

The logo for the New Zealand Thoroughbred Racing (NZTR) organization, featuring the letters 'NZTR' in a bold, white, sans-serif font. The text is set against a grey, curved, swoosh-like background that resembles a stylized horse head or a racing track curve.

New Zealand Thoroughbred Racing
ANNUAL REPORT 2005 / 2006





NZTR INC.

106-110 Jackson Street + Petone + Wellington + New Zealand
PO Box 38 386 + Wellington Mail Centre + New Zealand

TELEPHONE: +64 4 576 6240 FACSIMILE: +64 4 568 8866
EMAIL: office@nzracing.co.nz WEBSITE: www.nzracing.co.nz

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2005 / 2006





nztr board committees

STAFFING COMMITTEE

CONSTITUTION

Chairman: Guy Sargent
Member: John Rattray
In attendance: Paul Bittar
Secretary: Simon Cooper

FINANCE COMMITTEE

CONSTITUTION

Chairman: John Rennie
Members: John Rattray, Alistair Sutherland
In attendance: Paul Bittar, Campbell Moncur
Secretary: Amy Zavros (NZRB)

INTEGRITY COMMITTEE

CONSTITUTION

Chairman: Brian Kinley
Members: Peter Hutt, Colin Jenkins
In attendance: Paul Bittar, John McKenzie,
Noel McCutcheon, Campbell Moncur
Secretary: Chris Weder

FUNDING COMMITTEE

CONSTITUTION

Chairman: Alistair Sutherland
Member: John Rattray
In attendance: Paul Bittar
Secretary: Campbell Moncur

DATES COMMITTEE

CONSTITUTION

Chairman: John Rattray
Member: Alistair Sutherland
In attendance: Paul Bittar, Campbell Moncur
Secretary: Alan Cole



FROM LEFT TO RIGHT: PETER HUTT, COLIN JENKINS, PAUL BITTAR (CE), GUY SARGENT (CHAIRMAN), JOHN RENNIE, BRIAN KINLEY, ALISTAIR SUTHERLAND, KEITH NEYLON, GRAEME SANDERS, MURRAY BLUE. INSET: JOHN RATTRAY



board and management

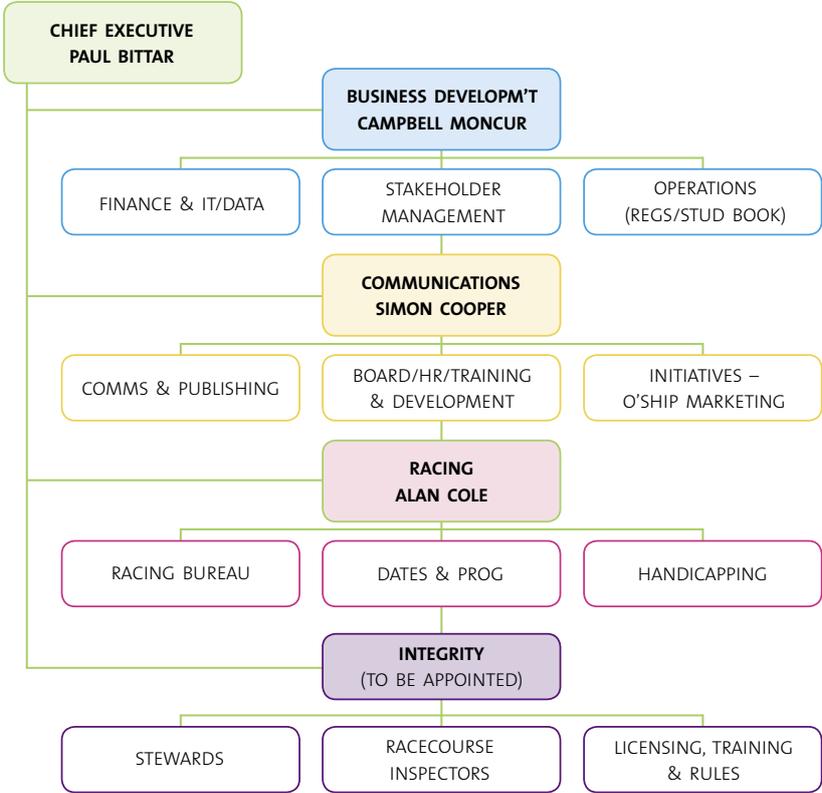
BOARD OF DIRECTORS

Guy Sargent (Chairman)	Central Region
Colin Jenkins	Northern Region
Alistair Sutherland	Northern Region
John Rattray	Central Region
Brian Kinley	Southern Region
Keith Neylon	Southern Region
Murray Blue	Small Clubs' Director
John Rennie	NZ Thoroughbred Racehorse Owners' Federation
Graeme Sanders	NZ Trainers' Association Inc
Peter Hutt	NZ Thoroughbred Breeders' Association

nztr executive team



FROM LEFT TO RIGHT:
 SIMON COOPER (GM, COMMUNICATIONS),
 PAUL BITTAR (CE), CAMPBELL MONCUR
 (GM, BUSINESS DEVELOPMENT) AND
 ALAN COLE (GM, RACING)





nztr

CHIEF EXECUTIVE

Paul Bittar

GENERAL MANAGERS

Campbell Moncur – Business Development

Simon Cooper – Communications

Alan Cole – Racing

General Manager – Integrity (Vacant)

PROJECTS

Chris Weder.

EXECUTIVE ASSISTANTS

Janice Tinney, Stuart Duggan.

RECEPTION

Sally Ralph.

NATIONAL RACING BUREAU

Cheryle Barnsley, Phil Clements, Linda Gove,
Scott Hunt, Eva Johnston

IT

Georg Magerl, Doug Toulmin

HANDICAPPING

Dean Nowell (Senior), Brett Scelly

PUBLICATIONS

Allan Child

LICENSING AND EQUINE TRAINING

Matthew Barnsley

FINANCE

Amy Zavros (NZRB), Lucky Bryce

OWNERS SETTLEMENT ACCOUNT

Jill Bolous, Christine Young.

OPERATIONS (STUD BOOK & REGISTRATION)

Darren Jones, Julie Walker, Kay Thomson,
Michael Leigh, David Nicholls, Vaine Strickland,
Carol Thorburn, Robyn Gibson

STIPENDIARY STEWARDS

Noel McCutcheon (Chief), Stewart Ching, Alan Coles,
Neil Goodwin, John Oatham

ASSISTANT STIPENDIARY STEWARDS

Matthew Barnsley, Brian Bateup, Mark Davidson,
Murray Humphries, Michael Lawson, Jeff McLaughlin,
Warrick Robinson, Garry Stewart, Todd Treweek

RACECOURSE INSPECTORS

John McKenzie (Chief), Bryan McKenzie, Robin Scott,
Bob Bevege, Don Wisely

OTHER OFFICE BEARERS

Medical Consultant –

Dr Bill Treadwell MB, CHB, FRCGP, BSC

Director Equine Bloodtyping/Parenting Validation –

Dr Ian Anderson PHD, BVSC, MACVSC

Official Analyst –

Dr Geoff Beresford PHD, MNZIC, MAORC

Veterinary Consultants –

Professor Cliff Irvine DSC (HON) DSC, FACVSC, BVSC, ONZM

Dr Andrew Grierson BSC, BVSC, MRCVS



chairman's statement



ON BEHALF OF THE BOARD I AM PLEASED TO REPORT A NUMBER OF DEVELOPMENTS IN THE 2005/06 YEAR. THIS STATEMENT PRIMARILY AIMS TO REPORT ON KEY DEVELOPMENTS IN THE PAST YEAR BUT ALSO TO SET SOME OF OUR FUTURE PRIORITIES.



First and foremost 2005/06 must be recognized by all those who have a stake in the racing industry as the year that the Minister for Racing, the Rt Hon. Winston Peters, delivered tax concessions by bringing wagering in line with gaming and by reducing write-down periods for bloodstock. This will amount to more than \$32 million per year across all three codes. I take this opportunity to thank the Minister, on behalf of the Board of NZTR, for bringing about this change in legislation. It is absolutely critical that racing now ensures that this additional funding is employed effectively for the long-term growth of the industry.

I cover NZTR's proposals for this additional funding later in this statement.

BOARD GOVERNANCE

Early in the season the Board looked to improving its Governance and has put in place structural changes at NZTR to achieve this. We have implemented and developed five permanent Board Committees. These are Dates, Finance, Funding, Integrity and Staffing.

While responsibility for these central areas of NZTR activity remains with the Board, it is the role of these Committees to make recommendations for the Board's consideration. Details of these

five Committees are listed on page four of this Annual Report.

ORGANISATIONAL CHANGES

The Board also initiated substantial organisational changes within NZTR Management during 2005/06.

Paul Bittar was appointed Chief Executive early in the new season and joined us in November, taking over from Allan Fenwick. Paul, who grew up in Australia, holds a Bachelor of Business Degree, is a chartered accountant, and holds an MBA. His lifelong love of sport and particularly racing drew him to Racing NSW followed by the British Horseracing Board. He occupied senior management positions in finance/projects at both organisations. Changes to NZTR's organisational structure are covered in detail in the Chief Executive's Report on the following pages

During the year the Wellington Racing Club Industry Committee and the Warrant of Fitness Implementation Committees successfully carried out their tasks, as set out in their terms of reference, and were duly disbanded on completion. I would like to thank Board members Keith Neylon and Graeme Sanders for their chairmanship of these two committees respectively.

Racing Victoria's Chief Handicapper, Greg Carpenter, carried out a thorough review of our Handicapping and Ratings systems, which was introduced on 1st August 2005. I am delighted that the subsequent report complimented our systems.

It is inevitable that some will meet any new initiative with scepticism. Our ratings system is a year old and bedding down well. As originally intended, the flexibility of the ratings is now allowing clubs and programming committees to write race conditions that will encourage better use of our horse population and allow horses to move up and down the handicap more quickly. NZTR is always reviewing its ratings system to ensure it is delivering what racing wants.

JUMPING REVIEW

In the latter half of the year the Jumping Racing Review Committee was formed under John Boyle's independent chairmanship. It is anticipated that this committee will report to the Board in the spring.

At the same time the Board agreed to look at NZTR's role in education and careers in the thoroughbred code. Peter Hutt is heading this review on behalf of the Board. In the past the racing industry's priority has been to return every cent to stakes. NZTR is refocusing



on investing in our infrastructure while also maximizing returns to owners. Education and training is a crucial part of that. We are at the scoping stage at the moment but we will be in a position to consult with appropriate stakeholders early in the new season.

STRATEGIC VENUES

The Strategic Venue Project was one of the largest NZTR initiatives of 2005/06. It must be emphasized that this is not a one-off exercise. It is a continuous project and this is why we have contracted a Track and Venue Consultant, Gary Foskett, to continue the work already done and oversee this project for the next 12 months. Thoroughbred racing has a poor record on lost opportunity costs due to abandoned meetings and refunds, particularly when compared to the other two codes. NZTR is currently overlaying the results of the venue inspections with financial and demographic data to better understand our current position and the needs and sustainability of our tracks for the next 20 or more years.

There is a misconception by some in the industry that NZTR wishes to close venues. I take this opportunity to restate that NZTR cannot close any venues. Any decisions on venues must be and is the responsibility of each Cluster.

Venues and, crucially, training venues need to work together – geographically and financially. The racing industry cannot continue to support 52 venues. NZTR urges Clusters to consider their strategic venues and their community venues, which enjoy strong community support, to plan where capital expenditure will be most effectively placed to ensure that it grows thoroughbred racing in their region.

A race meeting that results in owners spending a similar combined amount on horse float fees as the total amount of stakes on offer does not make sense for the industry. \$8.3 million of the total additional funding next year has been reserved by the NZRB for infrastructure investment, which NZTR fully supports. These funds will be allotted across all three codes to infrastructure that will provide the most robust investment for the industry on a case-by-case basis.

FUNDING MODEL

NZTR's proposed funding model was presented to the NZRB at the time this report went to print.

Considerable research was carried out by NZTR over several months to ensure that the basis of our funding proposal for 2006/07 was founded on sound and sustainable principles.

What became clear from this research was that New Zealand has fallen behind in the level of stakes offered at its strategic wagering days compared to Australia, although we remain reasonably competitive on our midweek days. We want our owners and trainers to target their horses at the Saturday wagering days; the days that provide the greatest return. There is not a sufficient differential between our midweek and our Saturday meetings to drive that behaviour.

REWARDS FOR CLUBS

NZTR firmly believes that Clubs should not bear the risk of running industry days and that these should be funded by the industry. Currently clubs are paid predominantly on their off-course performance. This is the area they have least control over. The funding proposals that NZTR has presented to the NZRB looks to improve rewards for clubs for their on-course performance by increasing their on-course commission percentage.

Under NZTR's funding proposals it is intended to introduce the 'free racing' model – no nomination and acceptance fees except for Group and Listed races. Entry fees for Group and Listed races will be standardised.



The returns to owners component of the additional funding, totaling \$20 million will be on a code turnover share basis.

It is recognized by NZTR that punters chase the best product. The thoroughbred code must provide high quality products consistently that punters want and these need to be price competitive. The NZRB has partitioned over \$4 million of the increased funding to returns to punters, which NZTR fully supports. This will bring New Zealand into line with Australian returns and will help set up the right conditions for potential future co-mingling into an Australasian market.

INTEGRITY

NZTR's single most important role is to ensure the integrity of thoroughbred racing. It is recognised by NZTR that there has been a lack of integrity resources on-course and there has been a lack of investment in these key resources. It is currently looking to recruit three more key personnel for its integrity services. NZTR is also putting in place more training for its integrity staff. In addition NZTR and the Judicial Control Authority (JCA) determined this year to work more closely to ensure that interpretation and application of the rules is consistent. The two organizations are also introducing training of staff.

NZTR's goal to improve its customer service will see considerable improvements to our online capabilities and a redesign of our website. It is anticipated that our online trainers' service will be in place for the new season and the new website will be launched in late September.

FORUMS

The Board agreed during the year to place more emphasis on regional forums. Forums allow much wider attendance and participation. In future there will be two forums per year, instead of one at present – one in May/June and the other in November/December. It was also agreed that the AGM should be held at different racing locations each year, thereby equalizing regional involvement and costs over the years.

APPRECIATION

Finally, I take this opportunity to thank my fellow Board members for their considerable work on behalf of New Zealand thoroughbred racing over the past year. It has been a year of change and enormous progress.

GUY SARGENT
CHAIRMAN

chief executive's report of 2005 / 2006





BACKGROUND

Having arrived from London in November 2005, I took over from Allan Fenwick, a long-serving and loyal servant to racing. I came to New Zealand with recent experience in both the Australian and British racing industries, attracted to the challenge of what we can achieve here.

Having seen first hand the benefits of a commercial and customer focused model being applied to the sport (as it is in Britain and Australia) I know similar benefits can be achieved in New Zealand.

The New Zealand market is somewhat different to Britain, where the on course experience has a vibrancy about it that has inspired record crowds and driven record revenues in recent times. This growth in revenues has been driven largely through the commercial efforts of racecourses. Our racecourses are making strides in this area. Aggressive changes to the calendar, the development of Clusters to share risks and on course initiatives at many feature meetings will drive improved club profitability.

To lead this type of challenge, at New Zealand Thoroughbred Racing (NZTR) we initially required a restructure of our organisation. We

simply did not have the capabilities, to meet the needs of driving the sport on a commercial basis. The investment in people and resources had been meagre, a microcosm of what has taken place in the broader industry. This is not a criticism, but acknowledgement this is a decisive issue for both NZTR and New Zealand racing – more investment is needed.

Internal changes were required and our organisation is already seeing significant benefits of this. Vast improvements in our management systems, financial controls and reporting, are delivering NZTR for the first time, crucial management information for decision making. Engaging well trained and energetic staff has had immediate benefits and positive impacts on our capabilities.

Going forward, NZTR will ensure all our staff are successfully developed in their respective fields and trained in the latest technologies. This will enable us to deliver up to date, efficient and customer-focused services. We are very fortunate to have a passionate and dedicated team in place. While a restructure process is always difficult, I'm confident all staff, and crucially the industry, will profit from the changes.

TAXATION RELIEF AND BUSINESS PLANNING

2006 has already been a watershed year for the New Zealand racing industry. Confirmation of a reduction in duty for racing (and an accelerated write-down regime for bloodstock) delivering the three codes an additional \$32M per season.

The changes will significantly improve the economic potential of the racing industry. However, what is now needed is the redefining of our sport to ensure that the benefits from the taxation relief are used to provide a sustainable and profitable future for the industry.

The New Zealand Racing Board (NZRB) has confirmed that the general direction of partitioning will be consistent with that included in the original taxation submission to the Minister in January 2005, as follows (for 2006/07):

- \$4.1M for improved returns to wagering customers (reduction in takeout rates)
- \$8.3M for targeted infrastructure investment
- \$20.0M for improved returns to Owners

The delivery of this duty benefit must not distract the NZRB and the three codes from developing robust plans in



meeting the target balance of benefits of \$50-65M in future years. Seamlessly integrated business plans between the three code businesses and the NZRB is central to delivering this.

INTEGRITY

During 2005/06 the Board of NZTR established an Integrity Committee with a view to it considering all Integrity issues and making recommendations to the full Board.

The Board has agreed, in principle, that where our local conditions are suitable, integrity rules and procedures should be aligned with Australia. Given the large interchange of horses and personnel, this is a sensible and mature decision, effectively moving towards an Australasian set of practices.

The first of these changes was to adopt an expanded list of notifiable racing gear. This requires notification of gear changes by the trainer to NZTR prior to the withdrawal deadline if a horse is entered to race. This change will take effect from the new season and has been very well received by the industry, particularly the often overlooked punter.

A more rigorous swabbing programme, resulting in an increased number of samples being collected for testing, has also been approved following a

recommendation from the Integrity Committee.

Going further, the Board has agreed (racecourse logistics allowing) to implement a 'full' testing programme over three years. This will ultimately see a sample being collected from all race winners, as well as all Group and Listed place getters, plus other discretionary samples. There will be an increased cost in this enhanced programme, however the protection of our racing integrity and black-type must be ensured.

The Board has also agreed to conduct a level of testing at qualifying trials in the new racing season, seeing a programme developed where horses will be subject to testing for prohibited substances.

During the year, a level of drug testing of riders was undertaken and NZTR will continue drug testing of riders. This is not limited to jockeys who ride on raceday, but extends to riders who ride, or present themselves to ride, a horse at trackwork.

One of the principal Integrity items considered during the year related to the Rules of Racing themselves. Preliminary work has now commenced on a comprehensive review of the existing Rules of Racing. This review will continue throughout the new season. It will focus on simplifying and reducing

the number of Rules, modernising the Rules into plain English, and ensuring that all defined terms are consistent throughout the Rules.

It was with disappointment that I recently received Noel McCutcheon's retirement letter. Noel has been NZTR Chief Steward for many years. He was highly regarded, and his firm but fair approach to raceday integrity activities will be missed. High quality thoroughbred Stewards are very hard to find, and NZTR's failure to put in place an effective succession plan has exposed our business to a degree of risk. The challenge for us is to identify key resources and put in place a robust training and development programme. This will ensure we have future requirements and successions in place.

Integrity is our primary function and the Board of NZTR is fully committed to maintaining and improving the level of integrity across the industry, ably supported by a committed and experienced field force. The Integrity Committee will continue to monitor and review all Integrity issues throughout the coming season. As an Executive group, we will more proactively communicate the changes and policy with the industry, and I thank Chris Weder for his valuable assistance in this area.



RACING AND HANDICAPPING

NATIONAL RACING BUREAU (NRB)

Alan Cole and his dedicated team of staff continued the excellent work of the National Racing Bureau (NRB) through 2005/06. In all, the NRB serviced 299 racedays and 88 trial days, and many thousands of phone calls and enquiries. The NRB is an excellent example of the benefits that can flow from having efficient, centralised services, and allowing the racecourses to focus on more productive activities and developing their business.

The NRB team is currently working on a key development to enable Trainers to conduct all their racing transactions securely online. A focus group with leading Trainers held in June 2006 strongly endorsed the direction being taken. This functionality ('NRB Online') will be available from early in the new racing season.

RACING

The Strategic Review of the Pattern of Racing and subsequent implementation of those recommendations has been a success. Other key racing initiatives throughout the year were:

- Closer working relationship with NZRB including raceday control, dates and review of existing practices to minimise duplication;

- Annual Jumping review in December 2005 and changes effected for 2006 jumping season including streamlining of subsidies, amateur riders race series and consistency of jumping fences throughout the country;
- Ongoing review and changes to NZTR policies in respect of field selections, nominations left open, minimum number of acceptors, dual acceptors, definition of stake earnings, criteria for early entry races;
- Ongoing administrative support to Regional Programming Committees.

HANDICAPPING

Early in 2005 an independent review of NZTR's Handicapping operations and Ratings Based Handicapping (RBH) was undertaken by Greg Carpenter, Chief Handicapper at Racing Victoria Limited. Greg's review endorsed our existing operations and continued to establish closer liaison with handicapping operations in Australia.

The Board then decided on the introduction of races based on rating bands from August 2005. While presenting some issues, this decision has been borne out as the correct one, particularly as race programmers now

have increased flexibility of race bands they can program. This will provide better opportunities to optimise the usage of our horse population, a key element of driving wagering growth.

Further, NZTR Handicapping operations were enhanced by:

- Improved website functionality on ratings;
- Appointment of a new handicapper;
- Analysis to allow realignment of the WFA scale back to an Australasian scale.

NZTR will shortly release a formal Handicapping Policy, which while not alleviating all industry debate, will provide greater clarity for participants as to how Ratings and Weights are arrived at.

BUSINESS DEVELOPMENT

FINANCE

NZTR Finance systems and controls have been significantly enhanced throughout the year. NZTR now works in conjunction with the NZRB Finance Department, and there are many synergies and benefits flowing from this. The enhancement in our systems and controls has been acknowledged by our Auditors, who complimented NZTR on the vast improvement over previous years. In addition, policy and procedural changes in the processing



of outstanding debts owed to NZTR will result in these matters being dealt with more efficiently and in accordance with the Rules.

INFORMATION TECHNOLOGY

2005/06 was another year where significant investment has been made in our core computer applications and services. This included investment in our hardware infrastructure to provide a level of redundancy protecting against any significant downtime due to hardware failure. Many other key software and hardware projects were undertaken including extensive work required for the implementation of handicap ratings and improvements to the club and Owners settlements process.

NZTR is committed to enhancing its business processes and services, and has recently commenced the following development work:

- NRB Online;
- Video streaming of race replays;
- Text and email services;
- Website redevelopment project – currently in the design phase, with a launch date set for later this year. There will be many new content areas on the site, with one of the main components being the ‘Go Racing’ section, aimed at explaining

‘when/where/why and how’ to go racing to a broader consumer audience.

STUD BOOK AND REGISTRATIONS

The continuing decline in foal crops was reflected in the number of certificates issued for the 2005 crop totalling 4,500, a figure of 100 less than in 2004. Similarly, it is likely the number of mare returns will be down to 6,700, a slight fall on 2004.

Micro-chipping of foals is now in its second year and is running smoothly. The first crop of horses will hit the tracks from 1 August and development of race meeting procedures is currently under action.

The Stud Book continued its essential role as a member of the International Stud Book Committee. We have had discussions with the Australian Stud Book (ASB) about opportunities to develop joint initiatives, including online services, and programmes to enhance the transfer of horses between the two nations.

It is our intention to develop the teams currently working in the Stud Book and Registrations area into one pool of Operations customer service staff. This is a key decision, designed to deliver enhanced service and systems. We have taken the decision to supplement

resources with management who have experience in developing online systems and process improvements.

VENUES

The venue inspection project was a major undertaking, and Campbell Moncur should be congratulated for the co-ordination of this huge project. Campbell was assisted by a project team and all the NZTR field staff around the country. It will be essential that follow up action is in place to ensure the guidelines as set by NZTR are implemented.

This work will provide an important element of the work associated with the code Strategic Venue Plan, required by the NZRB. This plan will enable our code to minimise the risk associated with venues and abandonments, as well as driving wagering growth and returns to participants through better utilisation of venues. The second phase of this venue plan will include an assessment of all-weather surfaces for racing purposes in New Zealand.

COMMUNICATIONS AND PUBLISHING

NZTR transparency ensures that decisions, policies, protocols and actions we take are communicated to the industry as quickly and as clearly as possible.



We are driving more of our communication electronically but appreciate that many stakeholders rely upon printed media. To this end the 'Thoroughbred Racing Monthly' has seen several improvements through 2005/06 which have aimed to better serve its readers.

NZTR also communicates via the weekly 'Media Bulletin' and 'Circulars' for specific industry matters and the 'NZTR Board Report'.

The decision to broaden our Regional Forums to a wider audience and increase them to two per year illustrates our desire to engage in more discussion with all industry stakeholders and to encourage more robust discussion. We are committed to putting more emphasis on the part Regional Forums play, as the AGM is restricted to just Club Presidents and Secretaries, which is a relatively narrow representative group of the industry.

EDUCATION AND TRAINING

Investment in people has not been a priority for the industry in the past, where the focus has been to return every cent to stakes. However, while stakes are crucial, so too is ensuring there are sufficiently trained jockeys, farriers and vets, as well as effective field and administration staff to drive

the business. If we want to attract good people with the right skills to this industry we must be prepared to invest in them.

Within NZTR we have begun a programme of upskilling both our field staff and our team in Wellington. To help us in this process during the year we put in place an agreement with the NZRB to provide our HR services. This includes consultation and advice on training needs, with a focus on improving our customer service provision.

In addition we are embarking on specific training for our integrity staff. We have identified suitable training courses for Stewards in Australia, and spending time with the Stewards' Panels there, both in Victoria and NSW.

NZTR is also reviewing our current education and careers provision for those coming into the industry and at the structure that delivers that provision. Identifying for example, through available data, how many apprentices we will need to be recruiting now to ensure we have sufficient jockeys in five to 10 years time.

We are also looking at developing new recruitment strategies, including the possibility of curriculum in schools where e-learning will be an important tool. We must be able to establish

genuine career paths for those entering the industry, and further, ensuring that those who come into the industry can be retained in racing. Assistance will be given to our education providers by way of further training, while ensuring funds devoted to training are not exhausted on administration, but used at a grass roots level.

This is a vast project, being driven internally by Simon Cooper and Board member Peter Hutt, who will soon be in a position to consult with the industry to bring together some proposals

REGIONAL FORUMS

During June 2006 NZTR undertook a series of Regional Forums throughout the country. The forums are designed to communicate to the industry our plans and gain feedback from stakeholders on relevant issues. Much of the focus of the latest forums was on new funding and stakes policies. We outlined our plans to develop the funding policy by way of increasing returns to participants, not just the much needed stakes increases.

We tackled the idea of developing our strategic wagering days and the venues where certain fixtures are run. There exists an outmoded notion that all venues are entitled to, or suitable for, strategic wagering days. This fails to recognise the financial benefits of



certain courses generating significantly greater funds for the sport through increased wagering.

This is not about favouring the interests of metropolitan racecourses over those in provincial areas. In fact, it is to enable those commercially focused racecourses to plan and grow their businesses for the betterment of the industry. Instilling greater competition into the race dates allocation process will similarly provide an opportunity to expand and improve the industry's returns.

CONCLUSION

Provided here is just a snapshot of the past 12 months in terms of initiatives and achievements, as well as an outline of the changes required if the New Zealand thoroughbred industry is to grow its returns and retain its relevance in the international racing community.

I urge people to understand the principles of maximising wagering growth and returns; the benefits of optimising the use of our horse population; the critical need for investment in people and resources (including racecourses), and; the ability of our unique sport to capture the imagination of the public and consumer. Finally, I would like to express my thanks to my partner Jacqui, Chairman Guy Sargent and the Board, NZTR

Executive and staff, the race club managers and Committees, and crucial industry stakeholder groups who have supported me since I arrived in New Zealand. We have a wonderful and unique opportunity to grow our sport, but collective industry support and commitment to change is crucial.

I would also like to acknowledge the support of the NZRB Chief Executive and his management team for their firm commitment to supporting our business, assisting us to develop synergies, and in driving new on-course initiatives including Destination Summer Holiday Racing.

While the challenge to redefine and reinvigorate both our organisation and sport is immense, the potential rewards for New Zealand racing are significant.

PAUL BITTAR
CHIEF EXECUTIVE



acknowledgements

THE CHAIRMAN, THE BOARD AND MANAGEMENT WISH TO RECORD THEIR APPRECIATION OF THE CO-OPERATION AND ASSISTANCE THEY HAVE RECEIVED DURING THE 2005/06 SEASON FROM THE FOLLOWING PEOPLE AND ORGANISATIONS:

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

New Zealand Equine Research Foundation
New Zealand Farriers' Association
New Zealand Jockeys' Association
New Zealand Jumping Association
New Zealand Police Department
New Zealand Thoroughbred Breeders' Association
New Zealand Thoroughbred Marketing Ltd
New Zealand Thoroughbred Racehorse Owners' Federation
New Zealand Trainers' Association
Racing Club Managers' Group
Racing Journalists and Broadcasters



TRUSTEES, GENERAL TRUST FUND COMPRISING:

Messrs B J Kelly (Chairman), P H Grieve and H G Higgle

NEW ZEALAND APPRENTICESHIP BOARD COMPRISING:

Messrs R Tocker (Chairman), D Brown, S Cooper, M R Pitman, R Smith, R Collett, Ms S Waters and Ms S Malone

GRADED STAKES COMMITTEE COMPRISING:

Messrs P F Fennessy (Chairman), C R Amon, D C Ellis, P Hutt, T Jamison, M J Martin, J A Rattray, S J Till and A Cole

2004/05 NZTR ANNUAL REPORT PHOTOS:

Jeni Bassett – Equine Attitude, Race Images (Palmerston North), Trish Dunnell



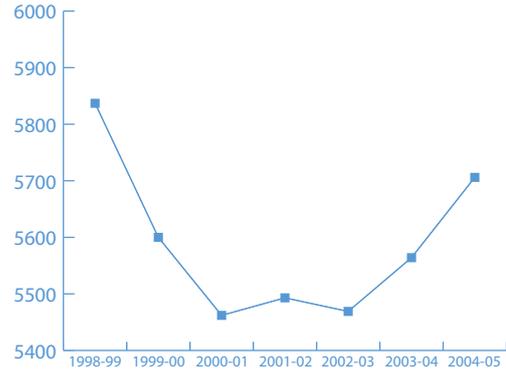
statistics

	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
THOROUGHBRED RACING							
No of Meetings held	295	283	286	289	286	301	314
No of Clubs to race	68	71	69	71	72	71	75
No of racetracks used	51	51	51	51	51	52	53
Races run	2,807	2,791	2,810	2,771	2,793	2,945	3,074
Horses Registered	3,118	3,141	3,153	3,048	2,958	2,880	2,888
No of Horses Racing in NZ	5,706	5,564	5,469	5,493	5,462	5,599	5,837
No of Listed Races (incl Group Races)	146	146	151	152	152	151	149
No of Black Type Races (incl Jump Races)	158	158	163				
Black type as % of Total Races	5.6	5.6	5.8				
Prizemoney Paid	\$37,225,515	\$36,272,557	\$35,014,720	\$32,023,240	\$32,205,795	\$32,581,635	\$31,805,101
Highest single stake	\$1,000,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$350,000
Average stake per race	\$13,262	\$12,996	\$12,461	\$11,556	\$11,531	\$11,063	\$10,346
No of Public Trainers	361	354	361	337	369	383	387
Permit to Train Holders	395	372	379	333	365	367	367
No of Owner-Trainers	568	685	696	632	781	845	872
No of Jockeys	139	159	154	112	166	180	177
No of Apprentice Jockeys	67	63	64	55	54	60	69
No of Amateur Riders	31	25	24	18	36	41	47
THOROUGHBRED BREEDING							
No of Broodmares Pastured (Approx)	8,871	8,910	9,288	9,282	9,160	9,015	9,318
No of Stallions	204	212	229	223	226	241	258
No of Foals Bred	4,600	4,700	5,060	5,066	4,953	4,868	4,974
No of Thoroughbreds Exported	1,803	1,782	1,763	1,914	2,000	1,937	2,175
BETTING TURNOVER							
On-course Betting	\$42,245,971	\$43,843,302	\$48,093,835	\$46,682,383	\$48,225,976	\$50,457,775	\$54,890,012
Off-course Betting	\$380,537,152	\$377,357,514	\$369,422,866	\$373,641,423	\$388,054,589	\$411,100,651	\$424,350,482
Fixed Odds Betting	\$8,767,895	3,741,750					
Total Bets	\$443,328,075	\$421,200,816	\$417,516,701	\$420,323,806	\$436,280,565	\$461,558,426	\$479,240,494
SOURCE OF TURNOVER							
Win/Place	56.00%	56.40%	57.20%	57.77%	55.85%	55.19%	54.06%
Double	3.82%	3.80%	4.00%	3.85%	3.42%	3.34%	3.27%
Treble	4.42%	4.40%	4.50%	3.82%	2.66%	2.55%	2.60%
Quinella	10.18%	10.50%	11.20%	11.66%	11.40%	11.49%	11.38%
Trifecta	21.55%	22.00%	22.00%	21.87%	25.15%	25.72%	27.02%
Fixed Odds	1.98%	1.00%					
Pick6 & Six Pack	2.05%	1.90%	1.10%	1.03%	1.52%	1.71%	1.67%
TOTAL	100.00%						
NUMBER OF RACE DAYS ALLOCATED PER SEASON							
	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Northern	124	125	122	120	118	119	118
Central	103	102	100	97	98	97	97
Southern	72	73	75	73	73	73	75
TOTAL GALLOPS	299	300	297	290	289	289	290

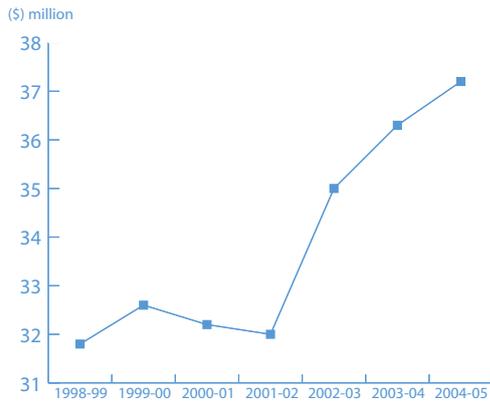
NUMBER OF FOALS BRED IN NZ



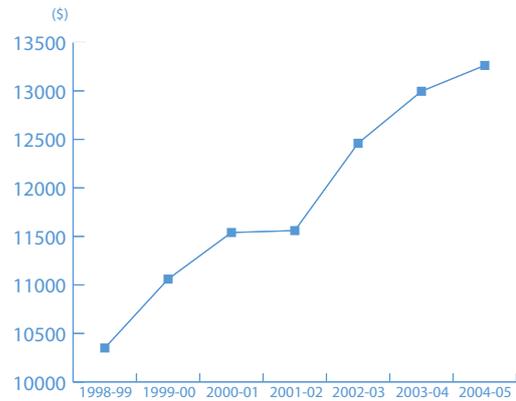
NUMBER OF HORSES RACING IN NZ



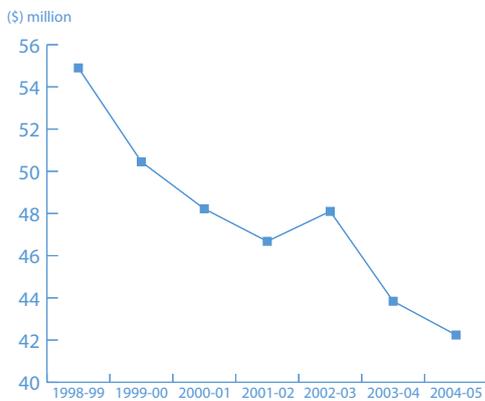
PRIZEMONEY PAID



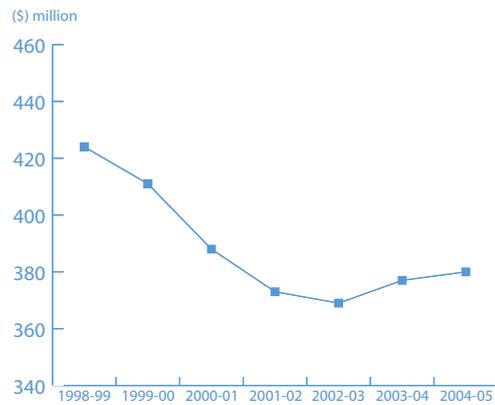
AVERAGES STAKE PER RACE



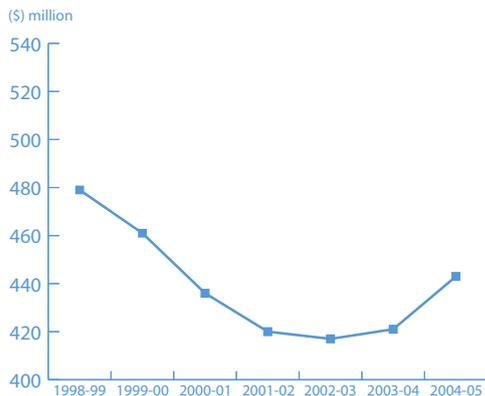
ON-COURSE BETTING



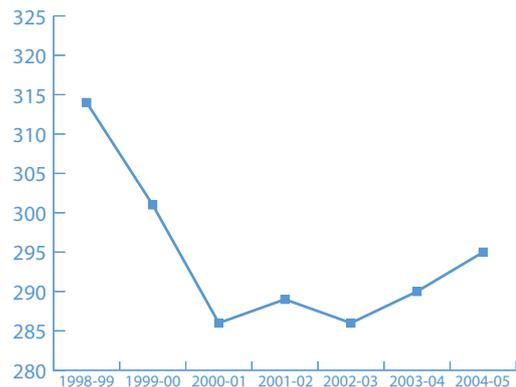
OFF-COURSE BETTING



TOTAL TURNOVER



NUMBER OF MEETINGS





group one winners NEW ZEALAND 2005–2006

BALDESSARINI (LEFT), JOKERS WILD

RACE	HORSE	STAKE
Mudgway Fair Tax For Racing Stakes	Xcellent	\$200,000
Stoney Bridge Stakes	Miss Potential	\$150,000
Kelt Capital Stakes	Xcellent	\$1,000,000
Capital City Ford Captain Cook Stakes	Hurrah	\$100,000
New Zealand Bloodstock 1000 Guineas	Seachange	\$275,000
Christchurch Casino NZ 2000 Guineas	Darci Brahma	\$300,000
Courtesy Ford Levin Classic	Wahid	\$200,000
New Zealand Bloodstock Avondale Gold Cup	Creil	\$150,000
Zabeel Classic	Bazelle	\$150,000
Waiwera Infinity Railway Stakes Handicap	Baldessarini	\$200,000
Century City Developments Telegraph Hcp	Gee I Jane	\$120,000
Dulux NZ Colour Map Wellington Cup	Envoy	\$250,000
GT Nissan Thorndon Mile	Macavelli Miss	\$150,000
Whakanui Stud International Stakes	Snazzy	\$100,000
Waikato Draught Sprint	Kristov	\$100,000
Otaki Maori WFA	Darci Brahma	\$100,000
Mercedes Derby	Wahid	\$600,000
SkyCity Auckland Cup	Pentane	\$600,000
Ford Diamond Stakes	Jokers Wild	\$150,000
Starcraft NZ Stakes	Kristov	\$150,000
New Zealand Bloodstock New Zealand Oaks	Legs	\$300,000
Ford Manawatu Sires' Produce Stakes	Jokers Wild	\$125,000
New Zealand Bloodstock Breeders Stakes	Arlingtonboulevard	\$120,000
Speights Easter Handicap	Rags To Riches	\$150,000



group one winners INTERNATIONAL 2005–2006

STARCRAFT (LEFT), GEE I JANE

RACE

Longchamp Prix du Moulin de Longchamp
MRC Underwood Stakes
Newmarket Queen Elizabeth II Stakes
AJC George Main Stakes
MRC Yalumba Caulfield Stakes
VRC Motorola Mackinnon Stakes
VRC Seppelt Salinger Stakes
HKJC Cathay Pacific Hong Kong Cup
HKJC Stewards Cup
HKJC Hong Kong Gold Cup
STC Dubai Rosehill Guineas
SAJC Schweppes Australasian Oaks
BTC Jacob's Creek BTC Cup

HORSE

Starcraft
Perlin
Starcraft
Mr Celebrity
El Segundo
Lad Of The Manor
Glamour Puss
Subscribe
Russian Pearl
Cheerine Kid
De Beers
Marju Snip
Gee I Jane



mercedes thoroughbred racing awards

THE 15TH ANNUAL MERCEDES THOROUGHbred RACING AWARDS DINNER, SPONSORED FOR THE SIXTH CONSECUTIVE YEAR BY DAIMLERCHRYSLER, WAS HELD IN THE CHRISTCHURCH CONVENTION CENTRE ON FRIDAY, 12TH AUGUST 2005.

The final number of guests exceeded 500 with support from all sector groups, together with the Canterbury racing fraternity, and entertainment from The Beat Girls ensured that the night was a huge success.

Xcellent was a popular choice as Mercedes Horse of the Year as was the announcement of long-time industry supporter and participant, Graeme Rogerson, as the recipient of the Contribution to Racing award.



Mercedes-Benz









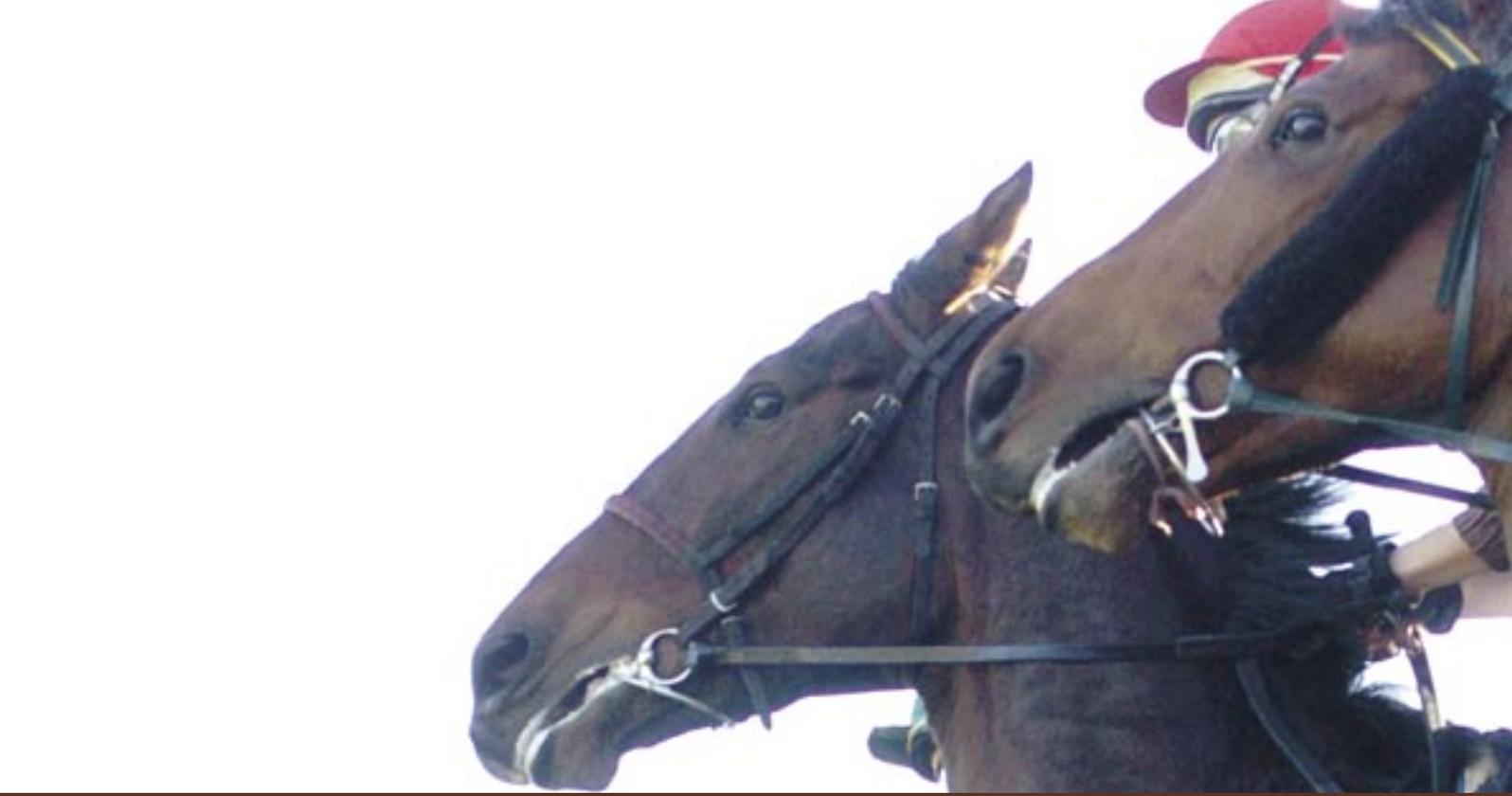
mercedes roll of honour

AWARD

Mercedes Champion Two Year Old
 Mercedes Champion Three Year Old
 Mercedes Champion Sprinter/Miler
 Mercedes Champion Stayer
 Mercedes Champion Weight-For-Age Performer
 Mercedes Champion Jumper
 New Zealand Bloodstock Filly of the Year
 Dewar Stallion of the Year
 Grosvenor Stallion of the Year
 Mercedes Broodmare of the Year
 Mercedes Breeder of the Year
 McBeath Leading Apprentice Jockey of the Year
 Mercedes Jumps Jockey of the Year
 Mercedes Owner of the Year
 Dunstan Trainer of the Year
 Mercedes Media Contribution Award
 Mercedes Award for Outstanding Contribution to Racing
 MERCEDES HORSE OF THE YEAR

2005

Darci Brahma
 Xcellent
 Calveen
 Zabeat
 Balmuse, St Reims
 No Hero
 Justa Tad
 Zabeel
 Volksraad
 Flying Floozie (Starcraft)
 Garry Chittick
 Matt Cameron
 Jonathan Riddell
 Rudy Liefting
 Graeme Rogerson & Stephen Autridge
 Luke Radich
 Graeme Rogerson
 Xcellent



financial statements



STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2006

	NOTES	2006 \$	2005 \$
NZTR CORE ACTIVITIES			
Income			
Calendar & Publications		384,222	357,870
Registrations		1,503,685	1,057,037
Levies		2,314,220	2,255,154
Licence Fees		215,444	175,764
Stud Book		1,233,465	1,269,642
Interest		328,387	71,987
Sundry Income		155,862	397,076
NZRB Surplus		335,656	1,410,263
Total Income		6,470,941	6,994,793
Less Expenses			
Calendar & Publications		273,958	269,636
Ownership & Industry Initiatives		77,644	98,388
Property & Central Overheads	10	470,421	407,277
IT Infrastructure & Network Costs	11	938,911	555,554
Special Projects	12	320,074	272,961
Salaries & Other Staff Costs		2,709,836	2,731,267
Other Department Costs	13	1,138,196	1,505,218
Sundry Costs	14	993,425	693,708
Club Payment ex Surplus		-	741,800
Total Expenses		6,922,465	7,275,809
Net Profit/(Loss) before Extraordinary Items		(451,524)	(281,016)
Surplus on Sale of Land & Buildings		-	1,122,123
Restructuring Costs		(279,934)	-
Net Profit/(Loss) after Extraordinary Items	7	(\$731,458)	\$841,107
NZTR DISTRIBUTION ACCOUNT			
Income from NZRB Funding			
NZRB Code Distributions & Levies		36,799,061	34,442,885
NZRB Supplementary Funding		571,799	1,840,580
Stakes Levies on Certificates of Export		-	127,644
Code Distribution Reserve		-	37,378
Code Supplementary Funding Reserve		-	181,388
Total Income from NZRB Funding		37,370,860	36,629,875
Expenses from NZRB Funding			
Club Products Payments & Subsidies		37,760,900	33,924,934
Supplementary Levies		403,920	1,661,067
Classic Races Stakes Subsidies		-	45,000
Total Expenses from NZRB Funding		38,164,820	35,631,001
Net Profit/(Loss) transferred to Reserves		(\$793,960)	\$998,874
NZTR DISTRIBUTION PROFIT/(LOSS) ALLOCATED TO RESERVES AS FOLLOWS:			
Transfer to Classic Races Stakes Subsidy Reserve	7	-	82,644
Transfer to Code Distribution Reserve	7	(961,839)	555,329
Transfer to Code Supplementary Funding Reserve	7	167,879	360,901
		(\$793,960)	\$998,874

The notes following are to be read in conjunction with these financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2006

	NOTES	2006 \$	2005 \$
EQUITY			
Opening Retained Earnings		4,295,082	2,165,270
Net Profit/(Loss) for the period		(731,458)	2,129,812
Closing Retained Earnings	7	3,563,624	4,295,082
Reserves:			
Classic Races Stakes Subsidy Reserve	7	143,755	143,755
Code Distribution Reserve	7	(406,510)	555,329
Code Supplementary Fund Reserve	7	528,780	360,901
NZ Thoroughbred Bonus Scheme	7	1,916,864	1,568,154
TOTAL EQUITY		\$5,746,513	\$6,923,221
Represented by:			
CURRENT ASSETS			
ANZ Current Account		138,771	404,882
ANZ Term Deposits		4,100,000	5,050,000
Trade Debtors		277,438	225,611
Levies Receivable		239,725	212,721
Short Term Loans and Advances		20,000	-
Sundry Debtors		161,055	133,318
NZ Thoroughbred Bonus Scheme	7	1,916,864	1,568,154
Code Distribution Account	7	-	555,329
TOTAL CURRENT ASSETS		6,853,853	8,150,015
LESS CURRENT LIABILITIES			
Trade Creditors		1,663,587	2,261,771
Provision for Annual Leave		443,929	486,923
Fees & Subscriptions in Advance		199,517	239,262
Race Day Disaster Fund		1,614	4,288
Code Distribution Account	7	406,510	-
TOTAL CURRENT LIABILITIES		2,715,157	2,992,244
NET CURRENT ASSETS		4,138,696	5,157,771
NON-CURRENT ASSETS			
Property Plant and Equipment	6	1,006,217	1,613,850
Loans & Advances	9	601,600	151,600
TOTAL NON-CURRENT ASSETS		1,607,817	1,765,450
NET ASSETS		\$5,746,513	\$6,923,221

The Financial Statements were approved by the Board on 16 June 2006

P BITTAR, CHIEF EXECUTIVE

The notes following are to be read in conjunction with these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2006

	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Fees, Services and Subscriptions	3,439,653	3,346,405
Levies	2,287,217	2,028,894
Receipts from NZ Racing Board	37,706,516	37,685,981
NZ Thoroughbred Bonus Scheme	348,710	1,568,154
Property Revenue	-	84,467
Interest Income	242,102	116,859
	<u>44,024,198</u>	<u>44,830,760</u>
Cash was applied to:		
Payment to Suppliers and Employers	(6,908,361)	(4,416,612)
Payments to Clubs	(38,164,820)	(36,327,801)
NZ Thoroughbred Bonus Scheme	(348,710)	(1,568,154)
	<u>(1,397,693)</u>	<u>2,518,193</u>
Net Cash Flow from Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from Sale of Fixed Assets	79,475	31,276
Proceeds from Sale of Building	-	2,400,000
	<u>79,475</u>	<u>2,431,276</u>
Cash was applied to:		
Purchase of Fixed Assets	(409,732)	(715,588)
Sale/(Purchase) of Investments	1,461,839	(3,925,329)
	<u>1,131,582</u>	<u>(2,209,641)</u>
Net Cash Flow from Investing Activities		
Net (Decrease) Increase in Cash held	(266,111)	308,552
Add Opening Cash	404,882	96,330
	<u>\$138,771</u>	<u>\$404,882</u>
CLOSING CASH		
RECONCILIATION OF OPERATING CASH FLOWS WITH NET PROFIT/(LOSS) ON OPERATIONS		
Net Profit/(Loss) to Accumulated Fund	(731,458)	841,107
Add Non-Cash Items:		
Loss on Sale of Fixed Assets	32,576	94,702
Gain on Sale of Building	-	(1,122,123)
Depreciation	905,314	442,155
Transfer to (from) Reserves	(793,960)	998,874
	<u>143,930</u>	<u>413,608</u>
Add Movement in Other Working Capital Items		
Accrued Interest	(86,285)	(253)
Sundry Debtors	(40,283)	205,377
Sundry Creditors	(643,852)	1,032,136
Fees in Advance	(39,745)	26,218
	<u>(810,165)</u>	<u>1,263,478</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(\$1,397,693)</u>	<u>\$2,518,193</u>

The notes following are to be read in conjunction with these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

1. STATEMENT OF ACCOUNTING POLICIES

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

REPORTING ENTITY

The General Account is the administrative account of New Zealand Thoroughbred Racing Inc.

The financial statements have been prepared in accordance with generally accepted accounting principles.

BASIS FOR PREPARATION

The measurement base adopted is historical cost. Reliance is placed on the fact that New Zealand Thoroughbred Racing is a going concern. Accrual accounting is used to match expenses and revenues.

CHANGE IN ACCOUNTING POLICIES

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

SPECIFIC ACCOUNTING POLICIES

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

a) Trade Debtors

Accounts receivable are stated at their estimated realisable value after writing off any debts considered uncollectable.

b) Property, Plant & Equipment

Are stated at cost less accumulated depreciation which has been calculated on the following basis:

Office Equipment, Furniture & Fittings	20% on diminishing value
Motor Vehicles	20% on diminishing value
Computer Equipment	20% straight line
Bloodtyping Unit Equipment	20% on diminishing value

c) Investments

Investments are stated at cost

d) Taxation

The New Zealand Thoroughbred Racing Inc is the administrative body overseeing the operations of the country's thoroughbred horse racing and racing clubs. They are specifically mentioned in the Income Tax Act 1995 as being exempt from income tax. Accordingly, no income tax has been provided for in the financial statements.

e) Reserves

The policy of making specific allocations from net operational profit to cover estimated future costs of specific projects has been continued.

COMPARATIVE INFORMATION

Due to the change in reporting format, comparatives have been amended to ensure comparability with current year disclosures. These changes do not have an effect on reported profit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

2. NATURE OF BUSINESS

The New Zealand Thoroughbred Racing Inc is the administrative body overseeing the operations of the country's thoroughbred horse racing and racing clubs.

3. CAPITAL COMMITMENTS

There are no capital commitments as at 31 March 2006. (2005:\$nil)

4. CONTINGENT LIABILITIES

We are not aware of any litigation in process except, NZ Livestock Limited (NZLL) who issued proceedings against NZTR on 22 December 2005 in relation to the New Zealand Incentive Scheme Series (NZISS) and New Zealand Thoroughbred Bonus Scheme (TBS), claiming NZTR acted anti-competitively when establishing the TBS. NZTR is currently awaiting a response to NZTR's Notice requiring further and better particulars of the claim from NZLL. The financial impact of this proceeding, beyond legal costs, is unclear at this early stage.

5. LEASE COMMITMENTS

Lease Commitments as at 31 March 2006 are as follows: (2005:\$nil)

Motor Vehicles

Due in 12 months – Current	\$6,097
Due in 1-5 years – Non Current	\$11,178

6. PROPERTY, PLANT AND EQUIPMENT

	Cost \$	Accumulated Depreciation \$	2006 NBV \$	2005 NBV \$
Office Equipment, Furniture & Fittings	435,828	206,598	229,230	279,444
Motor Vehicles	279,300	107,218	172,082	189,123
Computer Equipment	2,461,284	1,856,379	604,905	1,070,485
Bloodtyping Unit Equipment	-	-	-	74,798
Total	\$3,176,412	\$2,170,195	\$1,006,217	\$1,613,850

Fixed Asset additions during the year totalled \$409,732, comprising of Computer Programmes and Equipment \$317,012, Office Equipment, Furniture & Fittings \$18,655 and Motor Vehicles \$74,065.

The Bloodtyping Unit Equipment was sold to Massey University in March 2006.

Depreciation Expense

	2006 \$	2005 \$
Office Equipment, Furniture & Fittings	68,869	36,904
Motor Vehicles	40,568	47,282
Computer Equipment	780,916	339,270
Bloodtyping Unit Equipment	14,961	18,699
	\$905,314	\$442,155

Computer Programmes and Equipment depreciation was found to be under depreciated in previous years therefore an additional write off of depreciation of \$378,178 was made this year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

7. ACCUMULATED FUNDS & RESERVES

	2006 \$	2005 \$
RETAINED PROFITS AT START OF YEAR	4,295,082	2,165,270
Net Profit/(Loss) After Extraordinary Items	(731,458)	841,107
Transfer from Capital Reserve	-	1,096,031
Transfer from Stud Book	-	192,674
RETAINED PROFITS AT END OF YEAR	\$3,563,624	\$4,295,082
RESERVES:		
CLASSIC RACES STAKES SUBSIDY		
Opening balance	143,755	61,111
Transfer from Net Profit/(Loss)	-	82,644
Closing balance	\$143,755	\$143,755
CODE DISTRIBUTION		
Opening balance	555,329	-
Transfer from Net Profit/(Loss)	(961,839)	555,329
Closing balance	(\$406,510)	\$555,329

With the introduction of the Racing Act 2003 on 1 August 2003 responsibility for the payment of funding to clubs became that of the code governing the body. Under Section 17 of the Act the New Zealand Racing Board (NZRB) is to pay its distributions to the codes.

Each racing code is then responsible pursuant to Section 25 to distribute this funding to clubs in line with their funding policy. Funding allocated for this purpose is set aside in the Code Distribution Account with settlements paid to clubs by the NZRB on NZTR's behalf after each race meeting.

For the year ended 31 March 2006, NZRB distributed to clubs on NZTR's behalf in excess of the available funds in the Code Distribution Account creating a deficit.

CODE SUPPLEMENTARY FUND

Opening balance	360,901	-
Transfer from Net Profit/(Loss)	167,879	360,901
Closing balance	\$528,780	\$360,901

The NZ Racing Board agreed in August 2003 to make funds available to be used in supplementing stakes.

The amount is received in trust to be fully paid on to individual thoroughbred racing clubs for the support of race day stakes.

The closing balance is the amount not yet expended at 31 March 2006.

NZ THOROUGHBRED BONUS SCHEME

Opening balance	1,568,154	-
Transfer from Net Profit/(Loss)	348,710	1,568,154
Closing balance	\$1,916,864	\$1,568,154

The NZ Thoroughbred Bonus Scheme makes payments to horses enrolled in the scheme that win, or are placed in specified bonus races. All NZ Thoroughbred Bonus Scheme funds are separately invested and accounted for as a special reserve that can only be applied to the NZ Thoroughbred Bonus Scheme.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

8. FINANCIAL INSTRUMENTS**NATURE AND EXTENT OF ACTIVITIES**

New Zealand Thoroughbred Racing Inc has exposure to financial instruments principally through debtors, cash, short term bank investments 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 loans & advances which are impractical to measure their fair value as they are interest free.

CREDIT RISK

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

New Zealand Thoroughbred Racing places its cash and short term investments with quality financial institutions, such as the ANZ Bank. Amounts owed to New Zealand Thoroughbred Racing are mostly due from entities in the racing industry and hence credit risk is considered low.

9. RELATED PARTY NOTE

New Zealand Thoroughbred Racing entered into transactions during the year with related party, New Zealand Owners' Settlement which manages all settlements in regards to thoroughbred racing. The transactions were for administration fees charged to New Zealand Owners' Settlement and for the year totalled:

	2006 \$	2005 \$
New Zealand Owners' Settlement Administration Fee	110,771	98,716

New Zealand Thoroughbred Racing has advanced the following amounts interest free to related parties:

New Zealand Equine Education Trust	151,600	151,600
New Zealand Owners' Settlement	450,000	-
	\$601,600	\$151,600

10. PROPERTY & CENTRAL OVERHEADS

Rent and Property Expenses	67,289	20,422
Printing and Stationery	47,685	65,915
Postage	50,268	48,603
Telephone	46,826	69,026
Insurance	44,791	45,403
Depreciation	68,869	46,634
ACC Levy	28,008	25,072
Loss on Disposal of Assets	32,576	42,174
Other	84,109	44,028
	\$470,421	\$407,277

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

	2006 \$	2005 \$
11. IT INFRASTRUCTURE & NETWORK COSTS		
Depreciation	780,916	339,270
Maintenance & Network Costs	157,995	216,284
	\$938,911	\$555,554
12. SPECIAL PROJECTS		
Change Programme Manager	25,000	40,000
Venue Inspection - Phase 1 & 2	97,164	-
Chief Executive Recruitment	50,023	15,000
Strategic Planning Consultancy	25,580	73,485
Clusters	20,322	51,218
Wellington Racing Club Review	26,673	-
Penetrometer Recalibration & Review	22,600	-
Other Projects	52,712	93,258
	\$320,074	\$272,961
13. OTHER DEPARTMENT COSTS		
Drug Detection Costs	265,329	267,587
Bloodtyping Expense	257,518	330,000
Bloodtyping Equipment Depreciation	14,960	18,699
Microchipping Expense	15,588	56,789
Travel	197,075	157,928
FBT	33,864	37,607
Motor Vehicle Expense & Depreciation	130,758	170,306
Non Race Day Appeals	25,612	6,111
Sundry Department Costs	197,492	460,191
	\$1,138,196	\$1,505,218
14. SUNDRY COSTS		
Judicial Control Authority	149,472	136,981
Board Expenses	145,362	141,548
Legal & Professional	180,527	97,344
Audit Fees	18,500	18,000
Committees & Enquiries	78,190	58,631
Grants	254,678	110,158
International & Annual Conferences	129,838	119,046
Bad Debts Expense	24,483	-
Medical Advisor	12,375	12,000
	\$993,425	\$693,708

AUDIT REPORT

TO THE READERS OF THE FINANCIAL STATEMENTS OF NEW ZEALAND THOROUGHBRED RACING INCORPORATED

We have audited the attached financial statements. The financial statements provide information about the past financial performance of New Zealand Thoroughbred Racing Incorporated and its financial position as at 31 March 2006. This information is stated in accordance with the accounting policies set out in the notes to the financial statements.

Board's Responsibilities

The Board is responsible for the preparation of financial statements, in accordance with New Zealand law and generally accepted accounting practice, which fairly reflect the financial position of New Zealand Thoroughbred Racing Inc as at 31 March 2006 and the results of its operations and cash flows for the year ended 31 March 2006.

Auditors' Responsibilities

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

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 Board in the preparation of the financial statements, and
- whether the accounting policies are appropriate to New Zealand Thoroughbred Racing Inc'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 give 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 auditors we have no relationship with or interests in New Zealand Thoroughbred Racing Inc.

Unqualified Opinion

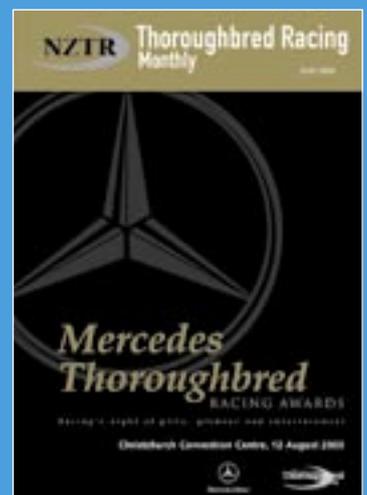
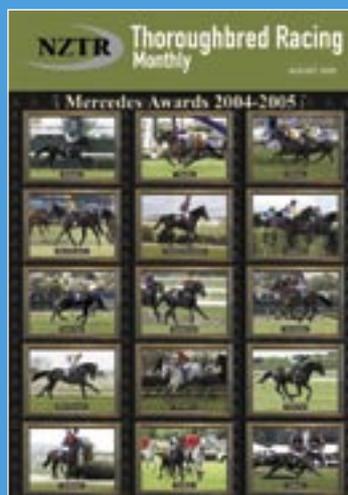
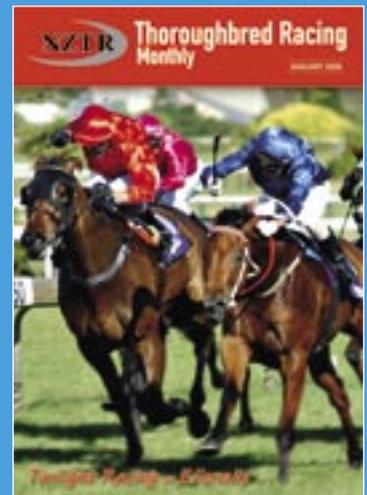
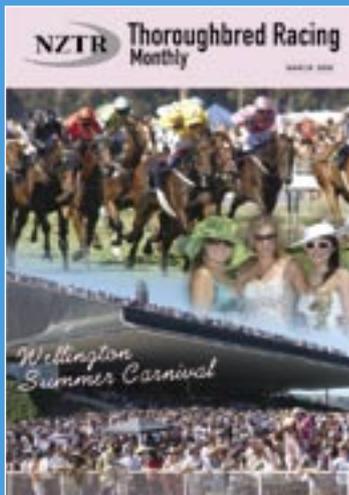
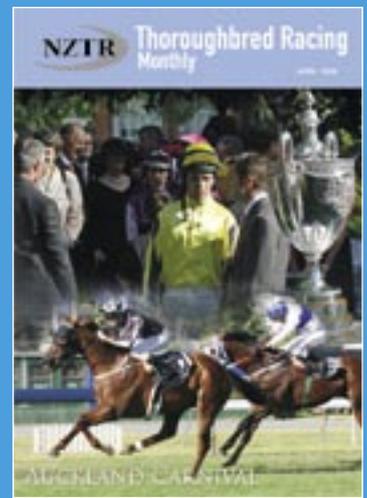
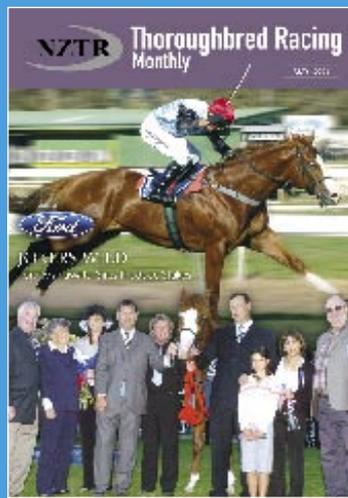
We have obtained all the information and explanations we have required.

In our opinion the attached financial statements fairly reflect the financial position of New Zealand Thoroughbred Racing Inc as at 31 March 2006 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 16 June 2006 and our unqualified opinion is expressed as at that date.



**CHARTERED ACCOUNTANTS
WELLINGTON, NEW ZEALAND**





NZTR INC.

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

PO Box 38 386 + Wellington Mail Centre + New Zealand

TELEPHONE: +64 4 576 6240 FACSIMILE: +64 4 568 8866 EMAIL: office@nzh racing.co.nz

WEBSITE: www.nzh racing.co.nz

