



## ANNUAL REPORT 2009/2010



NEW ZEALAND THOROUGHBRED RACING



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DESIGN: Bite Design PRINTING: Printlink



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NZTR Board of Directors



(LEFT TO RIGHT STANDING)

PETER FRANCIS (NZ Thoroughbred Breeders' Association), NEIL OLDFIELD (NZ Thoroughbred Racehorse Owners' Federation), MURRAY ACKLIN (Southern Region), DENNIS RYAN (NZ Trainers' Association), GEORGE RITCHIE (Southern Region), MIKE McCURDY (Small Clubs' Director)

(LEFT TO RIGHT SITTING)

JOHN McGIFFORD (Central Region), BILL GIANOTTI (Northern Region), GUY SARGENT – CHAIRMAN (Central Region), DAVID SMITH (Northern Region)



# NZTR Board Committees

## FINANCE

Chairman: George Ritchie  
Members: Murray Acklin, Peter Francis  
Attendees: Malcolm Holmes, Greg Binning  
Secretary: Simon Lang  
Resigned 2009/10: John Rennie, Bill Gianotti

## RACING

Chairman: David Smith  
Members: John McGifford, Bill Gianotti  
Attendees: Malcolm Holmes, Craig Baker, Garry Foskett  
Secretary: Matthew Hall  
Resigned 2009/10: Peter Hutt

## INTEGRITY

Chairman: Peter Hutt  
Members: Dennis Ryan, Bill Gianotti  
Attendees: Kate Radka (Bell Gully), Cameron George, Malcolm Holmes  
Secretary: Craig Baker  
Resigned 2009/10: David Smith

## STAFFING

Chairman: Guy Sargent  
Members: Bill Gianotti, David Smith  
Secretary: Liz Luck

## TRAINING AND DEVELOPMENT

Chairman: Peter Hutt  
Members: Darren Jones, Liz Luck, Matthew Williamson

## GENERAL TRUST FUND

Chairman: Keith Neylon  
Trustees: John Rattray, Colin Jenkins  
Attendee: Greg Binning  
Secretary: Simon Lang



## Our Governance

NZTR is based in Wellington with a staff of 36 and is governed by a Board of 10 which comprises:

- Two directors from each of the country's three racing regions – Northern, Central and Southern. Each region is divided into two 'areas.' Each Club in each 'area' may nominate one person for election. Votes are allocated in proportion with the number of race dates each Club holds
- One Director elected by those Clubs holding 1-3 racedays (Small Clubs' Director) and votes are allocated in proportion with the number of race dates each Club holds. There are currently 30 Small Clubs (of a total 66 Clubs)
- A nominee of the New Zealand Thoroughbred Breeders' Association
- A nominee of the New Zealand Thoroughbred Racehorse Owners Federation
- A nominee of the New Zealand Trainers' Association

The Board elects the Chairman annually immediately after the AGM.

Directors serve terms of two years and there is no limit to the number of terms served.





# Our Statutory Role

New Zealand Thoroughbred Racing Incorporated (NZTR) is a racing code under the Racing Act 2003. Under the Act its functions are to:

## 1. Receive and allocate New Zealand Racing Board (NZRB) Distributions to the Thoroughbred Code

- (a) Receive distributions paid to the code by the NZRB 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).

## 2. 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).

## 3. 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 NZRB (Section 23).
- (b) Prepare and send to the NZRB audited financial statements (Section 28).

## 4. Participate in the NZRB's Governance and Decision Making

- (a) Directly nominate one member of the NZRB's governing body and participate in recommending three other members (Sections 11 and 12).
- (b) Consult with the NZRB 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 NZRB (Schedule 2)



MALCOLM HOLMES –  
CHIEF EXECUTIVE



SIMON COOPER – GM,  
COMMUNICATIONS



CAMERON GEORGE –  
CHIEF STIPENDIARY STEWARD



GREG BINNING –  
FINANCE MANAGER



CRAIG BAKER –  
RACING MANAGER



DARREN JONES –  
OPERATIONS MANAGER



SIMON LANG –  
BUSINESS ANALYST–  
FINANCE



STUART DUGGAN –  
BUSINESS ANALYST–  
SYSTEM SUPPORT

## NZTR Team

### CHIEF EXECUTIVE

Malcolm Holmes

### SENIOR MANAGEMENT

Simon Cooper (Communications)

Cameron George (Chief Stipendiary Steward)

Greg Binning (Finance)

Craig Baker (Racing)

Darren Jones (Operations)

### EXECUTIVE ASSISTANT

Amanda Fensom

### NATIONAL RACING BUREAU

Cheryle Barnsley, Donna Cameron, Kim O’Riley,  
Rachel Dalley, Ainsley Gardner, Tim Lambert

### HANDICAPPING

Dean Nowell, Matthew Hall

### IT

Stuart Duggan (System Support), Georg Magerl

### WEBSITE

James Preston

### THOROUGHBRED RACING MONTHLY AND PUBLICATIONS

Allan Child (Editor)

James Preston (Advertising)

Denise Thomson (Production)

### LICENSING

Matthew Barnsley

### HR AND INDUSTRY TRAINING

Deborah Bragger, Liz Luck

### FINANCE

Lucky Bryce

### OWNERS SETTLEMENT ACCOUNT

Christine Young

### OPERATIONS (STUD BOOK AND REGISTRATIONS)

Julie Walker (DNA Typing, Studbook Sales)

Natasha Freeman (Exports and Stallion Returns, Imports, General  
Enquiries)

Gemma Fauvel (Registrations, Namings)

Vaine Strickland (Names, Ownership, Leases, Syndicates, Colours,  
Approved Companies, Stable Returns, Clearances, Stable Colours)

### NATIONAL VENUE INSPECTOR

Garry Foskett

### STIPENDIARY STEWARDS

Mark Davidson, Alan Coles, Neil Goodwin, Jeff McLaughlin,  
Ross Neal (Senior), John Oatham (Senior), Matt Williamson

### ASSISTANT STIPENDIARY STEWARDS

Brian Bateup, Murray Humphries, Michael Lawson,  
Warwick Robinson, Gary Stewart

### INVESTIGATORS

John McKenzie (Chief), Bryan McKenzie, Robin Scott



NATIONAL RACING BUREAU –

(LEFT TO RIGHT STANDING) TIM LAMBERT, RACHEL DALLEY

(LEFT TO RIGHT SITTING) AINSLEY GARDNER, CHERYLE BARNESLEY

MISSING FROM PHOTO: DONNA CAMERON AND KIM O'RILEY

## Employees and remuneration

FOR THE YEAR ENDED 31 JULY 2010

New Zealand Thoroughbred Racing employed the following staff:

Salaried full time staff	07/2010	07/2009	07/2008	07/2007
Internal	24	25	27	26
Field	12	14	14	16
Total	36	39	41	42

New Zealand Thoroughbred Racing remunerated its full time staff as follows:

Total remuneration (\$000's)	07/2010	07/2009	07/2008	07/2007
0 - 50	13	14	17	20
51 - 100	18	20	18	17
101 - 200	4	5	5	4
201+	1	0	1	1
Total	36	39	41	42

# NEW ZEALAND Thoroughbred Racing



## THE NZTR TEAM IN WELLINGTON (EXCLUDING NRB)

- |    |                   |    |                  |
|----|-------------------|----|------------------|
| 1  | ROSS NEAL         | 11 | VAINÉ STRICKLAND |
| 2  | CRAIG BAKER       | 12 | DARREN JONES     |
| 3  | LUCKY BRYCE       | 13 | CHRISTINE YOUNG  |
| 4  | CAMERON GEORGE    | 14 | ALLAN CHILD      |
| 5  | MALCOLM HOLMES    | 15 | JULIE WALKER     |
| 6  | STUART DUGGAN     | 16 | NATASHA FREEMAN  |
| 7  | MATTHEW BARNESLEY | 17 | SIMON COOPER     |
| 8  | JAMES PRESTON     | 18 | GEMMA FAUVEL     |
| 9  | MATTHEW HALL      | 19 | AMANDA FENSOM    |
| 10 | SIMON LANG        |    |                  |

MISSING FROM PHOTO: GREG BINNING, DEBORAH BRAGGER AND LIZ LUCK



# Chairman's Statement

The 2009/10 season started with foreboding and finished with reality very much biting.

We had two exceptional years of increased stakes and returns to owners after taxation relief in 2006/07 and greater efficiencies and performance from New Zealand Thoroughbred Racing (NZTR) and the New Zealand Racing Board (NZRB).

That could not continue in the face of a global recession. The 2008/09 season saw the first real signs of a slowdown in our market and this season has continued in that same direction.

In short, that has meant less money for Clubs, and less money, through stakes, for Owners, Trainers, Jockeys and Breeders.

So what was our goal at the start of the 2009/10 season. Ultimately we were looking for a more self-sufficient and productive industry. And to achieve this we agreed, at our AGM in January 2010, to explore further the adoption of a governance model comprising the four governing bodies with the aim of seeking legislative change to establish a new industry body.

As we now know, that a 'one industry' approach to delivering racing product was not palatable to everyone, at this stage.

The debate focused on a perception of the concentration of power in the hands of one body and away from the 'producers of the product.'

However, what was not questioned was that these proposed changes would make racing more cost-effective, efficient and successful; that they would eliminate duplication of costs; and, crucially, they would streamline decision-making.

Out of all this came a renewed determination to improve our governance at a Code level.

## NZTR GOVERNANCE AND OPERATION

NZTR has recognised for some time that its governance structure is unsuited to today's needs. You will remember, the Governance Review Report was presented in April 2009 to the Board, and then distributed to the industry for consideration and feedback.

After several workshops across the country, a new governance model will be presented at the AGM on 15 December 2010. It is intended that this will initiate improvements to NZTR's governance and operational efficiency.

In addition, NZTR has identified items to sustain good governance and firmly establish NZTR's primary role as an 'industry first' leader.

## TRACKS

The key focus of NZTR in this area is sustainable investment in strategic tracks to optimise wagering, racing and non-racing revenues. NZTR and Clubs have formed a working group to review and agree strategic tracks and to determine a sustainable investment plan to improve the standard of strategic facilities for the greatest benefit for the industry.

Included in this will be further consideration of the introduction of synthetic racing surfaces and training tracks. These will provide better racing surfaces during certain times of the year – Winter and Spring – which in turn will encourage horses to start more often. Synthetic training tracks could also help minimise injuries to horses during their training programmes.

The racetrack assessment programme has identified underlying problems at racetracks and has provided remedies to rectify these problems. This programme now needs increased investment.



## CALENDAR

NZTR has identified that more emphasis must be placed on the business case associated with the allocation of race dates. In consequence it has taken a more active role in the process this season together with the funding distribution scheme, and the enhanced utilisation of venues through the NZTR venue strategy.

NZTR, Clubs, Programming Committees, the Graded Stakes Committee and Trainers have formed a working group to develop a calendar and framework that utilises the thoroughbred code's resources effectively and efficiently, benefits the industry through improved facilities, increased participation, higher turnovers and reduced costs.

A review should clarify a number of issues including the current mix and location of meetings and venues, matching the horse population training locations, jockey/trainer locations, or human population. This should bring about a more structured weekly schedule and, thereby, enhance wagering through consistency of product and optimise venues used to meet racing's needs (this will include Synthetic Track racing).

## CUSTOMERS

Development of the on-course model remains a key requirement of all codes – the critical need to turn 'racing' driven clubs to focus on the delivery of an 'event.'

Future growth in stakes, other returns to owners and club profitability must not come from industry funding, but from improved club profitability and non-wagering revenues, without becoming reliant on gaming machine grants.

The disciplines of the NZRB's Summer Festival Racing and Christmas At The Races ensure a definite customer proposition is delivered for other clearly defined meeting types. Its success has highlighted the opportunity that exists in 'branding' other meeting categories. We have now identified, through the

National Owners Survey and working with Clubs, the elements of service delivery on raceday that should be provided and are putting in place a process that delivers those services consistently from one club/meeting to the next.

To establish a 'Brand' there needs to be a clear customer proposition delivered with consistency and quality standards across a number of similar events. NZTR is aiming to develop a template for clubs to follow, which covers Services, Marketing, Promotions and Resources, and other opportunities, outside of oncourse commission, to incentivise clubs for oncourse events

A financial model for Clubs that will incentivise those who successfully deliver well-marketed events and oncourse participation must be part of this change.

This strategy is linked to the assessment currently being undertaken between the three Codes and the NZRB on whether to implement an industry marketing/communications strategy – which would be resourced accordingly – both financially and non-financially.

## TRAINING & DEVELOPMENT

Training and development has traditionally been a second tier priority in our industry. We now wish to make it a top priority. There are three areas we are now going to focus on.

We must make it our business to ensure we have the right processes, policies and incentives to recruit suitable candidates to the industry. We cannot afford not to attract young people who have an understanding and an interest or passion of the industry.

We need to improve our retention of apprentice jockeys, particularly during the first 18 months through appropriate employment, training and support mechanisms

And we need to provide high quality training that meets the academic needs of our students, and enhances the individual's chances of success and completion.



NZTR STIPENDIARY STEWARDS –

(LEFT TO RIGHT) CAMERON GEORGE (CHIEF STIPENDIARY STEWARD), JEFF MCLAUGHLIN, ROSS NEAL, MARK DAVIDSON, ALAN COLES, JOHN OATHAM, NEIL GOODWIN AND MATTHEW WILLIAMSON

## INTEGRITY

Demands on Stipendiary Stewards in New Zealand have increased in recent years.

Over the last 12 months, the three Codes and the New Zealand Racing Board (NZRB) have been exploring the option of forming a combined industry integrity unit. Instead of one separate integrity department for each of the three Codes, agreement has been reached to form one industry independent integrity unit.

This new model has the Minister of Racing's support and once implemented will result in a single co-ordinated industry-wide integrity strategy rather than three which currently exist for each individual Code.

The independent integrity unit will be a separate organisation completely removed from the governing bodies of the three Codes and will be responsible for enforcing each Code's rules of racing. The three Codes however will still keep ownership of setting and administering their respective rules and will be able to make changes when and where they see necessary.

New Zealand would be one of the few jurisdictions in the racing world with a tri-code integrity unit and this would be something to be proud of. Also by being independent, the integrity unit will be seen as a credible and progressive model by punters whose expectations are always increasing.

This is particularly relevant as the world of wagering is extremely competitive and punters have many options available besides racing in which to invest their hard earned

cash. While it is not the only solution to growing the size of the wagering pie in New Zealand, having an integrity function that is perceived by the punter as being innovative and looking after their best interests has to help.

## INTERNATIONAL

We continue to punch above our weight in the international arena.

New Zealand currently sits on the Executive Council of the International Federation of Horseracing Authorities, holds the Vice-Chairmanship of the Asian Racing Federation (ARF), and chairs and coordinates the newly appointed ARF Special Body for Developing Racing Jurisdictions.

The number of New Zealand winners in Group One races overseas over the past 12 months is extraordinary. To name just a few:

**In Hong Kong** – Super Satin in the Mercedes-Benz Hong Kong Derby, Beauty Flash in the Mercedes-Benz Hong Kong Classic Mile, Able One in the Champions Mile, and Fellowship in the Stewards Cup.

**In Singapore** – Race Ahead, the Singapore Derby winner, Green Birdie, the KrisFlyer Sprint Champion, and Intercept in the Patron's Bowl.

**In South Africa** – Champion stakes winner Gold Onyx.

**And In Australia** – 84 stakes race wins; six better than the 2008/09 season and three better than the decade's previous best of 81, achieved in the 2000/01 season. These include

Group One winners Efficient, Jesicabeel, Metal Bender, Miss Keepsake, Monaco Consul, More Joyous, Rangirangdoo, So You Think, Velocitea and Zabrasvie.

## RACING PRODUCT

NZTR's primary tenet is to facilitate the provision of thoroughbred racing for wagering. The trends for the number of licensed jockeys and trainers, starter numbers, races, and returns to owners have mirrored the economy. We have seen a reversal of some of the increases in starters and funding enjoyed by thoroughbred racing in the previous few seasons, and this reaffirms some downward pressures on the industry in the short to medium term.

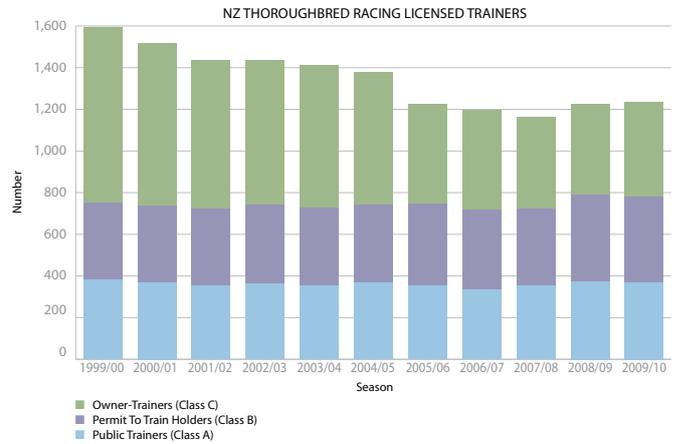
The key questions are how long will that medium term pain endure and what can we do to counter it?



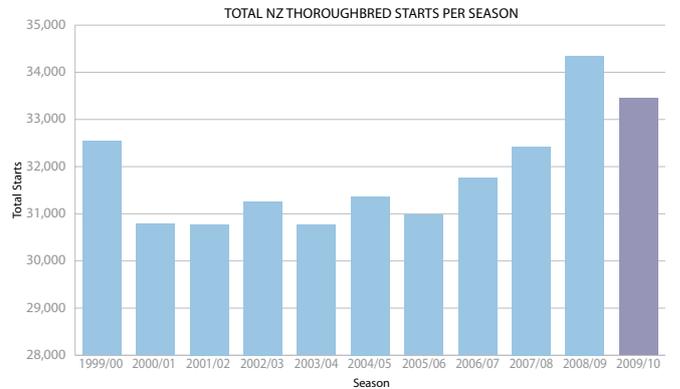
Total licensed jockeys (above) have decreased by 17.5% over the last 11 years (1999/2000 versus 2009/2010). Perhaps of even more concern is the decline in fully licensed jockeys – a fall of 22.2% over the same period. This has been over a decade when the number of races held has actually increased.

The total number of trainers involved in the industry has declined markedly also over the previous decade. There are 22.4% less trainers registered with NZTR now than there were in 1999/2000. The only category in which the decline in trainer numbers has been significant is the Owner-Trainer.

NZTR has to ensure that pathways remain for the relevant persons to become involved as industry professionals in the future. The decrease in jockey and trainer numbers has to be a focus for any future investment in the training and development of the code.



The 2009/2010 season was the first since 2005/2006 in which total starts made by thoroughbred horses did not increase. Starts were still higher than two seasons ago by almost 1,000 and are well ahead of total starts made at any time in the last ten years outside of the 2008/2009 season. Considering the stake decreases absorbed over the last season, the quantity of starts is still very high.



The historically high start numbers remain underpinned by the free racing policies of NZTR for the 2009/2010 season.



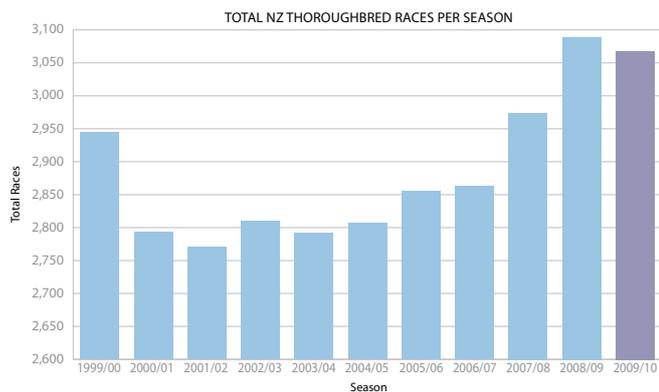
No nomination or acceptance fees were charged for horses entering non-Black Type races. In addition, NZTR paid the Riders' fees for all horses racing in Rating 80 races and below at a cost of \$2.9m annually.

However, a lag affect of the recession and decrease in stakes is anticipated to be felt for future seasons. As owners reduce their commitments to buying or leasing horses given their own income restrictions and overall stake decreases, the number of younger horses coming through the system and racing in New Zealand will most probably decline.

More than 80% of all horses will still have the opportunity to race for free.

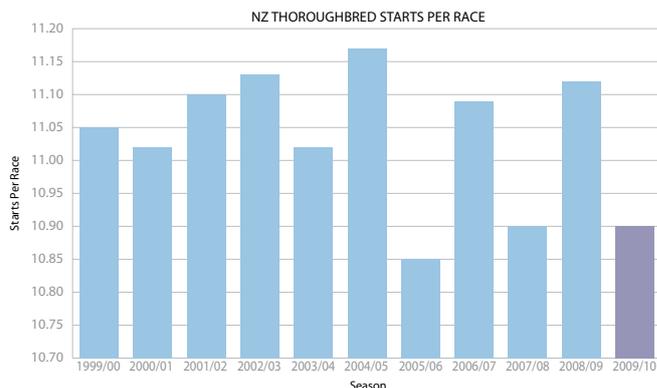
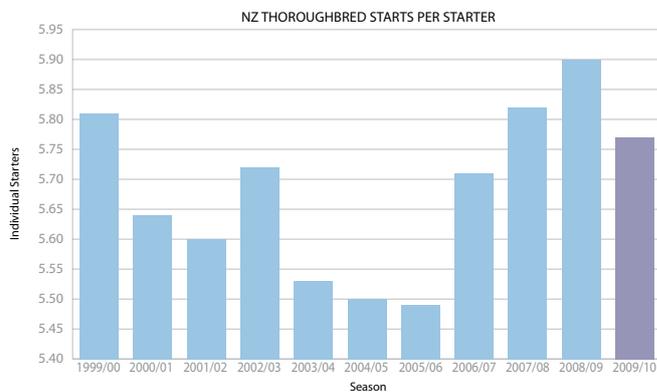
The number of races held in the 2009/2010 season was subject to a small decline (21) on the previous season. As was the case with starters, the number of races still represented the second highest run over the previous 11 seasons.

A very similar number of races are programmed for the 2010/2011 season (3,069), although with abandonments, deleted and divided races, this number will be subject to change.

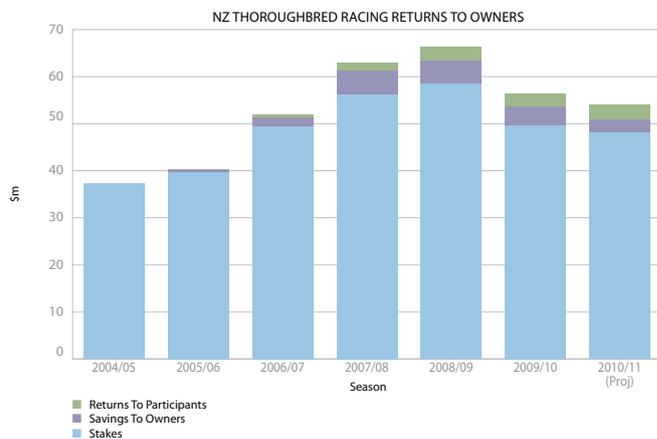


At 10.9, the average field size was at its second lowest level in the last eleven seasons. The number of starts made per horse in the season was also subject to a decline for the first time in four seasons, suggesting that owners and trainers were less inclined to persevere with mid-range horses (or more likely to try to sell them) as stakes decline.

The NZRB has already undertaken to carry out a full review of the industry funding policy with any changes to take potential effect from 1 August 2011. This will clearly include a review of the internationalisation agreement as it stands. NZTR will be pushing for a fair and equitable model that reflects the contribution each code makes to the overall performance of the NZRB and one that recognises the different cost structures involved in delivering the product.



The following graph illustrates the changes in total returns to owners over the last six seasons, with projected returns for the 2010/2011 season. While horses were able to run for better prizemoney for a two-year period between 2007/2008 and 2008/2009, returns to owners are projected to return to 2006/2007 levels.



The increase in funding enjoyed by the industry over this time has proven not to be sustainable. Nearly all of the extra funding received by NZTR has been passed onto the industry as prizemoney or in Free Racing commitments. In the meantime, the code has lost the opportunity to lay down an improved infrastructure base upon which to conduct racing. We are now exploring ways in which to direct funding into infrastructure projects to increase the capacities of tracks, improve training facilities and assist in the safeguarding of key strategic venues.



This aspect of our industry – essentially – reinvestment in the industry – has been ignored for far too long.

Perhaps the most notable project opportunity the Code has missed was the construction of one or more all-weather racing surfaces nationally. The weather patterns, the loss of meetings and the damage being done to tracks with current levels of racing would have been partly alleviated with the availability of one or more all-weather tracks. It is accepted that the business case for construction of synthetic tracks changed significantly from early budgets and that worldwide there remains some debate about the sustainability of these surfaces. However, the original \$22.4m in commitment from the NZRB towards the synthetic track project appears now to have been withdrawn, while the pressure on thoroughbred racing to continue to deliver product five days a week remains firmly in place.

## CURRENT FUNDING

The NZTR Business Plan and Funding Policy for the 2010/2011 season have been developed in the context of a levelling out of revenues for the New Zealand racing industry as well as the wider ongoing effects of the recession.

NZTR developed and released a new Thoroughbred Racing Industry Funding Policy for the 2010/2011 Season.

The new Funding Policy simplified funding streams, reducing these from 14 to 6. As part of this simplification, the total cost of club levies is now directly funded from the distribution by the NZRB and not charged to Clubs.

The policy represents a fundamental shift away from funding clubs using off-course turnover as a base combined with a range of other payments, to one directly based on the minimum stakes required to be paid by Clubs per meeting class and race category.

As part of the minimum stakes funding, all Group and Listed races will have their minimum stake levels directly funded.

In addition, a meeting fee is paid to Clubs based on the meeting type being run, in recognition of the direct costs Clubs incur in staging race meetings.

On-course turnover is now funded at 18% of actual turnover, an increase of 2% on last season and major race and carnival funding is paid to Clubs as per the Carnival, Minister's races and 3YO Classics funding last season season.

Meetings with jumps races, in addition to having their minimum stakes paid, also receive a \$2,500 jumping support fee.

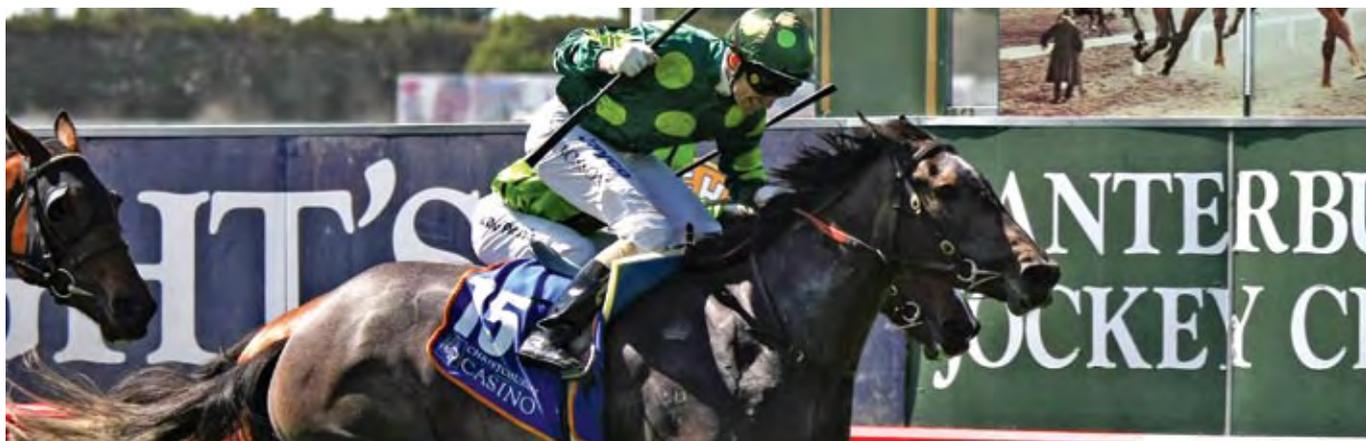
An additional \$450k has been applied to Northern Feature stake minimums and \$150k to a Fillies and Mares series in the Northern Region since release of the Funding Policy.

## FUTURE FUNDING

Towards the end of the season, the NZRB released their 2010-2015 Strategic Plan document "Racing Ahead." It incorporates five key goals that the NZRB believes will drive increased profits for the racing industry. These are as follows:

1. To have the best quality wagering services in the world;
2. To have the highest level of integrity in racing and wagering in the world;
3. To be the best racing organisation in the world;
4. To have the highest rate of participation in the world; and
5. To have the best quality racing in the world.

The NZRB considers the first three goals to be under its direct control and have labelled these "Control" goals, while the last two goals are considered "Influence" goals, over which they have an indirect impact. All of the increase in profits (and most of investment) appear to fall under the first goal as the NZRB



takes steps to increase betting options, improve their retail outlets and grow active account holders. The remaining four goals do not directly contribute to profit delivery (in fact will cost more than they can deliver) but essentially underpin the increases in goal one.

NZTR provided feedback to the NZRB on its Business Plan and has requested more detail or clarification on a number of the aspects of it as well as on the Strategic Plan. It has also asked for an indication from the NZRB on the intended responsibilities of the codes and NZRB to help drive goals four and five in particular.

In their original Strategic Plan document the NZRB projected increases to total industry funding as identified in the 'steps' in the first column of the table below. However, softness in the wagering market combined with the general affects of the recession, and the GST increase which came into force from 1 October have prompted the NZRB to revise these. The second column now has the target of \$183m anticipated to come in 12-18 months after the originally projected date of 2015:

Season	Original Projections (NZRB Strategic Plan)	Revised Projections (NZRB Strategic Plan)
2009/2010 (Actual)	\$119m	\$119m
2010/2011	\$127m	\$127m
2011/2012	\$139m	\$132m
2012/2013	\$141m	\$137m
2013/2014	\$160m	\$144m
2014/2015	\$172m	\$160m*
2015/2016	\$183m	\$172m*
2016/2017	n/a	\$183m*

## AND FAREWELL AND THANK YOU...

We said goodbye to three Board Members in 2009/10 – Peter Hutt, John Rennie and Marion Stevenson. The Board sincerely appreciated their dedication over a number of NZTR activities and over a number of years.

Peter Hutt is still very much involved with the Board through his chairmanship of both the Integrity Committee and the Training and Development Committee, both of which he undertakes with adeptness.

NZTR Management has achieved progress in a range of areas during 2009/10 and the Board's considerable appreciation of their work is fully deserved.

We were fortunate to have Malcolm Holmes, who stepped into the Chief Executive's seat for 18 months, during a time of change and uncertainty for the industry.

As always I thank my fellow Board members for their work on behalf of the thoroughbred Code in a year of real challenges.

GUY SARGENT  
CHAIRMAN



# Statistics

THOROUGHBRED RACING	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05
No of totalisator meetings	328	333	326	299	296	297
No of Clubs to race	63	67	69	69	69	68
No of racetracks used	51	51	51	51	51	51
Races run	3068	3088	2970	2863	2855	2817
No of horses racing in NZ	5794	5826	5576	5566	5642	5706
No of Group and Listed races	146	146	147	147	146	147
No of Group and Listed (including Prestige Jump)	159	159	157	158	158	157
Black type as % of total races	5.2	5.1	5.3	5.5	5.5	5.6
Prizemoney paid	\$49,623,492	\$58,411,092	\$56,227,702	\$49,429,973	\$39,726,447	\$37,225,515
Highest single stake individual race	\$2,200,000	\$2,200,000	\$2,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Average stake per race	\$16,175	\$18,909	\$18,932	\$17,265	\$13,915	\$13,262
No of Public Trainers	370	374	353	333	351	366
No Permit To Train Holders	409	413	372	387	397	377
No of Owner-Trainers	458	437	437	476	489	634
No of Jockeys	133	131	112	124	116	129
No of Apprentice Jockeys	47	53	69	60	54	62
No of Amateur Riders	41	43	26	40	34	31

THOROUGHBRED BREEDING	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05
No of Broodmares (at pasture)	8059	8326	8048	8163	8286	8590
No of Stallions	167	166	177	201	192	207
No of Foals bred (Approx)	†4132	4288	4126	4264	4522	4509
No of Thoroughbreds exported	1510	1354	1577	1831	1849	1806

BETTING TURNOVER	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05
On-course betting	\$45,896,505	\$46,605,839	\$48,603,720	\$47,781,035	\$44,241,000	\$45,475,868
Off-course betting	\$365,255,790	\$377,198,503	\$392,497,160	\$385,088,609	\$382,374,000	\$389,314,200
Fixed odds betting	\$52,710,737	\$42,120,143	\$41,149,965	\$32,773,856	\$30,007,000	\$8,767,887
<b>Total Bets</b>	<b>\$463,863,032</b>	<b>*\$465,924,485</b>	<b>\$482,250,845</b>	<b>\$465,643,500</b>	<b>\$456,658,000</b>	<b>\$443,577,955</b>

SOURCE OF OFF-COURSE TURNOVER	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05
Win and place	47.5%	49.00%	51.40%	51.80%	51.63%	55.28%
Quinella	10.23%	10.40%	9.90%	9.20%	9.64%	10.30%
Trifecta	17.02%	18.90%	19.80%	20.10%	20.47%	21.36%
First 4*	2.84%	1.30%	n/a	n/a	n/a	n/a
Double	3.39%	3.90%	3.90%	4.20%	4.48%	4.00%
Treble	3.22%	4.00%	4.10%	4.20%	4.27%	4.65%
Quaddie*	3.02%	0.90%	n/a	n/a	n/a	n/a
Fixed odds	11.26%	9.50%	8.40%	7.60%	7.29%	2.20%
Pick 6 and Six Pack	1.55%	2.00%	2.50%	2.90%	2.22%	2.20%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

†At the time of publication – approximately 300 foal returns due \*Excludes Six Pack/Pick 6 \*First 4 and Quaddie introduced in 2008/09 Season



# Financial Statements



**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE 12 MONTHS ENDED 31 JULY 2010

	NOTES	12 MONTHS ENDED 31 JULY 2010 \$	12 MONTHS ENDED 31 JULY 2009 \$
<b>INCOME</b>			
NZRB Code Distribution		68,848,518	74,670,020
NZRB Additional Distribution		–	2,144,390
Publications		294,848	333,093
Registrations		670,572	682,243
Levies		2,711,799	2,773,749
Licence Fees		235,547	236,137
Stud Book		1,717,464	1,640,059
Interest		101,690	113,013
Sundry Income		483,500	500,718
<b>TOTAL INCOME</b>		<b>75,063,938</b>	<b>83,093,422</b>
<b>LESS EXPENSES</b>			
Club Product Payments and Subsidies		71,070,486	75,064,116
TRM and Publications		331,768	381,883
Ownership and Industry Initiatives		27,704	75,049
Training and Development		15,522	20,054
Property and Central Overheads	2	581,311	487,747
IT Infrastructure and Network Costs	3	783,118	760,104
Special Projects	4	118,604	324,462
Salaries and Other Staff Costs		3,225,026	3,456,831
Other Department Costs	5	1,008,800	1,223,478
Sundry Costs	6	1,573,843	1,823,690
Restructuring Costs		125,000	46,239
Provision for Diminution of Loans	9	150,000	–
<b>TOTAL EXPENSES</b>		<b>79,011,182</b>	<b>83,663,653</b>
<b>TOTAL LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(3,947,244)</b>	<b>(570,231)</b>

The Financial Statements of New Zealand Thoroughbred Racing Incorporated are accepted on behalf of the Board of Directors on 8 November 2010.



GUY SARGENT  
CHAIRMAN



GEORGE RITCHIE  
DIRECTOR

The above statement should be read in conjunction with the accompanying notes.

NEW ZEALAND THOROUGHBRED RACING INC  
**STATEMENT OF CHANGES IN EQUITY**  
FOR THE 12 MONTHS ENDED 31 JULY 2010

	12 MONTHS ENDED 31 JULY 2010 \$	12 MONTHS ENDED 31 JULY 2009 \$
<b>EQUITY – START OF YEAR</b>	5,265,007	5,835,238
Total Loss and Total Comprehensive Income for the Year	(3,947,244)	(570,231)
<b>EQUITY – END OF YEAR</b>	<u>1,317,763</u>	<u>5,265,007</u>

*The above statement should be read in conjunction with the accompanying notes.*

NEW ZEALAND THOROUGHBRED RACING INC  
**STATEMENT OF FINANCIAL POSITION**  
AS AT 31 JULY 2010

	NOTES	AS AT 31 JULY 2010 \$	AS AT 31 JULY 2009 \$
<b>TOTAL EQUITY</b>		<b>1,317,763</b>	<b>5,265,007</b>
<b>CURRENT ASSETS</b>			
Cash		471,171	363,667
Short Term Deposits		1,131,945	1,092,195
Trade and Sundry Debtors		390,551	705,328
Income Receivable		171,317	99,439
Short Term Loans and Advances	9	368,672	30,622
Code Distribution Account		-	3,223,747
<b>TOTAL CURRENT ASSETS</b>		<b>2,533,656</b>	<b>5,514,998</b>
<b>LESS CURRENT LIABILITIES</b>			
Trade and Sundry Creditors		1,145,881	1,347,392
Provision for Annual Leave		270,370	250,702
Fees and Subscriptions in Advance		475,047	324,685
Code Distribution Account	10	986,206	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,877,504</b>	<b>1,922,779</b>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(343,848)</b>	<b>3,592,219</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	7	421,329	524,774
Intangibles	8	329,740	547,543
Loans and Advances	9	910,542	600,471
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,661,611</b>	<b>1,672,788</b>
<b>NET ASSETS</b>		<b>1,317,763</b>	<b>5,265,007</b>

The above statement should be read in conjunction with the accompanying notes.

**STATEMENT OF CASH FLOWS**

FOR THE 12 MONTHS ENDING 31 JULY 2010

	12 MONTHS ENDED 31 JULY 2010 \$	12 MONTHS ENDED 31 JULY 2009 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Fees, Services and Subscriptions	3,864,680	3,353,954
Levies	2,679,682	2,868,109
Receipts from the NZRB and Other Income	68,848,518	76,814,410
Interest Income	64,318	172,175
	<u>75,457,198</u>	<u>83,208,648</u>
<i>Cash was applied to:</i>		
Payment to Suppliers and Employees	(7,371,708)	(7,718,854)
Payments to Clubs and Other Initiatives	(71,070,486)	(75,064,116)
	<u>(78,442,194)</u>	<u>(82,782,970)</u>
<b>Net Cash Flow from Operating Activities</b>	<u>(2,984,996)</u>	<u>425,678</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Sale of Property, Plant and Equipment	9,779	9,359
Sale of Term Deposits	1,100,952	720,000
Repayment of Loans	42,636	70,955
Distribution Account	4,209,953	308,765
	<u>5,363,320</u>	<u>1,109,079</u>
<i>Cash was applied to:</i>		
Purchase of Property, Plant and Equipment	(161,992)	(340,506)
Purchase of Intangibles	(127,368)	(294,401)
Investment in Term Deposits	(1,140,702)	(627,165)
Advance of Loans	(840,758)	-
	<u>(2,270,820)</u>	<u>(1,262,073)</u>
<b>Net Cash Flow from Investing Activities</b>	<u>3,092,500</u>	<u>(152,993)</u>
Net Increase in Cash held	107,504	272,685
Add Opening Cash	363,667	90,982
<b>CLOSING CASH</b>	<u>471,171</u>	<u>363,667</u>
<b>RECONCILIATION OF OPERATING CASH FLOWS WITH NET LOSS ON OPERATIONS</b>		
Total Loss and Total Comprehensive Income for the Year	(3,947,243)	(570,231)
<b>Add Non-Cash Items:</b>		
Profit on Sale of Property, Plant and Equipment	(7,435)	(3,762)
Capitalised Interest on Loans	-	(93,571)
Depreciation	261,853	286,152
Amortisation	346,413	425,013
Provision for Diminution of Loans	150,000	-
	<u>750,831</u>	<u>613,832</u>
<b>Add Movement in Other Working Capital Items</b>		
Accrued Income	(71,877)	325,142
Sundry Debtors	314,773	(106,504)
Sundry Creditors	(181,842)	173,279
Fees in Advance	150,363	(9,840)
	<u>211,417</u>	<u>382,077</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>(2,984,996)</u>	<u>425,678</u>

The above statement should be read in conjunction with the accompanying notes.

## 1. STATEMENT OF ACCOUNTING POLICIES

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

### STATEMENT OF COMPLIANCE

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

NZTR's primary objectives are to:

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

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

### FUNCTIONAL AND PRESENTATION

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

### BASIS FOR PREPARATION

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

NZTR qualifies for differential reporting as it is not publicly accountable and it is not large. NZTR has applied all relevant differential reporting exemptions except for:

NZ IAS 7: Cash Flow Statements

### SPECIFIC ACCOUNTING POLICIES

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

#### a) Going Concern

The Directors have prepared these financial statements on the basis of going concern. The Racing Act 2003 ensures that NZTR would continue to have sufficient funding to ensure future obligations are met. Additionally the Business Plan of NZTR for the 2010/11 year has been approved pursuant to the Racing Act 2003. This Plan forecasts NZTR making a surplus for this period.

#### b) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

#### c) Employee Benefits

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

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE 12 MONTHS ENDED 31 JULY 2010

**1. STATEMENT OF ACCOUNTING POLICIES (CONT)****d) Financial Instruments**

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

Financial instruments are recognised initially at fair value plus any directly attributable transaction costs. All financial assets are classified as loans and receivables and all financial liabilities as other financial liabilities. Subsequent to initial recognition all financial instruments are measured at amortised cost.

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

**e) Goods and Services Tax**

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

**f) Income Tax**

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

**g) Property, Plant and Equipment**

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

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

The useful lives and residual values are reviewed annually.

**h) Intangible Assets**

Computer software is a finite life intangible and is recorded at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over the estimated useful life of 3 years.

**i) Impairment**

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE 12 MONTHS ENDED 31 JULY 2010

**1. STATEMENT OF ACCOUNTING POLICIES (CONT)****j) Operating Leases**

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

**k) Investments**

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

**l) Cash Flow**

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

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

**m) Revenue**

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

*Registration, Stud Book, Licence and Publication Revenue*

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

*Levies*

Levies are set annually and relate to the financial year. Levies revenue is recognised when invoiced.

*Fines*

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

*Interest*

Interest revenue is recognised using the effective interest rate method.

*Code Distribution*

Revenue is recognised each month pursuant to Section 25 of the Racing Act 2003 based on NZTR's turnover earnings and share of the New Zealand domestic market for that month.

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

*Fees and Subscriptions in Advance*

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

**n) Comparative Information**

Certain comparatives have been amended to ensure comparability with current period disclosures.

**o) Impact of new standards in the current year**

The revision to NZ IAS 1 has introduced minor terminology changes including revised titles for the financial statements.

**p) Changes in Accounting Policies**

There have been no changes in accounting policies during the period.

The accounting policies set out above have been applied consistently to all periods presented in these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE 12 MONTHS ENDED 31 JULY 2010

**2. PROPERTY AND CENTRAL OVERHEADS**

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

	12 MONTHS ENDED 31 JULY 2010 \$	12 MONTHS ENDED 31 JULY 2009 \$
Rent and Property Expenses	64,812	69,299
Insurance	88,695	80,505
Printing and Postage	78,710	72,161
Telephone	64,821	63,096
Lease Expenses	21,900	18,369
Depreciation	49,046	78,700
Profit on Disposal of Property, Plant and Equipment	(7,436)	(3,762)

**3. IT INFRASTRUCTURE AND NETWORK COSTS**

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

Depreciation	93,535	84,208
Amortisation	346,413	425,013
Maintenance and Network Costs	312,306	225,672

**4. SPECIAL PROJECTS**

The key projects included in Special Projects are:

Rules of Racing	42,344	102,728
Regional Feasibility Studies	–	5,842
Training Venue Review	–	4,875
Jumps Initiatives	21,039	42,174
Industry Funding Liason Group	639	18,087
Governance Review	3,750	68,561

**5. OTHER DEPARTMENT COSTS**

The key expenses included in Other Department Costs are:

Drug Detection	30,564	57,460
DNA Typing	236,295	238,599
Travel including Motor Vehicle Expenses and Depreciation	493,598	546,991
Telephone	44,475	74,656
Microchipping	95,742	46,946
Appeals and Inquiries	8,418	67,663

**6. SUNDRY COSTS**

The key expenses included in Sundry Costs are:

Judicial Control Authority	–	149,472
Board Expenses	135,313	123,060
Board Fees	155,906	169,167
Legal and Professional Fees	165,328	193,031
Audit Fees	22,500	21,500
Taxation fees	4,900	–
Bad Debts Expense	–	1,505
Raceday Services and Initiatives	749,972	804,568

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 JULY 2010

## 7. PROPERTY, PLANT AND EQUIPMENT

	OFFICE EQUIPMENT \$	MOTOR VEHICLES \$	COMPUTER HARDWARE \$	RACECOURSE EQUIPMENT \$	TOTAL \$
<b>Cost</b>					
Balance at 31 July 2009	413,771	413,531	657,757	132,741	1,617,800
Additions	-	-	131,765	28,985	160,750
Disposals	-	(23,666)	-	-	(23,666)
Balance at 31 July 2010	413,771	389,865	789,522	161,726	1,754,884
<b>Accumulated Depreciation</b>					
Balance at 31 July 2009	296,917	226,995	560,376	8,738	1,093,026
Depreciation expense for the year	49,046	103,099	93,535	16,173	261,853
Disposals	-	21,324	-	-	21,324
Balance at 31 July 2010	345,963	308,770	653,911	24,911	1,333,555
<b>Net Book Value</b>					
Balance at 31 July 2009	116,854	186,536	97,381	124,003	524,774
Balance at 31 July 2010	67,808	81,095	135,611	136,815	421,329

## 8. INTANGIBLES

	COMPUTER SOFTWARE AND WEB DEVELOPMENT \$
<b>Cost</b>	
Balance at 31 July 2009	2,924,915
Additions	128,610
Balance at 31 July 2010	3,053,525
<b>Accumulated Amortisation</b>	
Balance at 31 July 2009	2,377,372
Amortisation expense for the year	346,413
Balance at 31 July 2010	2,723,785
<b>Net Book Value</b>	
Balance at 31 July 2009	547,543
Balance at 31 July 2010	329,740

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 JULY 2010

## 9. LOANS

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

		31 JULY 2010	31 JULY 2009
		\$	\$
<b>Current</b>			
Otago Racing Club		18,672	30,622
NZTR Owners Settlement Account	Interest Free	350,000	-
<b>Total Current</b>		<b>368,672</b>	<b>30,622</b>
<b>Non-Current</b>			
RACE Inc		321,879	321,879
Otaki-Maori Racing Club		128,905	128,905
New Zealand Equine Education Trust	Interest Free	119,000	119,000
Northern Raceday Services Society Limited		-	30,687
HBRI		490,758	-
		<b>1,060,542</b>	<b>600,471</b>
Provision for Diminution of Loans		(150,000)	-
<b>Total Non-Current</b>		<b>910,542</b>	<b>600,471</b>

## 10. FINANCIAL INSTRUMENTS

## NATURE AND EXTENT OF ACTIVITIES

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

## FAIR VALUE

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

## CREDIT RISK

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

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

NZTR only deals with counterparties with appropriate credit worthiness and where the risk of default is considered low.

## 11. LEASE COMMITMENTS

Lease commitments as at 31 July 2010 are as follows:

	31 JULY 2010	31 JULY 2009
	\$	\$
<b>Motor Vehicles</b>		
Due within 12 months – Current	-	2,008
Due in 1-2 years – Non-Current	-	-
<b>Total</b>	<b>-</b>	<b>2,008</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 JULY 2010

## 12. RELATED PARTY TRANSACTIONS

## 12.1 Compensation of Key Management

	12 MONTHS ENDED 31 JULY 2010 \$	12 MONTHS ENDED 31 JULY 2009 \$
Salaried and Short-term benefits	496,205	674,766
Long-term benefits	6,210	14,101
<b>Total</b>	<b>502,415</b>	<b>688,867</b>

## 12.2 Loans to related parties

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

	31 JULY 2010 \$	31 JULY 2009 \$
New Zealand Equine Education Trust	119,000	119,000
NZTR Trainers and Owners Settlement Account	350,000	–

## 12.3 Transactions involving related parties

## Board

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

## Other Related Entities

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

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

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

	12 MONTHS ENDED 31 JULY 2010 \$	12 MONTHS ENDED 31 JULY 2009 \$
NZTR Owners Settlement management fee	45,945	128,053
Apprentice Jockeys Fund management fee	20,000	20,000
General Trust Fund net of funding over management fee	(57,300)	(67,700)
Apprenticeship Board net of funding over expenses	(55,580)	(61,473)
NZRB: operating fees less operating expenses	(4,209,953)	(306,230)
NZRB: funding revenue less funding expenses	(2,221,968)	1,825,294

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 JULY 2010

### 13. CAPITAL COMMITMENTS

There are no capital commitments as at 31 July 2010 (2009: \$nil).

### 14. LOAN GUARANTEE

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

On the 5th of January 2009, the New Zealand Racing Board provided loan of \$300,000 to Whangarei Racing Club. NZTR has provided a guarantee to the New Zealand Racing Board covering the amounts outstanding to the NZRB.

### 15. CONTINGENT LIABILITIES

We are not aware of any contingent liabilities that will materially affect the Financial Statements (2009: Nil).

### 16. SUBSEQUENT EVENTS

We are not aware of any subsequent events that will materially affect the Financial Statements (2009: Nil).

## AUDIT REPORT TO THE MEMBERS OF NEW ZEALAND THOROUGHBRED RACING INCORPORATED

We have audited the financial statements on pages 19 to 30. The financial statements provide information about the past financial performance of New Zealand Thoroughbred Racing Incorporated and its financial position as at 31 July 2010. This information is stated in accordance with the accounting policies set out on pages 23 to 25.

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

### Directors' Responsibilities

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which fairly reflect of the financial position of New Zealand Thoroughbred Racing Incorporated as at 31 July 2010 and the results of its operations and cash flows for the year ended on that date.

### Auditor's Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Directors.

### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to New Zealand Thoroughbred Racing Incorporated's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor and the provision of taxation services, we have no relationship with or interests in New Zealand Thoroughbred Racing Incorporated.

### Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements on pages 19 to 30 fairly reflect the financial position of New Zealand Thoroughbred Racing Incorporated as at 31 July 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 8 November 2010 and our unqualified opinion is expressed as at that date.



CHARTERED ACCOUNTANTS  
WELLINGTON, NEW ZEALAND



# Acknowledgements

THE BOARD, THE CHAIRMAN AND MANAGEMENT WISH TO RECORD THEIR APPRECIATION OF THE CO-OPERATION AND ASSISTANCE THEY HAVE RECEIVED DURING THE 2009/10 SEASON FROM THE FOLLOWING PEOPLE AND ORGANISATIONS:

The Honourable John Carter, Minister for Racing  
The New Zealand Racing Board  
Harness Racing New Zealand  
Greyhound Racing New Zealand  
Department of Internal Affairs  
Judicial Control Authority  
Equine Branch, New Zealand Veterinary Association  
Environmental Science and Research Ltd  
Massey Foundation  
Massey University  
New Zealand Racing Laboratory Services Ltd  
New Zealand Equine Health Association  
New Zealand Equine Industry Training Organisation

New Zealand Equine Research Foundation  
New Zealand Jockeys' Association  
New Zealand Jumps Inc.  
New Zealand Police Department  
New Zealand Qualifications Authority  
New Zealand Thoroughbred Breeders' Association  
New Zealand Thoroughbred Marketing Ltd  
New Zealand Thoroughbred Racehorse Owners' Federation  
New Zealand Trainers' Association  
Racing Club Managers' and Staff  
Racing Journalists and Broadcasters  
Tertiary Education Commission

## GENERAL TRUST FUND COMPRISING:

Keith Neylon (Chairman), John Rattray, Colin Jenkins.

## GRADED STAKES COMMITTEE COMPRISING:

Chas Amon (Chairman), Bruce Perry, Russell Warwick, Michael Martin, Steve Till, Jeff McCall, Tom Jamison, Nick Wigley, Matthew Hall.

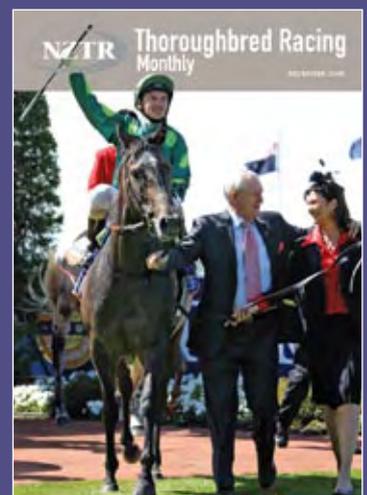
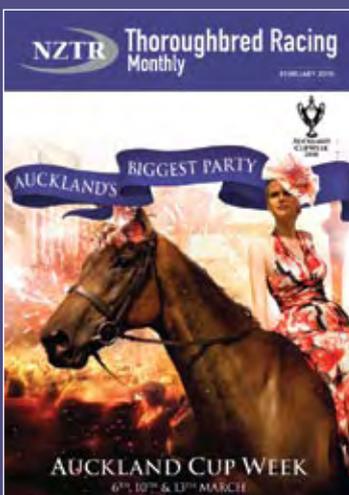
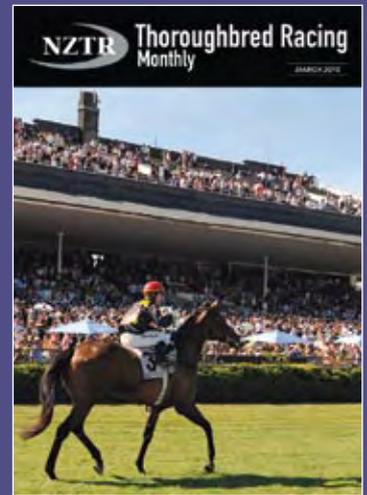
Resigned 2009/10: Craig Baker

## PATTERN REVIEW

John Rattray (Chairman), Peter Francis, Greg McCarthy, Craig Baker

## 2009/10 NZTR ANNUAL REPORT PHOTOS:

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





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