535	493,440	6,764,937	79.04%
Central Otago RC	2	15	149	1,062,949	160,006	410,877	1,803,451	145,000	0	230,157	63.00%
Counties RC	3	27	282	3,688,187	279,600	1,421,407	3,859,099	805,000	46,496	979,431	77.44%
Dargaville RC	2	17	179	1,136,464	203,975	565,013	1,636,315	135,000	0	228,104	59.18%
Egmont RC	5	42	418	3,102,147	299,809	1,371,573	4,109,721	545,000	9,900	729,497	73.35%
Feilding JC	3	26	278	2,576,340	222,415	1,144,694	3,303,170	361,000	14,625	505,352	68.54%
Gore RC	4	34	376	2,232,711	143,046	871,338	3,869,161	423,000	6,250	569,699	73.15%
Greymouth JC	1	10	86	596,673	92,372	305,004	809,485	111,625	0	158,337	70.50%
Hawke's Bay RI	14	123	1,249	14,058,026	1,802,828	6,528,679	15,871,512	2,906,800	231,750	3,792,316	70.54%
Kumara RC	1	11	100	856,261	360,146	379,199	889,621	122,000	0	217,907	55.99%
Kurow JC	1	8	72	511,867	115,678	247,633	704,095	90,500	0	136,562	66.27%
Levin RC	3	21	229	1,973,830	158,345	880,007	2,729,042	332,500	6,963	457,799	71.11%
Manawatu RC	9	78	818	8,680,514	1,040,394	4,094,093	9,883,901	2,060,750	125,375	2,515,463	76.94%
Marlborough RC	2	16	157	887,709	100,251	641,420	978,512	163,000	0	225,595	72.25%
Marlton JC	4	35	354	4,067,584	297,227	1,706,232	4,948,092	680,000	6,875	871,114	77.27%
Masterton RC	1	7	54	362,358	29,182	246,352	295,203	73,000	0	115,743	63.07%
Matamata RC	15	121	1,236	9,795,052	700,498	4,553,212	13,628,407	1,327,000	29,075	1,930,923	67.22%
Oamaru JC	4	26	263	1,735,759	56,108	740,875	2,715,960	304,300	0	435,102	69.94%
Otago RC	14	109	1,126	7,577,950	820,949	3,353,602	8,928,933	1,513,560	26,075	2,078,851	71.55%
Otaki-Maori RC	11	84	855	6,952,328	501,207	2,950,270	9,423,879	1,092,185	20,750	1,530,069	70.03%
Pakuranga HC	1	9	90	903,941	140,963	313,722	1,265,137	212,500	10,750	274,945	73.38%
Poverty Bay TFC	1	8	53	312,016	54,771	271,209	552,003	91,750	0	115,266	79.60%
Rangitikei RC	2	19	184	1,902,033	176,043	851,612	1,709,438	347,000	5,625	448,206	76.16%
Reefton JC	1	8	63	437,543	55,084	236,088	533,943	84,500	0	122,445	69.01%
Riverton RC	4	38	410	2,459,422	305,542	1,052,862	3,342,688	597,500	9,450	765,685	76.80%
Rotorua, Racing	10	85	866	7,752,157	669,398	3,492,154	10,286,756	1,048,000	34,055	1,469,563	69.00%

Rotorua-BoP HC	1	8	64	440,013	34,641	179,499	634,603	76,000	0	114,835	66.18%
South Canterbury RC	8	68	683	3,664,995	194,926	1,749,190	5,694,626	639,800	7,063	919,856	68.79%
South Waikato RC	1	8	84	611,607	86,642	333,872	991,564	76,000	0	122,803	61.89%
Southland RC	5	41	394	2,637,168	337,180	1,094,359	4,030,880	586,500	5,000	789,597	73.65%
Stratford RC	2	15	157	1,285,937	150,796	497,135	1,654,379	140,000	0	211,920	66.06%
Tapanui RC	1	9	93	671,949	80,722	272,667	613,703	107,000	0	134,327	79.66%
Taranaki TRI	13	106	1,074	9,608,826	1,162,422	4,464,303	13,861,982	1,395,700	15,844	2,022,077	68.24%
Tauramarui RC	1	9	114	1,495,163	151,159	607,677	1,034,766	265,000	8,695	315,266	81.30%
Taupo, Racing	4	31	322	2,681,132	244,736	1,317,993	3,726,591	244,000	0	408,993	59.66%
Tauranga, Racing	13	110	1,086	10,671,590	1,356,330	5,198,384	13,044,359	1,518,825	25,915	2,183,225	68.38%
Te Aroha, Racing	12	99	1,066	7,708,655	562,528	3,548,763	10,111,918	1,206,000	36,000	1,675,998	69.81%
Thames, Racing	1	9	76	868,704	171,622	401,334	1,537,082	101,500	0	164,156	61.83%
Waikato RC	17	157	1,761	20,342,965	1,547,452	9,316,096	20,328,533	3,759,800	153,838	4,604,647	78.31%
Waikouaiti RC	1	9	83	831,143	151,158	344,205	541,423	101,750	0	158,462	64.21%
Waimate RC	1	7	64	405,596	16,449	182,317	597,129	80,000	0	113,147	70.70%
Waipa RC	7	64	666	4,187,771	211,467	1,932,027	5,102,435	506,000	0	757,586	66.79%
Waipukurau JC	2	16	169	1,179,526	142,481	553,029	1,680,895	136,000	0	217,621	62.49%
Wairarapa RC	4	33	315	2,486,446	588,058	1,129,413	2,868,572	314,000	4,250	523,801	59.14%
Wairio JC	1	9	90	535,582	48,178	218,128	638,194	98,000	0	137,048	71.51%
Wairoa RC	2	15	124	839,587	140,997	576,611	1,613,992	151,000	0	212,866	70.94%
Wanganui JC	11	92	1,006	7,667,727	522,378	3,361,210	9,689,802	1,152,500	26,951	1,586,742	70.93%
Waverley RC	3	26	284	1,715,843	124,920	764,093	2,007,138	253,000	0	338,894	74.65%
Wellington RC	11	100	1,093	15,583,018	2,563,115	7,174,781	16,092,116	4,243,000	531,292	5,115,995	72.55%
Westland RC	1	7	66	509,000	76,245	235,640	799,629	83,000	0	118,622	69.97%
Whakatane RC	2	17	179	1,228,521	157,322	501,438	1,525,378	141,000	0	228,459	61.72%
Whangarei RC	12	108	1,089	9,984,915	913,912	5,056,619	12,209,061	1,481,000	5,125	2,013,933	73.28%
Winton JC	2	16	161	897,789	60,877	332,704	1,144,325	149,000	0	220,523	67.57%
Woodville-Pahiatua RC	6	49	559	3,416,292	217,818	1,449,605	5,522,050	390,750	0	617,661	63.26%
Wyndham RC	1	11	127	636,294	46,967	278,148	975,932	148,000	0	186,543	79.34%
Grand Total	337	2,848	29,749	271,200,329	30,859,779	125,720,873	329,643,669	52,780,480	2,878,559	67,586,434	73.83%

Notes

- Off-course totalisator turnover does not include Pick 6 or Turbo Quaddies.
- On-course totalisator turnover excludes on-course FOB (included in Total FOB number).
- Club Noms, Accepts & other charges/payments to Owners is the net amount of all direct club charges and credits to owners paid through NZTR's Settlement System.
- Total Club, Meeting & Stakes Funding is all NZTR funding paid to clubs, including minimum stakes, Group and Listed, special interest, iconic, meeting, venue category funding, carnival and jumping support, on-course payments and other race funding. Charges to clubs for NZTR race meeting services and NZRR race meeting broadcast costs are not netted off. Note that this figure has not been able to be reconciled against the club settlement statements so there may be some small discrepancies between funding recorded and total funding received by clubs.
- Stakes to Funding Ratio is Stakes Paid minus Club Noms & Accepts & other charges/payments, then divided by Total Club, Meeting & Stakes Funding.

FINANCIAL STATEMENTS

NEW ZEALAND THOROUGHBRED RACING INCORPORATED

Statement of Comprehensive Revenue and Expenditure

FOR THE YEAR ENDED 31 JULY 2015

	Notes	Actual 31 July 2015 \$	Actual 31 July 2014 \$
REVENUE			
NZRB Code Distribution	3.1.3	74,068,819	73,567,424
Nominations & Acceptance Fees		2,349,134	2,253,731
Thoroughbred Racing Magazine and Publications	3.1.1	201,105	208,936
Stud Book	3.1.1	1,429,930	1,369,688
Licence fees	3.1.1	217,775	217,400
Registrations	3.1.1	582,427	590,295
Interest	3.1.2	333,750	356,845
Sundry Revenue		571,932	349,992
TOTAL REVENUE		79,754,872	78,914,311
LESS EXPENSES			
Club Product Payments and Subsidies		71,582,270	70,422,739
TRM and Publications Expenses		295,642	286,520
Ownership and Industry Initiatives		76,770	55,030
Training and Development		162,076	121,709
Property and Central Overheads	4.1	451,249	377,987
IT Infrastructure and Network Costs	4.2	597,073	554,399
Special Projects	4.3	380,854	335,801
Salaries and Other Staff Costs		3,404,832	2,894,586
Other Department Costs	4.4	1,199,795	1,075,793
Sundry Costs	4.5	1,288,881	1,205,555
TOTAL EXPENSES		79,439,442	77,330,119
SURPLUS BEFORE INFRASTRUCTURE PROJECTS		315,430	1,584,192
INFRASTRUCTURE REVENUE AND EXPENSES			
Racing Safety Development Fund - Grants Received	4.6	216,243	475,667
Infrastructure Expenditure	4.6	(1,638,848)	(1,335,300)
NZTR INFRASTRUCTURE EXPENDITURE NET OF FUNDING		(1,422,605)	(859,633)
TOTAL SURPLUS/(DEFICIT) ATTRIBUTABLE TO NZTR		(1,107,175)	724,559
Other Comprehensive Revenue		-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		(1,107,175)	724,559

These financial statements are to be read in conjunction with the notes on pages 32 to 50

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2015

	Notes	Accumulated Surplus \$	Infrastructure Reserve \$	Total Accumulated Surplus \$
Accumulated Surplus as at 1 August 2013		4,463,824	2,525,135	6,988,959
Surplus for the as at 31 July 2014		724,559	-	724,559
Transfer of Infrastructure Reserve to Retained Earnings	4.6	103,308	(103,308)	-
Accumulated Surplus as at 31 July 2014		<u>5,291,691</u>	<u>2,421,827</u>	<u>7,713,518</u>
	Notes	Accumulated Surplus \$	Infrastructure Reserve \$	Total Accumulated Surplus \$
Accumulated Surplus as at 1 August 2014		5,291,691	2,421,827	7,713,518
(Deficit)/Surplus for the year ended 31 July 2015		(1,107,175)	-	(1,107,175)
Transfer of Infrastructure Reserve to Retained Earnings	4.6	1,107,175	(1,107,175)	-
Accumulated Surplus as at 31 July 2015		<u>5,291,691</u>	<u>1,314,652</u>	<u>6,606,343</u>

These financial statements are to be read in conjunction with the notes on pages 32 to 50

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2015

	Notes	Actual 31 July 2015 \$	Actual 31 July 2014 \$
Total Accumulated Surplus Attributable to NZTR		6,606,343	7,713,518
CURRENT ASSETS			
Cash & Cash Equivalents	2.1	2,237,300	1,205,262
Short Term Deposits	2.1	3,909,251	6,388,515
Trade and Sundry Debtors from Exchange Transactions	2.2	772,046	923,598
Trade and Sundry Debtors from Non-Exchange Transactions	2.2	60,595	27,134
Prepayments		194,732	205,088
Other Revenue Receivable from Exchange Transactions	2.2	373,512	554,370
Short Term Loans and Advances	2.3	-	30,000
Code Distribution Account	2.2	503,489	332,613
TOTAL CURRENT ASSETS		8,050,925	9,666,580
LESS CURRENT LIABILITIES			
Trade and Sundry Creditors from Exchange Transactions	2.4	2,893,771	3,321,129
Trade and Sundry Creditors from Non-Exchange Transactions	2.4	127,033	24,354
Employee Benefits	2.4	346,770	248,815
Fees and Subscriptions in Advance		371,653	333,654
TOTAL CURRENT LIABILITIES		3,739,227	3,927,952
NET CURRENT ASSETS		4,311,698	5,738,628
NON-CURRENT ASSETS			
Property, Plant and Equipment	6.0	197,798	223,493
Intangibles	7.0	337,886	393,695
Work in Progress	13.2	370,395	183,198
Loans and Advances	2.3	1,388,566	1,174,505
TOTAL NON-CURRENT ASSETS		2,294,645	1,974,891
NET ASSETS		6,606,343	7,713,518

The Financial Statements of New Zealand Thoroughbred Racing Incorporated are accepted on behalf of the Board of Directors on 15 October 2015.



MATTHEW GOODSON
BOARD CHAIRMAN



GREGORY McCARTHY
AUDIT AND RISK COMMITTEE CHAIRMAN

These financial statements are to be read in conjunction with the notes on pages 32 to 50

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 JULY 2015

	Notes	31 July 2015 \$	31 July 2014 \$
	13.3		Restated
CASH FLOW FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Fees, Services and Subscriptions from Exchange Transactions		3,593,798	2,979,919
Receipts from the Code Distribution and Other Income		76,241,492	77,516,473
Interest Income		301,897	370,088
		80,137,187	80,866,480
<i>Cash was applied to:</i>			
Payment to Suppliers and Employees		(8,988,337)	(8,068,332)
Payments to Clubs and Other Initiatives		(72,040,702)	(70,422,739)
		(81,029,039)	(78,491,071)
Net Cash Flow from Operating Activities		(891,852)	2,375,409
CASH FLOW FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Sale of Motor Vehicle		-	25,775
Maturity in Term Deposits		2,479,264	88,055
Repayment of Loans		41,181	-
		2,520,445	113,830
<i>Cash was applied to:</i>			
Purchase of Property, Plant and Equipment		(93,554)	(50,298)
Purchase of Intangibles		(90,562)	(218,016)
Work in Progress		(187,197)	(146,033)
Investment in Term Deposits		-	(5,109,366)
Advance of Loans		(225,242)	(186,354)
		(596,555)	(5,710,067)
Net Cash Flow from Investing Activities		1,923,890	(5,596,237)
Net Increase/(Decrease) in Cash held		1,032,037	(3,220,828)
Add Opening Cash		1,205,263	4,426,091
Total Cash and Cash Equivalents		2,237,300	1,205,263
RECONCILIATION OF OPERATING CASH FLOW TO NET (DEFICIT)/SURPLUS			
Total (Deficit)/Surplus for the Year		(1,107,175)	724,559
Add Non-Cash Items			
Depreciation		119,249	80,506
Amortisation		146,372	149,354
Decrease in Loan Provisions		-	(85,000)
		265,621	144,860
Add Movement in Other Working Capital Items			
Accrued Income		180,858	(163,770)
Sundry Debtors		(52,785)	1,587,439
Prepayments		10,355	(53,245)
Work in Progress		-	-
Sundry Creditors		(226,725)	183,765
Fees in Advance		37,999	(48,198)
		(50,298)	1,505,990
NET CASH FLOW FROM OPERATING ACTIVITIES		(891,852)	2,375,409

These financial statements are to be read in conjunction with the notes on pages 32 to 50

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

1. BASIS OF PREPARATION

Reporting entity and statutory base

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

The primary objectives of NZTR are to:

- supply thoroughbred races for 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 the Rules of Racing of the thoroughbred code.

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

Statement of compliance

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

Basis of preparation

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

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

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the underlying substance of the transactions or events is reported.

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

Changes in accounting policies

These financial statements are the first set of financial statements presented in accordance with the PBE Standards. NZTR previously reported in accordance with NZIFRS (PBE). The material adjustments arising from the transition to PBE standards are explained in note 13.

Prior period comparatives

Employee entitlements were previously reported under Provision for Annual Leave and Trade and Sundry Creditors. These costs have been restated under the heading Employee Benefits. Work in Progress reported for the year ended 31 July 2014 were predominantly Website and Software Development costs and are now reported under Non-Current assets. The impact of this reclassification of costs and the retrospective restatement of year ended 31 July 2014 comparatives have been disclosed in note 13.

New standards and interpretations issued

In May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. NZTR has applied these standards in preparing the 31 July 2015 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for not-for-profit entities. These updated standards apply to PBEs with reporting periods beginning on or after 1 April 2015. NZTR will apply these updated standards in preparing its 31 July 2016 financial statements. NZTR expects there will be minimal or no change in applying these updated accounting standards.

Critical accounting estimates and assumptions

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

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

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

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

Taxation

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

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

- Goods and Services Tax (GST)
- Fringe Benefit Tax (FBT)
- Employer compulsory Kiwi Saver contributions

Accident Compensation Commission (ACC) levies

These financial statements have been prepared exclusive of GST, with the exception of the Statement of Financial Position balances of receivables and payables, which are GST inclusive.

Specific Definitions

Throughout this report specific language is used to refer to industry activity. To assist the reader of this report, some definitions specific to the Racing Industry are detailed below.

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

Code Funding Distribution Agreement: The code funding distribution agreement refers to the prescribed Inter-code Agreement between the New Zealand Racing Board ("NZRB") and the Codes. It represents the agreed methodology by which the NZRB will make distributions to NZTR and the other codes.

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

TRM: TRM is the abbreviation of Thoroughbred Racing Magazine.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

2. FINANCIAL INSTRUMENTS

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

Financial Instrument categories

NZTR classifies its financial assets as loans and receivables and all of its financial liabilities as other financial liabilities measured at amortised cost.

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

Loans and Receivables

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. NZTR's Loans and Receivables balance includes Cash and Cash Equivalents, including short term deposits, Trade and Other Receivables and Loans and Advances to racing clubs. Loans and Receivables are initially recognised at the fair value and subsequently measured at amortised cost using the effective interest method.

	Note	31 July 2015 \$	31 July 2014 \$
Cash and Cash Equivalents	2.1	6,146,551	7,593,777
Trade and Sundry Debtors, and Revenue Receivable	2.2	1,206,153	1,505,102
Code Distribution (NZRB)	2.2	503,489	332,613
Club Loans and Advances	2.3	1,388,566	1,204,505
Total Loans and Receivables		9,244,759	10,635,997

At the end of each reporting period and whenever circumstances warrant, Loans and Receivables are assessed for objective evidence of impairment. Impairment has occurred as a result of one or more events that occurred after the initial recognition of the asset, where the event had an impact on the estimated future cash flows of that asset, and can be estimated reliably. Any financial asset impairment loss is recognised through the Statement of Comprehensive Revenue and Expense.

2.1 Cash and Cash Equivalents

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

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

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

All operational bank accounts and short term deposits are held with ANZ Banking Corporation Limited, which has an AA- credit rating.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

	31 July 2015	31 July 2014
	\$	\$
Operational bank account and cash on hand	344,478	417,287
On Call Accounts	1,892,822	787,975
Investments – Term deposits (< 90 days)	3,909,251	6,388,515
Total Cash and cash equivalents	<u>6,146,551</u>	<u>7,593,777</u>

2.2 Trade and Sundry Debtors, and Revenue Receivable

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

	31 July 2015	31 July 2014
	\$	\$
<i>Trade and Sundry Debtors</i>		
Trade Debtors from exchange transactions	243,918	296,529
Trade Debtors from non-exchange transactions	60,595	27,134
Racing Activity Debtors	528,128	627,069
Code Distribution (NZRB)	503,489	332,613
Total Trade and Sundry Debtors	<u>1,336,130</u>	<u>1,283,345</u>
<i>Other Revenue Receivable from Exchange Transactions</i>		
Interest Receivable	69,630	34,607
Other Revenue receivable	303,882	519,763
Total Revenue Receivable from Exchange Transactions	<u>373,512</u>	<u>554,370</u>
Total Trade and Sundry Debtors, and Other Revenue Receivable	<u>1,709,642</u>	<u>1,837,715</u>
Due date profile		
Not past due	1,350,978	1,375,006
Past due 1-30 days	124,041	204,158
Past due 31-60 days	59,527	106,255
Past due 61	175,096	152,296
	<u>1,709,642</u>	<u>1,837,715</u>

NZTR has reviewed all trade and sundry debtors, and other revenue receivable for collectability. There is a provision for doubtful debts recognised on trade or the other receivables as at 31 July 2015 of \$15,040 (2014: \$9,455). The provision recognised debts due that have either been placed with a debt collection agency or where the debtor has been placed on the arrears forfeit list.

2.3 Club Loans and Advances

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

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

The NZTR Board has determined that the carrying value of the loans approximates their fair value as at 31 July 2015.

		31 July 2015	31 July 2014
		\$	\$
<i>Short Term Loans and Advances</i>			
	Interest Rate		
Waikato Racing Club	OCR + 1%	–	30,000
Total Short Term Loans and Advances		0	30,000
<i>Non-Current Loans and Advances</i>			
RACE INC	BBR + 1%	622,635	516,944
Hawke's Bay Racing Incorporate	OCR + 1%	465,757	471,206
Whangarei Racing Club	OCR + 1%	186,355	186,355
Taupo Racing Club	OCR + 1%	30,000	–
Northern Race Day Services	OCR + 1%	83,819	–
Total Non-Current Loans and Advances		1,388,566	1,174,505
Total Loans		1,388,566	1,204,505

2.4 Other Financial Liabilities

NZTR classifies all of its financial liabilities as Other Financial Liabilities. Trade and Sundry Payables are recognised when NZTR becomes obliged to make future payments resulting from the purchase of goods and services. Trade and Sundry payables are measured at amortised cost using the effective interest method.

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

	31 July 2015	31 July 2014
	\$	\$
<i>Trade and Sundry Payables</i>		
Trade Creditors from Exchange Transactions	2,893,771	3,321,129
Taxes and transfers payable	127,033	24,354
	<u>3,020,804</u>	<u>3,345,483</u>
<i>Employee Entitlements</i>		
Provision for Annual Leave	264,368	195,293
Salaries Payable	82,402	53,522
Total Employee Entitlements	<u>346,770</u>	<u>248,815</u>
Total Other Financial Liabilities	<u>3,367,574</u>	<u>3,594,298</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

2.5 Financial Instrument Risks

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

2.5.1 Capital Risk Management

NZTR's capital is its accumulated funds represented by net assets. NZTR manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that NZTR effectively achieves its objectives and purpose whilst remaining a going concern.

2.5.2 Interest Rate Management

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

2.5.3 Liquidity Risk management

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

All trade and sundry payables are due within three months.

All bank guarantees are on demand.

2.5.4 Credit Risk Management

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

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

There is an inherent credit risk for Loans and Advances made to Thoroughbred racing clubs. NZTR holds sufficient guarantees over all loans and advances, which are reviewed annually.

2.6 Financial Guarantee Contracts

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

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

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

At 31 July 2015 the balances of the loans from the Bank of New Zealand and the NZRB were \$5,286,000 and \$2,609,400 respectively (2014: \$5,276,000, \$2,991,206).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

3. REVENUE

NZTR is primarily funded through the distributions of the New Zealand Racing Board (“NZRB”) and registration, licensing and other activities associated with the Thoroughbred racing industry.

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

Revenue is measured at fair value of consideration received.

3.1 Revenue from Exchange Transactions (IPSAS 9)

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

3.1.1 Registrations, Stud Book, Licensing, Nominations, Acceptance and Scratching fees, Management Services, Thoroughbred Racing Magazine(TRM) and Other Publications

Revenue is recognised either at the time of invoicing or when a payment is made for that fee. Management fees are recorded under Sundry Revenue in the Statement of Comprehensive Revenue and Expenses. Registrations, Stud Book, Nominations, Acceptances and Scratching fees, Licensing and TRM and other publications are disclosed separately.

3.1.2 Interest

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

3.1.3 NZRB Code Distribution

Revenue is recognised pursuant to Section 25 of the Racing Act 2003 based upon the base level of Code funding from NZRB plus additional distributions in accordance with the Code Funding Distribution Agreement that was in effect in the financial year 2014/15. This revenue is recognised as an exchange transaction as NZTR supply its racing product to NZRB in exchange for a distribution from NZRB surpluses accumulated from the NZRB’s wagering, sports betting and gaming activities.

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

3.1.4 Fees and Subscriptions in Advance

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

3.2 Revenue from Non-Exchange Transactions (IPSAS 23)

3.2.1 Fines

Revenue from fines and penalties is recognised when the fine or penalty is imposed. This revenue is recorded under Sundry Revenue in the Statement of Comprehensive Revenue and Expense. Fines, when received by NZTR are applied to the General Trust Fund (note 8.4.2).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

Summary of Revenue received from Exchange and Non-Exchange Transactions.

	31 July 2015	31 July 2014
	\$	\$
Revenue from Exchange Transactions	79,712,155	78,871,456
Revenue from Non-Exchange Transactions	42,717	42,855
Total Revenue	<u>79,754,872</u>	<u>78,914,311</u>

4. EXPENDITURE

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

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

4.1 Property and Central Overheads

	31 July 2015	31 July 2014
	\$	\$
The expenses included in Property and Central Overheads are:		
ACC Levy	36,654	28,822
Bank Fees	49,262	30,912
Insurance	36,381	81,229
Lease Expenses	16,552	22,870
Printing and Postage	67,935	45,458
Rent and Property Expenses	70,061	69,702
NZRB Charges	17,400	17,400
Depreciation	33,940	24,853
Telephone	42,084	17,636
General Expenses	80,980	39,106
TOTAL PROPERTY AND CENTRAL OVERHEADS	<u>451,249</u>	<u>377,987</u>

4.2 IT Infrastructure And Network Costs

	31 July 2015	31 July 2014
	\$	\$
The expenses included in IT Infrastructure and Network Costs are:		
Amortisation	160,684	149,658
Depreciation	47,928	41,233
Maintenance and Network Costs	388,461	363,508
TOTAL IT INFRASTRUCTURE AND NETWORK COSTS	<u>597,073</u>	<u>554,399</u>

4.3 Special Projects

	31 July 2015	31 July 2014
	\$	\$
The expenses included in the Board Approved Special Projects are:		
Industry Web Platform	–	11,250
Racing Club Partnership Program	279,865	267,051
Stakes Payment Alignment	30,506	55,000
Industry Taxation Litigation	–	2,500
Health & Safety Program	70,483	–
TOTAL SPECIAL PROJECTS	<u>380,854</u>	<u>335,801</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

4.4 Other Department Costs

	31 July 2015	31 July 2014
	\$	\$
The expenses included in Other Department Costs are:		
Animal Welfare	30,896	–
DNA Typing and Microchipping	171,558	223,186
Travel including Motor Vehicle Expenses	213,366	203,513
Mobile telephones	20,033	6,627
Freephone Number	9,808	31,584
Appeals and Enquiries	2,500	7,152
Accommodation	82,289	76,488
Subscriptions	9,442	3,614
Marketing	529,265	427,468
Conferences and Committees	104,119	68,152
Stud Book	1,458	163
Depreciation	21,209	23,673
General Expenses	3,852	4,171
TOTAL OTHER DEPARTMENT COSTS	<u>1,199,795</u>	<u>1,075,793</u>

4.5 Sundry Costs

	31 July 2015	31 July 2014
	\$	\$
The expenses included in Sundry Costs are:		
Board and Members Council Expenses	87,970	84,741
Board Fees	172,278	169,735
Legal and Professional Fees	248,842	285,457
Audit Fees	30,159	30,250
Bad Debts Expense	15,040	(23,826)
Raceday Services and Initiatives	497,534	434,695
Raceday Depreciation	16,173	16,173
Annual General Meeting	22,036	24,133
Industry Grants	173,635	159,750
Medical Advisor	19,200	12,000
General Expenses	6,014	12,448
TOTAL SUNDRY COSTS	<u>1,288,881</u>	<u>1,205,555</u>

Audit fees of \$30,159 have been recognised for the audit by Deloitte of NZTR's annual financial statements (2013/14 \$30,250).

Other services performed by Deloitte during the period included the vote verification for the 2015 Horse of the Year Awards (\$1,500), and taxation advisory services (\$3,750).

4.6 Infrastructure Projects

The Infrastructure Projects Reserve was set up in 2010/2011 to fund critical projects at strategic and significant venues. On average, NZTR has set aside approximately \$1,000,000 per year to help fund these projects. To share the costs of infrastructure projects, clubs, communities and frequently the Racing Safety Development Fund ("RSDF") co-invest in the supported initiatives.

Approved investment from the RSDF is recognised by the stage of completion of the project. Funding by the RSDF is usually 50% at the commencement of the project and 50% at completion of the project. As at 31 July 2015, there were no outstanding applications to the RSDF for funding of completed or partially completed projects.

Expenditure is recognised when it is incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

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

	31 July 2015	31 July 2014
	\$	\$
External funding for Infrastructure Projects was received from the following sources:		
Racing Safety Development Fund	216,243	475,667
	216,243	475,667
Infrastructure costs were incurred on the following projects:		
Earthquake Assessments	26,369	–
Hurdle Pads	–	31,257
Judicial Towers	237,218	544,569
Overhead Gates & Storage	71,000	–
Running Rails	252,334	312,299
Matamata Drainage	256,000	–
Otaki Drainage	32,883	2,428
Otago Drainage	56,162	–
Riccarton Drainage	98,824	132,774
Taranaki Drainage	–	40,000
Whangarei Drainage	–	50,000
Avondale Racecourse Master Plan	85,894	–
Awapuni Racecourse Alternative Bend & Drainage	98,555	–
Pukekohe Racecourse Reconstruction	216,556	–
Ruakaka Racecourse Development	173,127	210,000
Synthetic Tracks Assessment	9,795	–
Club Loan Agreements (Legal fees)	24,131	11,973
TOTAL INFRASTRUCTURE PROJECTS	1,638,848	1,335,300
NET EXPENDITURE TO INFRASTRUCTURE PROJECTS	1,422,605	859,633

Allocation of the Infrastructure Projects Reserve

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

	31 July 2015	31 July 2014
	\$	\$
Allocation to Infrastructure Projects Reserve	315,430	756,325
Less Investment expenditure	(1,422,605)	(859,633)
Transfer of Infrastructure Projects Reserve	(1,107,175)	(103,308)
INFRASTRUCTURE PROJECTS RESERVE	\$	\$
Opening balance	2,421,827	2,525,135
Transfer of Infrastructure Projects Reserve	(1,107,175)	(103,308)
Closing balance of Infrastructure Projects Reserve	1,314,652	2,421,827

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

	31 July 2015	31 July 2014
	\$	\$
Lease on Premises		
Up to 1 year	43,840	49,784
1 to 5 years	175,360	199,136
5+ years	147,975	168,038
Total Minimum Lease Payments	367,175	416,958

5. OPERATING LEASES

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

NZTR has entered an office lease commencing 13 December 2004 with five rights of renewal and a final expiry of 12 December 2022. The current lease is under negotiation. The following commitments are based on the current lease terms.

6. PROPERTY, PLANT AND EQUIPMENT

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

▪ Buildings	20.00%
▪ Office Equipment	20.00%
▪ Motor Vehicles	33.33%
▪ Computer Hardware	33.33%
▪ Racecourse Equipment	10.00%

Any gain or loss on disposal, which is calculated as the difference between the net proceeds from disposal and the carrying amount of the item, is recognised in the Statement of Comprehensive Revenue and Expense within the function holding the asset being disposed of.

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

7. INTANGIBLE ASSETS

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

Any gains or losses on disposal, which is calculated as the difference between the net proceeds from disposal and the carrying amount of the item, is recognised in the Statement of Comprehensive Revenue and Expense within IT infrastructure and network costs.

The carrying amounts of intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication of impairment exists, then the asset's recoverable amount is estimated to determine the extent, if any of the impairment loss recognised in Statement of Comprehensive Revenue and Expense.

Property, plant and equipment as at 31 July 2015	Buildings \$	Office	Motor	Computer	Racecourse	Work in	Intangibles \$	31 July 2015 Total \$
		Equipment \$	Vehicles \$	Hardware \$	Equipment \$	Progress \$		
Cost								
Balance at 1 August 2014	-	460,372	82,756	752,179	161,726	183,198	3,733,038	5,373,269
Additions	45,000	26,866	-	21,688	-	-	110,972	204,526
Adjustments (WIP)	-	-	-	-	-	187,197	-	187,197
Disposals	-	-	-	-	-	-	(20,410)	(20,410)
Balance at 31 July 2015	45,000	487,238	82,756	773,867	161,726	370,395	3,823,600	5,744,582
Accumulated Depreciation								
Balance at 1 August 2014	-	406,134	58,352	679,453	89,601	-	3,339,343	4,572,883
Depreciation expense for the year	9,000	24,519	21,209	48,348	16,173	-	160,684	279,933
Disposals	-	-	-	-	-	-	(14,313)	(14,313)
Balance at 31 July 2015	9,000	430,653	79,561	727,801	105,774	-	3,485,714	4,838,503
Net Book Value								
Balance at 1 August 2014	-	54,238	24,404	72,726	72,125	183,198	393,695	800,385
Balance at 31 July 2015	36,000	56,585	3,195	46,066	55,952	370,395	337,886	906,080

Property, plant and equipment as at 31 July 2014	Buildings \$	Office	Motor	Computer	Racecourse	Work in	Intangibles \$	31 July 2014 Total \$
		Equipment \$	Vehicles \$	Hardware \$	Equipment \$	Progress \$		
Cost								
Balance at 1 August 2013	-	457,344	108,531	704,909	161,726	-	3,515,022	5,652,441
Additions	-	3,028	-	47,270	-	-	218,016	268,314
*Adjustments (WIP)	-	-	-	-	-	183,198	-	183,198
Disposals	-	-	(25,775)	-	-	-	-	(25,775)
Balance at 31 July 2014	-	460,372	82,756	752,179	161,726	183,198	3,733,038	6,078,178
Accumulated Depreciation								
Balance at 1 August 2013	-	380,977	60,454	638,174	73,429	-	3,189,989	4,343,023
Depreciation expense for the year	-	25,157	23,673	41,279	16,172	-	149,354	255,635
Disposals	-	-	(25,775)	-	-	-	-	(25,775)
Balance at 31 July 2014	-	406,134	58,352	679,453	89,601	-	3,339,343	4,572,883
Net Book Value								
Balance at 1 August 2013	-	76,367	48,077	66,735	88,297	-	325,033	604,509
Balance at 31 July 2014	-	54,238	24,404	72,726	72,125	183,198	393,695	800,385

* Refer to note 13 for Work in Progress change in comparative information disclosure

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

8. RELATED PARTY TRANSACTIONS

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

8.1 Board

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

In accordance with NZTR's Constitution Board members are not eligible to be a Licensee, or a member of the Members' Council, or a Trustee of a Gaming Trust or a member of a committee of a Club, racing association or any of the Codes.

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

8.2 Board Members and Key Management Personnel

NZTR considers key management personnel to be the NZTR Board and those persons who have the authority and responsibility for planning, directing and controlling the activities of NZTR. These positions form the Executive Team. In 2013/2014 the key management personnel were considered to be the Chief Executive and the General Manager, Finance and ICT and Deputy Chief Executive. In 2014/15 two new members joined the Executive Team to assist with the planning, directing and controlling of NZTR activities. These positions are, General Manager, Planning and Projects and General Manager, Racing. The salaries and other short-term employee benefits include the salaries received and accrued for all employees of the Executive Team.

As at 31 July 2015, the NZTR Board comprised of six members (2014: 6 members).

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

	31 July 2015	31 July 2014
	\$	\$
Board Members' fees	172,278	169,735
Salaries and other short-term employee benefits	790,164	513,214
Total Board Members and Key Management Personnel	962,442	682,949

8.3 Racing Integrity Unit

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

8.4 Other Related Parties

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

8.4.1 Apprentice Jockeys' Fund

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

8.4.2 General Trust Fund

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

8.4.3 New Zealand Equine Education Trust ("NZEET")

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

8.4.4 New Zealand Thoroughbred Racing Clubs

NZTR has provided loans and advances to Thoroughbred racing clubs. Details relating to the terms and outstanding balances of club loans are disclosed in note 2.3.

8.4.5 The New Zealand Racing Board ("NZRB")

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

8.4.6 New Zealand Thoroughbred Racing Retirement Scheme ("Scheme")

New Zealand Thoroughbred Racing Retirement Scheme is a registered Superannuation Scheme under the Superannuation Scheme Act 1989. Its Trustees are representatives of NZTR's Board and the Chief Executive of NZTR. NZTR has not contributed to the Scheme since 1 January 1997 as the Scheme had sufficient assets to meet all members' claims. As at 31 March 2015 the remaining four members of the Scheme agreed to the Scheme being wound up. Accordingly, members have been paid their vested benefits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

Summary of Related Party Transactions

	31 July 2015	31 July 2014
	\$	\$
Apprentice Jockeys Fund Management Fee	-	6,900
General Trust Fund Contribution	(5,336)	(22,700)
NZRB Code Distributions less Club Product Payments and Subsidies	2,486,549	3,144,685
Related parties revenue or expense	2,481,213	3,128,885
NZTR Loans and Advances to Thoroughbred Racing Clubs	1,388,566	1,204,505
Total Other Related Parties	3,869,779	4,333,390

9. INSURANCE AND INDEMNITIES

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

NZTR holds a suite of liability insurance products on behalf of racing clubs. These include Fidelity Insurance, Internet Liability, Employment Disputes, Legal Prosecution Defence, General Liability, Statutory Liability, Employer's Liability and Association's Liability insurances. Clubs are advised to maintain their own insurance over property, plant and equipment.

10. EMPLOYEE REMUNERATION AND ENTITLEMENTS

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

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

	31 July 2015	31 July 2014
	\$	\$
Annual leave	264,368	195,293
Accrued remuneration and entitlements	82,402	53,525
Total Other Related Parties	346,770	248,818

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

11. CONTINGENT LIABILITIES

11.1 Infrastructure Reserve Contractual Agreements

Further contractual agreements have been entered into during the financial year, which will be funded from the Infrastructure Projects Reserve.

	Total Contractual Funding \$	Actual Funding to 31 July 2015 \$	Committed Funding in Future Years \$
Auckland Racing Club – Ellerslie Irrigation System	110,260	-	110,260
Avondale Jockey Club Redevelopment - Stage 1 Extension	50,000	-	50,000
Awapuni Alternate Bend and Drainage	292,352	187,214	105,138
Judicial Towers at various venues	97,250	-	97,250
New truck to tow 14 bay overhead starting gates – RACE Inc	93,000	-	93,000
Overhead Starting Gates and Storage Sheds at various venues	347,730	-	347,730
Training & Trial Track Redevelopment at various venues	332,146	-	332,146
Vertidrain Machine – Otago/Southland	10,000	-	10,000
Total Committed Expenditure	1,332,738	187,214	1,145,524

The contractual agreements entered into with committed undistributed funding in 2015/16 is \$1,145,524 (2014/15 \$285,058)

The drawdown from the Infrastructure Reserve arising from these contractual agreements are dependent on the completion of specified conditions included in the agreements and may vary depending on satisfaction of such conditions.

11.2 Loan Guarantees

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

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

At 31 July 2015 the balances of the two loans were \$5,286,000 and \$2,609,400 respectively (2014: \$5,276,000, \$2,991,206). NZTR has provided a back to back guarantee to the NZRB to cover the amounts guaranteed to the Bank of New Zealand and amounts loaned by the NZRB.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

12. CAPITAL COMMITMENTS

There are no capital commitments that will materially affect the Financial Statements (2014: NIL)

13. CHANGES IN ACCOUNTING POLICIES AND PRIOR PERIOD IMPACT

A change in accounting policy to reclassify Provision for Annual Leave and other accrued salaries into one classification of Employee Benefits (IPSAS 25) retrospective adjustments to the comparatives within the Statement of Financial Performance have been made to recognise the change in accounting policy for the reporting of these expenses.

The change in accounting policy better reflects the nature of the costs to their expense lines.

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

13.1 Employee Entitlements

	Previously Reported 31 July 2014 \$	Adjustment 31 July 2014 \$	Restated Balance 31 July 2014 \$
Provision for Annual leave restated to Employee Benefits	195,293	53,522	248,815
Trade and Sundry Creditors	3,399,005	(53,522)	3,345,483
	-	-	-
Restated Balance as at 31 July 2014	<u>3,594,298</u>	<u>-</u>	<u>3,594,298</u>

13.2 Work in Progress

Work in progress was removed from Trade and Sundry Debtors within the Statement of Financial Position for the year ended 2014. Work in Progress predominantly represented Website and Software development costs as at 31 July 2014. All Work in Progress reported for the year ended 31 July 2015 is Software and Website development costs. As such, these costs are now reported under Non-Current Assets. They are disclosed in the notes to Property, Plant and Equipment and Intangible Assets.

	Previously Reported 31 July 2014 \$	Adjustment 31 July 2014 \$	Restated Balance 31 July 2014 \$
Current Assets			
Work in Progress	183,198	(183,198)	
Non-Current Assets			
Property Plant and Equipment	-	50,597	50,597
Website and Software Development	-	132,601	132,601
Total adjustment to Property Plant and Equipment Comparatives	<u>183,198</u>	<u>-</u>	<u>183,198</u>

13.3 Cash flows

The Distribution Account recognises the Code funding distribution due to NZTR at the end of the period. The movement in the Distribution Account is required to be treated as a debtor or where money is payable to the NZRB, as a creditor.

Work in progress represents all payments actually made for intangible assets not yet commissioned. This reclassification affects the cash flow from investing activities as cash is applied to projects currently underway but not yet completed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

The Statement of Cash Flows has been restated for the period ended 31 July 2014 to reflect these changes in classification.

	31 July 2014	31 July 2014
	\$	\$
	Previously	Restated
	Reported	Restated
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Fees, Services and Subscriptions from Exchange Transactions	2,833,886	2,979,919
Receipts from the Code Distribution and Other Income	75,821,155	77,516,473
Interest Income	370,087	370,088
	79,025,128	80,866,480
<i>Cash was applied to:</i>		
Payment to Suppliers and Employees	(8,068,332)	(8,068,332)
Payments to Clubs and Other Initiatives	(70,422,739)	(70,422,739)
	(78,491,071)	(78,491,071)
Net Cash Flow from Operating Activities	534,057	2,375,409
CASH FLOW FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of Motor Vehicle	25,775	25,775
Maturity in Term Deposits	88,055	88,055
Repayment of Loans	-	-
Distribution Account	1,695,318	-
	1,809,148	113,830
<i>Cash was applied to:</i>		
Purchase of Property, Plant and Equipment	(50,298)	(50,298)
Purchase of Intangibles	(218,016)	(218,016)
Work in Progress	-	(146,033)
Investment in Term Deposits	(5,109,366)	(5,109,366)
Advance of Loans	(186,354)	(186,354)
	(5,564,034)	(5,710,067)
Net Cash Flow from Investing Activities	(3,754,886)	(5,596,237)
Net Increase/(Decrease) in Cash held	(3,220,829)	(3,220,828)
Add Opening Cash	4,426,091	4,426,091
	1,205,262	1,205,263

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

RECONCILIATION OF OPERATING CASH FLOW TO NET (DEFICIT)/SURPLUS

	31 July 2014 \$	31 July 2014 \$
	Previously Reported	Restated
Notes		
Total (Deficit)/Surplus for the Year	13.3 724,559	724,559
Add Non-Cash Items		
Depreciation	80,506	80,506
Amortisation	149,354	149,354
Decrease in Loan Provisions	(85,000)	(85,000)
	144,860	144,860
Add Movement in Other Working Capital Items		
Accrued Income	(163,772)	(163,770)
Sundry Debtors	(107,880)	1,587,439
Prepayments	(53,245)	(53,245)
Work in Progress	(146,032)	-
Sundry Creditors	183,763	183,765
Fees in Advance	(48,196)	(48,198)
	(335,362)	1,505,990
NET CASH FLOW FROM OPERATING ACTIVITIES	534,057	2,375,409

13.4 Adjustments arising on Transition to PBE Standards applicable for not-for-profit entities

There have been minimal adjustments made in the reporting of current and comparative figures due to the application of the PBE Standards.

The Statement of Financial Performance has been change to represent comprehensive revenue and expenses.

The disclosure of exchange and non-exchange transactions is reported on the face of the Statement of Financial Position and within the disclosure notes.

14. SUBSEQUENT EVENTS

Subsequent to reporting date, there have been no events materially affecting the view of these financial statements.

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

Report on the Financial Statements

We have audited the accompanying financial statements of New Zealand Thoroughbred Racing Incorporated on pages 28 to 50, which comprise the statement of financial position as at 31 July 2015, and the statement of comprehensive revenue and expense, 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, as a body, 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 these financial statements, in accordance with International Public Sector Accounting Standards and 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 28 to 50 present fairly, in all material respects, the financial position of New Zealand Thoroughbred Racing Incorporated as at 31 July 2015, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards and generally accepted accounting practice in New Zealand.



Chartered Accountants
15 October 2015
Wellington, New Zealand

NZTR INFRASTRUCTURE RESERVE

The NZTR Infrastructure Reserve was set up in 2010/2011 to help fund various projects at Strategic and Significant venues around the country. On average, NZTR has set aside approximately \$1m per year to fund the Infrastructure Reserve.

Clubs and in some cases the Racing Safety Development Fund help part fund these projects.

The following schedule lists the venues and projects that have had support from the NZTR Infrastructure Reserve Fund since 2010/2011.

Avondale

- Racing Venue Blueprint
- Head On Judicial Tower Replacement
- 16 Bay Overhead Starting Gates and Storage Shed

Awapuni

- Hurdle Fences
- Alternate Top Bend and Drainage
- Head On, Back Straight and Turn Judicial Tower Replacement

Cambridge

- Training Track Review

Ellerslie

- Hurdle Fences
- Irrigation System Upgrade – Course Proper
- Head On, Turn and Hill Judicial Tower Replacement
- Moveable Plastic Running Rail – Course Proper

Hastings

- Racing Venue Blueprint
- Turn Judicial Tower Replacement
- 16 Bay Overhead Starting Gates and Storage Shed

Matamata

- Replacement Irrigation System – Course proper
- Head On and Back Straight Judicial Tower Replacement

Otaki

- Irrigation System Upgrade – Course Proper
- Drainage Upgrade – Course proper

Pukekohe Park (Counties)

- Moveable Plastic Running Rail – Course proper
- Track Redevelopment – Course proper
- Head On and Turn Judicial Tower Replacement

Pukekura Park (Taranaki)

- Irrigation System Upgrade – Course Proper and Training Tracks

Riccarton

- Moveable Plastic Running Rail – Course Proper
- Head On, Back Straight and Turn Judicial Tower Replacement
- Course Proper and Chute Drainage and Sandslit
- Hurdle Fences

Rotorua

- Head On Judicial Tower Replacement
- Moveable Plastic Running Rail – Course Proper
- Hurdle Fences

Ruakaka

- Track Redevelopment – Training Track – Extension to Course Proper
- Racing Venue Blueprint
- Head On and Back Straight Judicial Tower Replacement
- Moveable Plastic Running Rail – Course proper
- 14 Bay Overhead Starting Gates and Storage Shed

Tauranga

- Moveable Plastic Running Rails – Course Proper
- Head On and Back Straight Judicial Tower Replacement

Te Aroha

- Moveable Plastic Running Rail – Course Proper
- Head On and Back Straight Tower Replacement
- Hurdle Fences

Te Rapa

- Inside Trials Track
- Fixed Plastic Running Rail – Inside Trials Track
- Moveable Plastic Running Rail – Course Proper
- 18 Bay Overhead Starting Gates and Storage Shed
- Hurdle Fences
- Head On and Back Straight Judicial Tower Replacement

Trentham

- Head On, Back Straight and Turn Judicial Tower Replacement

Wingatui

- Moveable Plastic Running Rail – Course Proper
- Course Proper Drainage
- Irrigation System Upgrade – Course Proper

Loans have also been provided from the NZTR Infrastructure Reserve for the following projects:

- Northern Raceday Services – 14 Bay Transportable Overhead Starting Gates, Trailer and Truck
- Central Starting Gate Consortium – 14 and 4 Bay Transportable Overhead Starting Gates and Trailer
- RACE – Alternate Top Bend and Drainage
- Taupo – New Commentators Tower

ACKNOWLEDGEMENTS

The Board and Management wish to record their appreciation of the co-operation and assistance they have received during the 2014-15 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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