

New Zealand Thoroughbred Racing
ANNUAL REPORT 2006 / 2007

NZTR





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ANCA



LADIES DAY OUT



DESTINATION SUMMER HOLIDAY RACING



SIR SLICK

2006 / 2007



DORABELLA



FASHION AT ELLERSLIE



ZABEEL



LEGS



REAL TONIC



SEACHANGE, DARCI BRAHMA



TOMMY HAZLETT



JURY'S OUT



KEEP THE PASSION



DICK KARREMAN, RICK WILLIAMS, RT HON WINSTON PETERS



DEZIGNA



KUMARA GOLD NUGGETS DAY



board and management

BOARD OF DIRECTORS

Guy Sargent (Chairman)	Central Region
Alistair Sutherland	Northern Region
Colin Jenkins	Northern Region
John Rattray	Central Region
Brian Kinley (Resigned June 2007)	Southern Region
George Ritchie (Appointed July 2007)	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



FROM LEFT TO RIGHT: GUY SARGENT (CHAIRMAN), ALISTAIR SUTHERLAND, JOHN RATTRAY, PETER HUTT, GRAEME SANDERS, KEITH NEYLON, COLIN JENKINS, JOHN RENNIE, GEORGE RITCHIE AND MURRAY BLUE

nztr board committees



STAFFING COMMITTEE



FINANCE COMMITTEE



INTEGRITY COMMITTEE



FUTURE FUNDING AND DATES COMMITTEES

STAFFING COMMITTEE

CONSTITUTION

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

FUTURE FUNDING COMMITTEE

CONSTITUTION

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

FINANCE COMMITTEE

CONSTITUTION

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

DATES COMMITTEE

CONSTITUTION

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

INTEGRITY COMMITTEE

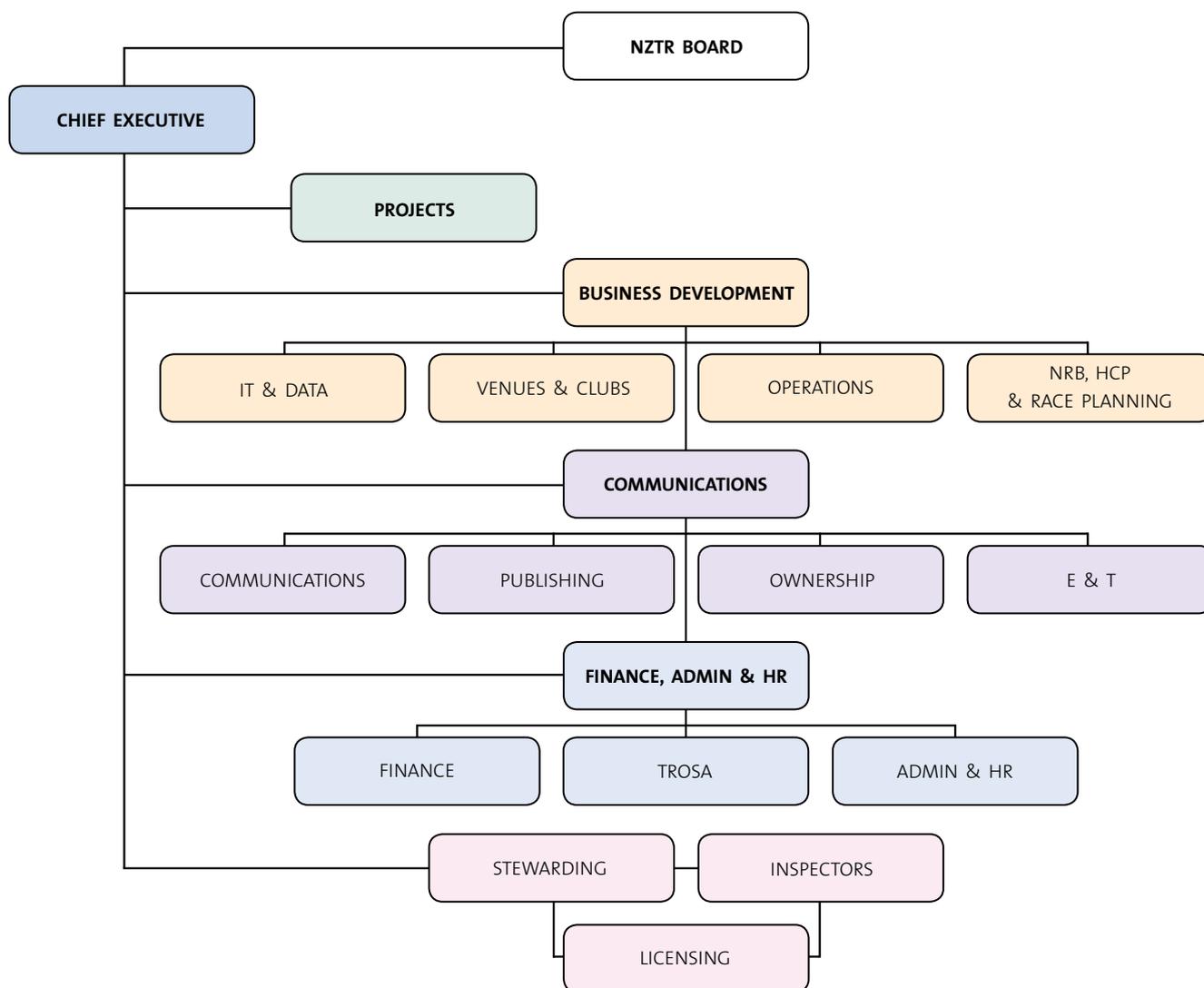
CONSTITUTION

Chairman: Brian Kinley (Resigned November 2006)
 Chairman: Paul Bittar (Appointed November 2006)
 Members: Peter Hutt, Colin Jenkins
 In attendance: Fin Powrie (Resigned July 2007)
 Secretary: Chris Weder



nztr executive team

FROM LEFT TO RIGHT: SIMON COOPER (GM, COMMUNICATIONS), CAMPBELL MONCUR (GM, BUSINESS DEVELOPMENT), PAUL BITTAR (CE), AND FIN POWRIE (GM, INTEGRITY) (RESIGNED JULY 2007)





nztr

FROM LEFT TO RIGHT: CAMERON GEORGE (CHIEF STIPENDIARY STEWARD), CHRIS WEDER (PROJECTS MANAGER), DARREN JONES (OPERATIONS MANAGER), AMY ZAVROS (FINANCIAL CONTROLLER) AND CRAIG BAKER (RACING CO-ORDINATOR)

CHIEF EXECUTIVE

Paul Bittar

SENIOR MANAGERS

Campbell Moncur – General Manager, Business Development

Simon Cooper – General Manager, Communications

Fin Powrie – General Manager, Integrity (Resigned July 2007)

Amy Zavros – Financial Controller

Cameron George – Chief Stipendiary Steward

John McKenzie – Chief Racecourse Inspector

Darren Jones – Operations Manager

Craig Baker – Racing Co-ordinator

PROJECTS

Chris Weder

EXECUTIVE ASSISTANT

Janice Tinney

RECEPTION

Sally Ralph

NATIONAL RACING BUREAU

Cheryle Barnsley, Phil Clements, Linda Gove, Scott Hunt

HANDICAPPING

Dean Nowell (Senior), Brett Scelly

WEBSITE ADMINISTRATOR

James Preston

IT

Stuart Duggan, Georg Magerl

NATIONAL VENUE INSPECTOR

Garry Foskett

PUBLICATIONS

Allan Child

LICENSING AND EQUINE TRAINING

Matthew Barnsley

APPRENTICE SCHOOL DIRECTORS

Sally Waters – Auckland/Waikato

Sarah Malone – Central

Bob Smith – Southern

Diana Strang – Southland

FINANCE

Paul Dicker, Lucky Bryce

OWNERS SETTLEMENT ACCOUNT

Christine Young

OWNERSHIP MARKETING CO-ORDINATOR

Diane Kenny

OPERATIONS (STUD BOOK & REGISTRATIONS)

Julie Walker, Kay Thomson, Michael Leigh, Liz Webley,

Vaine Strickland

STIPENDIARY STEWARDS

Stewart Ching, Alan Coles, Neil Goodwin, John Oatham,

Andrew Ray

ASSISTANT STIPENDIARY STEWARDS

Matthew Barnsley, Brian Bateup, Mark Davidson,

Murray Humphries, Michael Lawson, Jeff McLaughlin,

Warwick Robinson, Garry Stewart, Matthew Williamson

RACECOURSE INSPECTORS

Brian McKenzie, Robin Scott, Bob Bevege, Don Wisely,

Bryan Oliver (Assistant)

chairman's statement



I AM DELIGHTED TO REPORT A YEAR OF CONSIDERABLE PROGRESS FOR THE THOROUGHbred RACING INDUSTRY AND NZTR ACROSS A WIDE RANGE OF INITIATIVES. CRITICALLY, WE HAVE NOT BEEN AFRAID TO TAKE ON ISSUES AND MAKE FUNDAMENTAL CHANGES, WHICH WE FIRMLY BELIEVE ARE IN THE INTERESTS OF THE WHOLE INDUSTRY. AS STATED IN ONE RACING PUBLICATION LAST MONTH – ‘NO ONE THESE DAYS CAN ACCUSE NZTR OF A LACK OF ENDEAVOUR.’



We set out our key goals at the start of 2006/07 and we have achieved all of them. On behalf of the Board it is gratifying to be able to open my Statement with this declaration.

INTERNATIONALISATION

The landmark industry event of the 2006-07 season was the May signing-off of the betting agreement between the New Zealand Racing Board, all three codes and Australia's Tabcorp. The commingling of pools was underway by June. In the first year of operation the codes will share in a \$12 million bonanza through increased betting turnover. The predictions are that in year two it will grow to \$17 million and the following year to \$22 million.

A key factor in successfully negotiating the deal with Tabcorp was establishing a suitable calendar. The seven-day schedule for New Zealand kicks off at midday to coincide with the 10.00am Eastern Standard Time start for betting in Australia. Friday has become a regular raceday and some eight-race programmes have been introduced to ease the burden on the available pool of horses for our meetings. The real opportunity now exists to take Kiwi racing and wagering into European, North American and Asian markets.

FUNDING

NZTR has committed to a new funding model, following agreement to move forward with commingling with the TAB. The focus of the funding model is to ensure protection for clubs by way of underwrite for the majority of meetings, while still providing incentive opportunities to allow well-managed clubs to generate a profit. The policy is also aimed at ensuring that strategic training centres are provided with incentives, to be paid on a supply basis. This is critical in view of the direct relationship between number of starters and wagering turnover, the potential loss of runners due to poor training facilities, and the \$800,000 annual loss by training centres. Training centre payments will not be available to private training establishments.

NZTR is providing some relief to clubs through the funding by NZTR of core on-course raceday services. And with the withdrawal of Nomination and Withdrawal fees clubs are paid a fee per meeting calculated using average nomination and withdrawal fee income over the previous 12-month period prior to the end of November 2006 so that there is no impact on their financial position.

VENUES

We began in 2005 a full review of venues throughout New Zealand, which put in place the Venue Warrant of Fitness. In alignment with this we have appointed a National Venue Inspector.

That review has progressed to the Strategic Venue Report, which is currently being considered by clubs. This has taken into account the merits of holding industry days closer to horse populations, taking advantage of industry initiatives (e.g. DSHR), promoting/exploring new initiatives (e.g. Twilight / 6 - 8 race meetings), aligning race meetings with appropriate venues, factoring in human populations and horse populations, costs to service the different types of meetings, the potential to grow raceday income and non-raceday income, training centres and alternative racing surfaces. The last of these is being reviewed by the NZRB as I write and, subject to approval, will benefit our industry enormously.

We have also facilitated a number of Regional Feasibility Studies of clubs and venues.

A new initiative has seen NZTR engage Turftech to conduct a racetrack assessment programme of all tracks over the next two years. The outcome of this assessment programme will assist Clubs



in the maintenance programmes they put in place for their tracks in the future. NZTR has also entered into negotiations with a contractor in the South Island and another one in the North Island to deliver an annual maintenance programme for tracks using specialist machinery.

INTEGRITY

A wide range of recent measures has been taken to strengthen our integrity. These include but are not restricted to:

- Enhanced Gear notification
- Increased levels of Swabbing
- Drug-testing of Riders
- Safety of starting staff
- Review of structure & delivery of raceday services
- A full review of the Rules of Racing initiated
- Appointment and management of Raceday Officials
- Increased number of Stewards and resources, training & development

A training programme is currently being created for Cadet Stipendiary Stewards and development training for existing Stewards. This intensive full-time programme will include all facets of Racing Control, together with formal development plans.

HEALTH AND SAFETY

Jockey Safety Vests and Helmets being used in New Zealand racing have been monitored by Stipendiary Stewards to determine which fall short of standards.

NZTR is also monitoring and testing Safety Stirrup Irons; monitoring recommendations from the Australian Racing Board's (ARB) National Jockeys' Safety Review, an ongoing review, through Racing Victoria's Des Gleeson (Integrity Manager) and David Charles (Welfare and Safety Officer) as well as the current Australian Barrier Running Rail trials at Geelong.

NZTR has recently introduced a Rule to preclude the use of diuretics by riders and is investigating the introduction of a Rule, which would preclude pregnant riders continuing to ride after a certain stage.

NZTR has put in place with the National Office of St John the provision of a standard level of St John service on race days.

COMMUNICATION

In the area of communication NZTR now makes itself much more widely available to industry stakeholders at Regional Forums and Stakeholder Meetings, cluster and club Board meetings (by invitation), biannual discussions with the Race Club Managers' Group and others.

We have redesigned and relaunched our portal – www.nzracing.co.nz. It receives more than 90,000 hits a day and 2.6 million a month and has over 13,000 Registered Users. It has become, in the space of 9 months only, the online 'Home of thoroughbred racing in NZ.'

The site provides a number of new features including:

- National Racing Bureau (NRB) online
- Race videos
- Interactive Map, Club and Course searches
- Fixture search by Club/Region/ Course/Date
- Contact and 'how to get there' info
- Track diagrams and course images
- Online marketing opportunities (Features)
- Facilities, Membership details

NZTR

The last year has seen further changes to NZTR's management structure and their primary goals and objectives. All of these are aimed at providing even better customer service and further efficiencies which we can pass on to the industry.

OWNERS

Owners have been a particular focus for us, with a significant rise in stake levels and the introduction of Free Racing for all events except those at Group, Listed and Prestige Jumping Race levels.

Last season saw a remarkable 30.5% increase in returns to owners over the previous season, and bear in mind that Free Racing was introduced only in February.

Significant investment was made in improving ownership in 2006/07, including the appointment of a dedicated Ownership Marketing Co-ordinator – Diane Kenny. Among the initiatives introduced were:

- E-Privileges
- Drafting of minimum standards for Owners oncourse
- Launch of 0800 4 Racing for potential and existing Owners

TRAINING AND DEVELOPMENT

The NZTR Board determined in late 2006 that it takes a strong leadership role in training and development policy and provision for the thoroughbred code.

The first full review by NZTR of industry training has now been completed based upon issues identified through a wide-ranging consultation process. Some major improvements have already been initiated and I will be reporting on further developments later in the year. It is NZTR's abiding aim to provide genuine career opportunities for those wishing to work in the racing industry.

GOVERNANCE

In 2006 the Board introduced five sub-committees reporting directly to the Board – Dates, Finance, Funding, Integrity, Staffing – and, following on from that, is undertaking a review of NZTR Governance. This is aimed

at clarifying the Board's role and to make governance more accountable to all thoroughbred racing industry stakeholders.

PROGRAMMING/ HANDICAPPING

The Board has taken a very active part in the prestige and number of graded stakes races in New Zealand to ensure a pyramid of quality for these races from Group One downwards based upon ratings.

Currently horses in New Zealand run an average of 5.5 starts per season. This compares to 6.0 starts per runner in the 1995-96 season and currently 6.3 starts per season in Australia. In an effort to achieve the goal of an additional start per horse per season, NZTR conducted a review into the Ratings Based Handicapping (RBH) System and Race Programming. As a result of this review new ratings bands have been introduced: Maiden / Rating 70 and under / Rating 80 and under / Rating 90 and under / Open.

These changes have been adopted to relieve the pressure on the horses within the lower division of ratings (those rated 76 and below).

From the inception of RBH it has the policy to not re-rate horses out of their grade for a place performance within their own grade. It was recommended that horses gaining a place performance in a race outside of their class be included under this policy. This policy is specifically aimed at increasing participation by encouraging lower rated horses to race in higher grades without being re-rated out of their current grade for a placed performance.

It was agreed that Race Programmes would be released three months in advance, replacing the current four months.

NZTR is currently implementing a project plan with the aim of introducing centralised programming over the next six to twelve months.

BREEDING

This Statement should record the international achievements of New Zealand-bred horses during the year. No less than three of the top ten ranked horses from countries, which conduct racing from 1 August through to 31 July – Vengeance Of Rain, Armada and El Segundo – were bred in New Zealand. We continue to punch above our weight.

As I write this New Zealand is still Equine Influenza-free. Australia has committed to eradicating the disease and New Zealand stands by that. It is hoped that the short-term impacts remain just that. Our sympathy goes to those in the Australian racing industry.

APPRECIATION

NZTR Management has achieved remarkable progress in a range of areas during 2006/07 and the Board's considerable appreciation of the work of our Chief Executive, Paul Bittar, and his team is fully deserved.

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

FAREWELL

We said goodbye to our longest-serving Board member, Brian Kinley, during the year. The Board sincerely appreciated Brian's dedication over a number of NZTR activities and over a number of years.

GUY SARGENT
CHAIRMAN



nztr initiatives and outcomes 01/08/06 – 31/07/07

ISSUES	AIMS	OUTCOMES
CALENDAR		
Commingle amendments	To provide consistent product under the commingling agreement with Tabcorp: seven-day schedule for NZ from 10.00am EST for betting in Australia, all Fridays and eight-race programmes.	The 2007/08 season sees an 8% increase in licenses from 299 to 324. Number of Premier meetings lifted from 39 to 45. In the first year of operation the codes will share \$12 million through increased betting revenue. The predictions are that in year two it will grow to \$17 million and the following year to \$22 million. Seven-day product presents the opportunity, through the NZRB's appointed agent, Tabcorp, to take NZ racing and wagering into Europe, North America and Asia.
COMMUNICATION		
Stakeholder communication	To improve stakeholder consultation and to place more emphasis on communications.	NZTR makes itself much more widely available to industry stakeholders and the Media through: biannual Regional Forums; biannual Stakeholder Meetings; attendance at cluster and club Board meetings (by invitation); biannual discussions with the Race Club Managers' Group; and Quarterly Financial Reports.
www.nzracing.co.nz redesigned and relaunched	To introduce NRB Online; race videos; interactive map, club and course searches; fixture search by club/region/course/date; contact and 'how to get there' info; and track diagrams.	The most visited site in the NZ Racing industry: receives more than 90,000 hits a day and 2.6 million a month and has over 13,000 Registered Users.
Mercedes Thoroughbred Racing Awards Voting Rules	To implement improvements to the voting process for the Mercedes Awards including all recommendations in Justice Wilson's report released last year.	Introduced a Recommendations Panel; reviewed the Voting Panel; revised voting system to include full auditing process; published votes; and a number of other additional improvements.
EDUCATION		
Training and Development Review	To review all aspects of the thoroughbred code's training and development provision.	A thorough review of all aspects of training and development which included several workshops with educationalists from other industries, participants in training, and stakeholders. A tiered introduction of initiatives recommended for implementation in 2007/08.
Apprentice School Attendance	To improve training and development of Apprentice Jockeys through the Apprentice School system.	Stipendiary Stewards are now rostered to attend weekly Apprentice Schools in each region and a curriculum is being developed, which will ensure consistency and overall coverage of specific topics.
Training and Development Programme	To expose full-time Integrity Staff to integrity teams and methods of working in other jurisdictions.	Three Stipendiary Stewards worked with the Racing Victoria and Racing New South Wales Stipendiary Stewards' panels. Chief Stipendiary Steward, Cameron George, attended the Australian National Chairmen of Stewards' Conference.
Media Training	To provide media training for all NZTR staff who interact with the Media to ensure clear and concise information dissemination.	One-to-one training provided by Dick Weir in presentation techniques and content. This followed regional consultation with all Trackside Staff and NZTR Integrity Staff together.
Prosecutions Seminar (JCA)	To provide relevant prosecution techniques to enable more effective prosecution of charges on raceday and non-raceday matters.	A Prosecutions Seminar was held for all Integrity Staff. Judge Stephen O'Driscoll conducted this.
Secondment of Canberra's Chairman of Stewards	To benchmark NZTR's standards of stewarding alongside other racing jurisdictions.	Six-week appointment of Canberra's Chairman of Stewards, John Davidson, to assist the New Zealand Stewards' Panel.
FINANCIAL SERVICES		
GST exemption for racehorses sold for export remaining in New Zealand for up to 24 months	In general, goods sold for export are GST-exempt provided they are exported within 28 days, but the Commissioner has the discretion to extend the period if there are good reasons for keeping the goods in New Zealand.	The racing industry's current GST-exemption of 12 months doubled. More yearlings sold overseas will remain in New Zealand for up to two years after they are sold, instead of the current one year, which is good for employment in racing and revenue for stud farms and trainers.
GST Information stored on Owners	To update NZTR's Owners Settlement system to allow the correct GST status of each individual to be held.	GST is now calculated on an individual's share rather than as a total group.
Owners Settlement Invoices	To show the split of financials per horse based on the ownership splits.	Each invoice now shows who individually owns a horse, their split and their GST status. Administrators no longer need to work out each individual's share of an invoice.

ISSUES	AIMS	OUTCOMES
FUNDING		
New funding model	To enhance overall returns to owners by reducing costs and increasing available returns and to underwrite the majority of meetings, while still providing incentive opportunities to allow well-managed clubs to generate a profit.	Overall forecast funding increase of \$5.7 million, up 9.2% from the previous season: doubled minimum prizemoney at Premier meetings in two years from \$10,000 to \$20,000; increased minimum prizemoney for Group and Listed races; \$770,000 to pay rider's fees for connections of horses that do not earn stakes in Maiden races (in place of starter incentive payments); expansion of the subsidy available for small club feature races from \$4,000 to \$6,000; inclusion of a riders engagement fee supporting riders who are engaged by connections but then are left without a ride when the horse is scratched; and Free Racing (see below for detail).
Free Racing	To increase Returns to Owners. New Zealand Owners have previously paid on average 14% of stakes in nomination and acceptance fees.	Nomination and Withdrawal Fees removed from all non-Group and Listed events and Prestige Jumping Races from 1 February 2007. Projected annualised increased Returns to Owners - \$3.2 million
Training centre payments	To address the potential loss of runners due to poor training facilities, and the \$800,000 annual loss by training centres while ensuring that strategic training centres are provided with incentives, to be paid on a supply basis.	A review of training centres was conducted and approximately \$300,000 in funding made available for payment to clubs towards the operating costs of 12 strategic training venues throughout the country for the first time. (These are not available to private training establishments.)
Funding of core on-course services	To provide support to clubs through the funding of some core on-course raceday services.	New funding to cover medical provision, Stenographers and Commentators, which equates to around \$4,000 per meeting.
NZ Thoroughbred Bonus Scheme (TBS) and the NZ Incentive Scheme Series (NZISS)	To continue to fund the TBS through the 2006/07 enrolments with further funding of \$480,000 and to strengthen the scheme for the long term beyond 2006/07.	Agreement reached to bring both the TBS and NZISS schemes together to ensure continuance for the benefit of breeders and owners for the long term. NZTBA to continue to operate the TBS for all TBS entrants accepted prior to 1 September 2007, until the TBS's obligations are met i.e. 31 July 2010.
HANDICAPPING		
Graded Stakes Review	To ensure a pyramid of quality for Graded stakes races in New Zealand from Group One downwards based upon ratings	'Warning system' more rigorously applied. Currently 45 races with first warnings (compared to 37 in the previous report) and 29 with second warnings (compared with 19 previously).
Review of Ratings Based Handicapping (RBH) System and Race Programming	To achieve an additional start per horse per season and relieving the pressure on horses rated 76 and below. (Currently horses average 5.5 starts per season, compared to 6.0 starts per runner in the 1995-96 season and currently 6.3 in Australia.)	Better conditions for lower rated horses to race in higher grades without being re-rated out of their current grade for a placed performance. New ratings bands introduced: Maiden; Rating 70 and under; Rating 80 and under; Rating 90 and under and Open.
Race Programming	To release Race Programmes three months in advance, replacing the current four months.	NZTR is currently implementing a project plan to introduce centralised programming over the next six to twelve months.
'Special Maiden Races'	To clarify this race category particularly for overseas markets. Clubs are running Special Maiden Races: Those that specify a date at which a horse had to have been a maiden and those meetings that form part of a carnival, which allow horses to be nominated for two days of the carnival in two maiden races, and if successful in the first, can run in the second with a re-handicap.	Removed Maiden from the name, and simply run 'Special Condition' races. Under the rules a race named as a maiden could only include maiden horses. To call a race a maiden (Special Condition or otherwise), and allow non-maiden horses to run in it, contravenes the New Zealand rules of racing.
HEALTH & SAFETY		
Safety Vests	To review and confirm a list of approved Safety Vests for use in NZ.	Integrity staff reviewed the various types of Safety Vests that are being used by riders and investigated other alternative Safety Vests that are currently utilised in, and meet the relevant standards of the UK and Europe. At the same time, the Australian Racing Board was undertaking testing of a number of vests as part of its National Jockeys' Safety Review. The Board agreed the approved list during 2006/07.
Diuretics	To ensure measures to maintain the health and safety of Jockeys.	Rules implemented to ban the use of diuretics.
Drug Testing of Riders	To ensure measures to maintain the health and safety of Jockeys.	An enhanced drug testing programme for race riders and track riders implemented during the 2006/07 season.
Establishment of a Jockey Safety Review Group (JSRG)	to undertake a review of all aspects of Jockey safety and to make recommendations.	A Review Group was established and their terms of reference drawn up in 2006/07. The Group is scheduled to start work in October 2007 and conduct its review between October and February 2008 with the aim of completing its report and presenting it to the NZTR Board by the end of February 2008 and implementing them from April 2008.
INTEGRITY		
Rules of Racing Review	To commence a complete review of the Rules of Racing.	This Review commenced in 2006/07 and will continue throughout the 2007/08 racing season with a view to having the modernised version finalised for implementation in the 2008/09 season.
Expanded Gear Notification list	To place a requirement on Trainers to notify NZTR of the addition or removal of racing gear to ensure complete information is provided to the Industry (punters) so that an informed assessment can be made as to a horse's chances in a race.	An expanded Approved Gear Notification List was approved with effect from 1 August 2006.
Swabbing Programme	To implement a full swabbing programme within three years.	An additional 200 samples collected and tested in 2006/07, and in the two subsequent seasons an additional 500 and a further 800, taking the total in 2008/09 to 4,000. Programme also includes pre-race TCO2 and barrier trial sampling.

nztr initiatives and outcomes 01/08/06 – 31/07/07 continued

ISSUES	AIMS	OUTCOMES
INTEGRITY CONTINUED		
Registration of all Stable Staff	To register all staff involved in the handling and managing of racehorses to enable NZTR to track and monitor all persons working around racing stables and training tracks.	This was developed and a structure put in place in 2006/07. It became effective on 1 August 2007.
Photo ID Cards for all Licencees	To issue all staff involved in the handling and managing of racehorses with photo ID cards.	All licensed/registered participants are now issued with a personalised photo ID card. Approximately 1500 Photo ID cards will be issued in 2007/08.
Liaison with JCA	To ensure a close working relationship between NZTR's Integrity Committee and the JCA.	The Chairman and the thoroughbred representatives on the JCA now meet with the Integrity Committee at least twice a year.
Additional Stewarding Resource	To provide a greater Stipendiary Steward presence at race meetings.	Andrew Ray employed as Stipendiary Steward for Central Region, based in Wellington (effective 26 March 2007).
Trackwork Attendance	To increase the presence and awareness of NZTR's Integrity Staff at early morning trackwork.	Stipendiary Stewards now rostered to attend and monitor events at early morning trackwork around the country.
ID Checking at Barrier Trials	To ensure the identity of horses competing at official Barrier Trials.	The identity of all horses that compete at Barrier Trials is now confirmed against official brands and markings records.
Barrier Trials Review	To review the impact of barrier trials (days and heats) on meetings scheduled before or after; health and safety issues for riders; the lack of the requirement for a horse to compete at a Barrier Trial or pass a 'barrier test' prior to raceday; and the lack of the requirement for a horse to be named to compete at Barrier Trials.	NZTR's Integrity Committee has requested Integrity Staff to undertake a comprehensive review of the structure and conduct of Barrier Trials.
Jockeys: Betting Mobile Phones Spurs Ownership	To understand why NZ is out of step with most international jurisdictions and to consider future policy with regard to allowing Jockeys: 1. To bet 2. To use mobile phones in and around the jockeys' rooms 3. To wear spurs in races and trials 4. To own horses	Decisions taken as follows: 1. Permitted to bet on a racecourse but only on account and using their own phone 2. Permitted to use in the Jockeys' Room only and until completion of riding engagements 3. Spurs banned 4. Ownership rules maintained as before
Deferral of Riders' Suspensions	To change the Rule to enable a rider to fulfil commitments for a period of up to seven days if a suspension is incurred.	Amendments to the Rules were approved. This became effective from 1 August 2007.
Automatic Stand-down	to provide for a Jockey to be stood-down until such time as the findings of any hearing are available. (Riders were able to continue riding pending the outcome of any hearing into a breach of the Rules for the presence of drugs.)	Amendments to the Rules were approved. This became effective from 1 August 2007.
Video and CCTV at Race meetings	To contribute to the NZRB review of the patrol towers and filming of races.	The NZRB has approved expenditure for the upgrading of video monitors and race patrol camera coverage.
Bloodstock Code of Practice	To consult with relevant agencies and investigated options for its introduction.	Wording for the introduction of the Code into the Rules is being drafted for further industry consultation.
JUMPING		
SHARP Jumping Crown competition	To increase interest and participation in Jumping and deliver sponsorship value for SHARP.	Free-to-enter online game launched in place of the Chase 7 competition comprising 50 races across 14 rounds concluding on the SHARP Great Northern Steeplechase.
Jumping Review	To determine whether or not it is in the best long-term interests of the racing industry to maintain jumping racing and, if so, to advance and implement a sustainable business plan.	The Jumping Racing Review Committee delivered a report to the Board in May 2007. Further consultation conducted and a workshop to be held in September 2007 aimed at concluding a strategy for jumping.
NATIONAL RACING BUREAU		
NRB Online	To provide efficiencies in NRB operations and to reduce costs.	NRB Online now handles for Trainers: Entries; Withdrawals; Scratchings; Riders Declarations; Gear Notifications; and Stable Returns. NZTR has also provided training for Trainers on using NRB online.
Racing Co-ordinator	To strengthen NZTR's Racing Services and to taking closer ownership of Programming	Position established in mid-February 2007 and Craig Baker appointed to the role.
OPERATIONS		
Reduction of Import Fees	To reduce costs associated with importing a horse into New Zealand and simplify and consolidate the forms required for importation.	Changes implemented to consolidate the three previous forms into one and deliver a \$357 saving for first-time imports. This became effective on 1 August 2007.
Colour Loans Fee and Process	To increase returns to Owners and simplify the Colour Loans process. (NZTR has previously had a requirement to register colours loaned out to different partnerships and horses, even if one of the entities associated with a horse has a set of registered colours in their name.)	Colour Loans Fee process has been simplified and Owners' costs reduced by removing the fee of \$62. Once a person registers a set of colours, those colours become available for each and every horse, in which they are a registered owner / lessee, however large or small their shareholding might be.
Microchipping	To improve horse identification. (New Zealand has been inserting scanner readable microchips into thoroughbreds since the 2004 foal crop (now three-year-olds) however; the microchips haven't been used as the primary identification method.)	In 2006/07 microchip identification was carried out using scanners linked to a PDA device that carries only the respective horse's data. This displays trainer, owner, gear information etc. Stewards can check respective gear from this device instead of manual paper. If gear changes are made in the core database prior to down load then this will also be displayed.

ISSUES	AIMS	OUTCOMES
OWNERSHIP		
Returns to Owners	To develop and implement sustainable policies that drives or enhances returns to Owners.	Increased Returns to Owners of 30.5% over the previous season (2005/06) (see 'Funding' for detail of initiatives)
Disclosure Statements for Authorised Syndicates	To provide sufficient disclosure requirements to ensure investors are sufficiently informed as to the nature and risks of investing in a horse, to ensure syndications are properly conducted and regulated and to encourage more Syndicators.	It was agreed to remove disclosure fees charged to Authorised Syndicators on the lodgement of Disclosure Statements for syndications. The removal of these fees will save Syndicators on average over \$25,000 per annum. This came into effect on 1 August 2007.
Authorised Syndicator and Authorised Valuer status	To improve the monitoring and accountability of Authorised Syndicators, who were never required to renew their status once granted Authorised Syndicator status.	It was agreed that Authorised Syndicators and Authorised Valuers are now required to re-apply every two years and that the NZTR Integrity Committee and the Bloodstock Agents' Federation (NZ) Inc consider all applications and criminal and financial vetting checks are conducted. This became effective from 1 August 2007.
Supervisory Panel for Authorised Syndication	To review the Code of Practice which states that 'A Supervisory Panel consisting of three persons will be appointed and established by the Board of NZTR. At least one member of the Panel will be a lawyer who will act as Chairman.'	The Supervisory Panel's duties and roles have been assigned to the NZTR Integrity Committee. These duties include reviewing the Code of Practice, reporting to the Securities Commission on the operation of the Code and acting as an Appeal Authority on matters related to the Code.
E-Privileges	To provide Owners with information about the venue, badges, special promotions and Owners privileges at Withdrawal time.	Online E-Privileges for Owners prior to raceday introduced in May.
Minimum Standards	To provide and monitor a minimum standard of service and facilities for Owners on-course.	With information collated from a review of on-course service standards and in consultation with Owners Associations and clubs, NZTR drew up minimum standards for introduction by clubs to ensure a consistent level of Owners privileges on-course.
o800 4 Racing	To provide a Freephone enquiry line for potential and existing Owners for enquiries about ownership opportunities, costs etc	o800 4 Racing launched. The new line puts the caller straight through to NZTR's Ownership Marketing Co-ordinator to enquire about any aspect of ownership. There had been a service in place, which required callers to leave their details and a brochure was forwarded and there was no follow-up.
Ownership Marketing Co-ordinator	To provide a dedicated person for Owners within NZTR and recognise the pivotal importance of Owners to the industry. (Over 80% of turnover variance is determined by horse numbers.)	Diane Kenny was appointed to the role on 1 January 2007 to put in place mechanisms to ensure thoroughbred racing retains Owners and looks to attract new owners.
STRATEGIC VENUES		
Track Suitability Protocols	To review and formalise protocols for determining whether a track is suitable for racing.	It was agreed to recommend draft protocols to the Board for approval.
St. John Ambulance Service Agreement	To ensure consistency in medical services provision for racedays.	NZTR established an agreement with St. John Ambulance for the provision of suitably qualified St. John Ambulance Officer/s on raceday. This became effective from 1 August 2007.
National Venue Inspector.	To ensure NZTR is sufficiently resourced to take full ownership of track and venue issues facing clubs in the longer term.	Garry Foskett appointed to the role on 23 June 2007.
Strategic Venue Report	To assess the merits of holding industry days closer to horse populations; taking advantage of industry initiatives (e.g. DSHR); exploring new initiatives (e.g. Twilight / 6-8 race meetings); aligning race meetings with venues; factoring in human and horse populations; costs to service meetings; potential to grow raceday and non-raceday income; training centres; and alternative racing surfaces.	Clubs are currently considering the Strategic Venue Report. For the first time NZTR has a clear understanding of all venues in each region and, with this data, is in a position to take a long-term view and plan accordingly. A proposal for the introduction of synthetic surfaces is being reviewed by the NZRB and, subject to approval, should be in place in mid 2008.
Racetrack Assessment Programme	To conduct a racetrack assessment programme of all tracks over the next two years.	NZTR engaged Turftech to monitor tracks and has also entered into agreements with a contractor in the South Island and one in the North Island to deliver an aeration programme for tracks using specialist machinery.
Regional Feasibility Studies of clubs and venues.	To provide a resource to support individual clubs and regions to evaluate future options for their clubs or regions.	NZTR has lent its support, through resources and advice, to a number of clubs and regions and helped them to recommend a way forward from an objective and dispassionate viewpoint.
St. John Ambulance Service Agreement	To ensure consistency in medical services provision for racedays.	NZTR established an agreement with St. John Ambulance for the provision of suitably qualified St. John Ambulance Officer/s on raceday from 1 August 2007.
Appointment of a National Venue Inspector.	To ensure NZTR is sufficiently resourced to take full ownership of the issues facing clubs/venues in the longer term.	Garry Foskett appointed to the role on 23 June 2007
Strategic Venue Report	To assess the merits of holding industry days closer to horse populations; taking advantage of industry initiatives (e.g. DSHR); exploring new initiatives (e.g. Twilight / 6-8 race meetings); aligning race meetings with venues; factoring in human and horse populations; costs to service meetings; potential to grow raceday and non-raceday income; training centres; and alternative racing surfaces.	Clubs are currently considering the Strategic Venue Report. For the first time NZTR has a clear understanding of all venues in each region and, with this data, is in a position to take a long-term view and plan accordingly. A proposal for the introduction of synthetic surfaces is being reviewed by the NZRB and, subject to approval, should be in place in mid 2008.
Racetrack Assessment Programme	To conduct a racetrack assessment programme of all tracks over the next two years.	NZTR engaged Turftech to monitor tracks and has also entered into agreements with a contractor in the South Island and one in the North Island to deliver an aeration programme for tracks using specialist machinery.
Regional Feasibility Studies of clubs and venues.	A number of individual clubs and regions have sought NZTR's support in evaluating future options for their clubs or regions.	NZTR has lent its support, through resources and advice, to a number of clubs and regions and helped them to recommend a way forward from an objective and dispassionate viewpoint.



chief executive's report





I'm extremely pleased to say that, set against a backdrop of taxation relief, the 2006/07 season has been a highly successful year in many ways for thoroughbred racing participants. I enjoy my role thoroughly, I enjoy the thrust and debate with stakeholders and I enjoy working with a team passionate about thoroughbred racing. To be able to do this in an environment of positive change is very fortunate.

Firstly, from an internal perspective, the improvement in NZTR's capabilities and outputs has been tenfold. The pain of necessary restructuring of our business is now past and my thanks to all the staff who have contributed to an improved performance in our business. Particular thanks go to Campbell Moncur for his support in driving through these changes and in delivering the outcomes. There is a genuinely new and positive feeling among staff and this positive can-do attitude is flowing through into numerous projects and improved outcomes for the industry. It also ensures that longer-term we have the appropriate skilled personnel to manage the functions of the governing body. The contributions of the Board, in particular a couple of key members, should not be overlooked. As leader of the Management team, I know much of what we've achieved and are planning to undertake relies on their continued time and input.

OVERALL RESULTS, RETURNS TO OWNERS AND INTERNATIONALISATION

Throughout 2006/07 NZTR developed and implemented a number of new, key initiatives. The primary initiative was the increase of 30.05% in returns to owners over the prior year. Possibly for the first time New Zealand is looking at competitive stakes at a regional level. Our returns to owners are forecast to grow further in the coming season and we are forecasting that the two-year increase will be in the range of 47%, from \$39.7m to \$58.4m, as shown below (FIG 1).

While the welcome tax relief enabled the New Zealand Racing Board (NZRB) to drive stakeholder returns, growth was also seen on the wagering front. The Internationalisation strategy was the culmination of months of work from numerous people on both sides of the

Tasman. It is likely to be the biggest deal the NZRB complete. The commitments made at a code level were significant but then so too were the financial rewards on offer. Combine the financial benefits with the prospect of greater consistency of product, commingling opportunities and benefits for punters, new bet types, and an even stronger liaison between two nations whose racing is inextricably linked, and this was not an opportunity to pass up.

The NZRB should be congratulated for the work done on the wagering broadcast model. Internationalisation combined with subtle coverage changes enabled additional product to be delivered, slowly turning a languid wagering model around to drive growth. Between the codes and the NZRB a 6% growth in wagering was delivered for the season. This is highlighted in the table on page 18 (FIG 2).

TWO-YEAR GROWTH IN RETURNS TO OWNERS

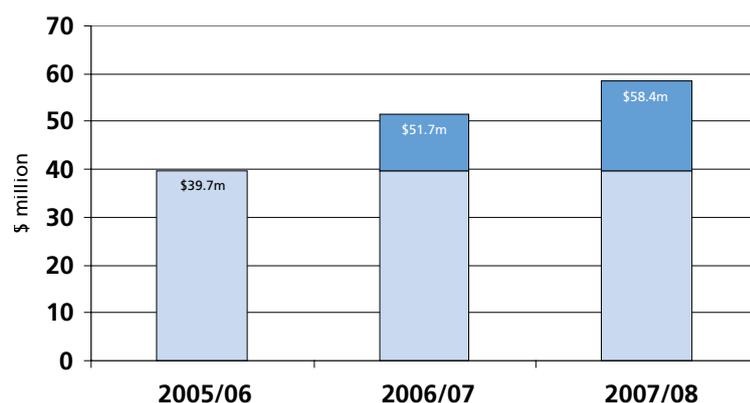


FIG 1



There is the prospect of much more to come.

The results were particularly positive for thoroughbreds for a number of reasons:

- (a) The highest per race growth in wagering at 3.4%. This compares to 1.0% for Harness Racing and 0.2% for Greyhound Racing.
- (b) A healthy 5.5% increase in on-course turnover
- (c) An increase of 776 starts
- (d) An increase in starters per race from 10.85 to 11.09

The development of the on-course model has seen significantly improved returns for clubs not just through turnover but also through higher customer yields from gate takings and improved food and beverage takings. While there is still a long way to go, our move away from a turnover-based funding model forces clubs to focus on their other revenue streams; some

with great effect. Putting the customer first and ensuring a day at the track is an event worth paying for will deliver greater bottom line results than a similar upswing in turnover. NZTR will continue to work with all clubs to ensure this is done effectively.

The increase in starter numbers can be attributed to increased stakes and 'Free racing' combined with race programming. Recent changes (outlined below) to our Ratings Based Handicapping model and race programming will continue to drive participation. This is a crucial element for ensuring our code's success going forward.

Overall, it has been a successful year, highlighted by a large number of initiatives as documented in the table commencing on page 12 of this Report. These initiatives have been both industry focused (external) and NZTR focused (internal), covering all aspects

of our business and interaction with stakeholders.

INTEGRITY

Integrity remains the core function of NZTR. We have consciously aligned a number of our policies with those of our trans-Tasman neighbours and commingling partners inclusive of gear notification and other punter enhancements. However, where appropriate we have provided for domestic considerations as our first point of reference. This blend of international focus with domestic consideration is a challenge but a necessary mandate of the work of the Integrity team.

While recent staff changes have left NZTR without a General Manager of Integrity, it remains our aim to have in place one manager responsible for all Integrity functions. The silo-based culture of years gone by is ineffective in delivering streamlined industry services.

FIG 2

NEW ZEALAND TURNOVER TOTAL (BY CODE)				RACES	
	Turnover	Variance v last year		No. v last year	
Thoroughbred	477,915,942	+20,892,949	+4.6%	2,863	+8 (0.28%)
Harness	288,702,758	+14,534,996	+5.3%	2,485	+76 (3.15%)
Greyhound	117,999,525	+13,553,474	+13.0%	3,621	+333 (10.13%)
New Zealand Total	884,618,225	+48,981,419	+5.9%	8,969	+417 (4.87%)



Cognisant of the differing skills required for some raceday and non-raceday functions, NZTR will continue to pursue structural changes to our team to ensure efficient delivery of services.

The introduction of a formalised Integrity Committee in the 2005/06 season has paved the way for an energetic and fresh approach to considering issues and policy. The work of the Integrity Committee has been far-reaching and highlights the Board's commitment to all aspects of our primary charter in New Zealand racing. On a personal note, I would like to acknowledge and thank the work of Board members Peter Hutt and Colin Jenkins (and Brian Kinley before leaving the Board) for their work in assisting me on this Committee. Special mention should also go to Chris Weder for his first-class work in providing assistance to not just the Committee but all aspects of our Integrity function.

The 2006/07 season delivered many positive changes as outlined in our Initiatives Table on pages 12-15. These include registration of Stable Staff, an enhanced swabbing programme and an ongoing review of all raceday integrity functions. Closer liaison with our stakeholder groups – the New Zealand Jockeys Association (NZJA) and New Zealand Trainers Association (NZTA) –

has provided positive outcomes for their members also.

NZTR has consciously adopted a more high profile, proactive Integrity presence in the past year. As well as enhancing our Stipendiary Steward resources on racedays and at barrier trials we have implemented a national roster system, which includes trackwork attendance, jumpouts and a national rotational programme.

Staff training, for so long non-existent at NZTR, is now delivered formally through a wide-ranging programme, which has seen most Stipendiary Stewards spend time in Australia learning and experiencing international systems. A number of our Racecourse Inspectors have attended specialised training courses both in New Zealand and in Melbourne. Combined with performance management systems, tailored media training and succession planning, our team is not only able to meet the day-to-day challenges but is significantly better placed to meet future challenges.

Looking forward, the increase in the number of race meetings we have to service provided an opportune time to review Integrity resources. This highlighted a need to restructure areas of the Integrity team and create two new roles.

Additionally, NZTR are delighted to introduce a Trainee Stipendiary Stewards programme, which will go part-way to ensuring the development of domestic candidates for future needs. This appointee, along with all NZTR Stipendiary Stewards, will be enrolled with Western Sydney Technical and Further Education (TAFE) to undertake a two-year course in Certificate IV Racing Administration (Steward). This programme is the result of work undertaken between NZTR and NSW TAFE to deliver appropriate training for Stewards in New Zealand.

FUNDING

The funding challenge for NZTR and clubs in the 2006/07 season was to ensure that the benefits from the taxation relief were delivered directly to owners. Indeed, the NZTR Board was committed to ensuring 100% of the tax benefit passed through to owners.

It was therefore a great result to not only meet this objective but also exceed it. Year on year, we achieved an increase of \$11.95m, or 30.05% increase in returns for owners, through a combination of stake increases (across all race categories) and the introduction of 'Free racing' for all non Group and Listed races from 1 February 2007. The introduction of 'Free racing' will save owners in excess of \$3m in fees annually.

By having a more focused and prescriptive funding model and working directly with clubs, NZTR has been able to achieve significantly higher returns to owners than if the funding decisions had been left to individual clubs. This includes moving to a system of direct payments, rather than having clubs paid based solely on turnover. This move away from turnover-based funding allows us to be more flexible in our funding and dates setting process.

For the coming season, NZTR is forecasting a further 13% increase in returns to owners. Again, this will be delivered through a combination of stake increases and further reducing owners' costs. This coming season will see a full season of 'Free racing' and the payment of the Rider's fee for all runners in races up to and including Rating 80 and all Maiden Jumping races.

DATES

This was the second season of implementation of the Pattern of Racing. The success and placement of key races and high profile carnivals remains a major factor in the date setting process. The predominant challenge for NZTR is to grow and enhance other opportunities during the season. This is much easier now we have reduced the dependency of clubs on turnover-based funding.

The date setting process for the 2007/08 season was unique due to the requirements laid down by Internationalisation. This required thoroughbred racing every Wednesday, Thursday, Friday and Saturday.

NZTR would like to acknowledge the cooperation of the clusters and clubs in delivering a calendar for the 2007/08 season. This cooperation enabled the NZRB and the codes to sign an agreement with TABCorp, providing far

reaching financial benefits to our code and participants for years to come.

VENUE INSPECTION

The NZTR Venue Inspection Project is now in its third year. The Board continues to prioritise this project, illustrated by the appointment (on a full-time basis) of Garry Foskett to the role of National Venue Inspector.

Garry continues to work closely with clubs to ensure all aspects of every venue meet the NZTR Guideline Standards (third edition of which has just been released).

Two other key NZTR initiatives around venues during the year were:

- (a) The contracting of Turftech to undertake track (soil) assessments of all race tracks over the next two years. These assessments will identify any inherent problems with the racing surface and/or composition of the soil. The report will also assist clubs in setting their annual maintenance programmes.
- (b) The entering into agreements with two specialist turf machinery contractors to deliver a controlled track aeration programme to all venues around the country.

NZTR's commitment to both these programmes will ensure over time our tracks are presented in the best possible condition on race day.

FINANCE

Finance, including Owners Settlement, has implemented a number of financial initiatives during the year to enhance systems and controls. These augment changes that were made at the beginning of this financial period and include Free Racing as well as a number of initiatives that started on 1 August 2007.

The NZTR Owners Settlement system went through major software development during 2007 to change the way we hold and calculate GST for all our owners. From 1 August 2007 we also added more information to our invoices with the aim of helping ownerships with more than one person/entity.

Amy Zavros and her team will be working in conjunction with other areas of the business to bring online capabilities for all stakeholders to improve communications and financial services during the 2007/08 season.

INFORMATION TECHNOLOGY

2006/07 was another year where NZTR continued to make significant investment into its computer applications and services.

These were spread across a range of business applications and stakeholder services and go largely unnoticed outside of our office. However they included significant enhancements to Licensing for registration of Stable Staff; microchipping, registration certificates, scoping for the Online Breeders Service Centre, software changes to accommodate Free Racing, handicapping, new gear notification requirements, and various other mini-projects throughout the year.

We continued to future proof our system by upgrading the database software and scoping out the requirements behind establishing a disaster recovery plan.

NZTR's website www.nzracing.co.nz was re-launched in September 2006. This concentrated on new content as well as a new look and feel, which included the 'Go Racing' section, aimed at explaining 'when/where/why and how' to go racing to a wider audience. The site now receives more than 90,000 hits a day and 2.6 million a month – a major achievement in the space of only nine months.

The site has continued to evolve with new features being added on a regular basis. As at 31 July 2007 there were 13,000 registered users, many of whom use the site daily to view video replays and access information. Interestingly our visitors spend over eight minutes on our site each time they log on – considerably longer than most sites.

As a part of the registered user’s service, NZTR corresponds weekly with almost 8,000 recipients who keep up with the latest industry news via the Media Bulletin. NZTR also ran the very successful SHARP Jumping Crown during the 2007 winter months, in which 3,308 participants competed for \$12,000 of prizes in a virtual tipping competition on 49 jumping races.

NZTR has made a significant investment in www.nzracing.co.nz and will continue to enhance the value of the site by delivering new services and ensuring the information on the site meets the needs of all stakeholders. We want all participants to recognise it as the online home of thoroughbred racing in New Zealand.

OPERATIONS (REGISTRATIONS AND STUD BOOK)

The previously separate Stud Book and Registrations teams are now working as one unit under the title of ‘Operations’ department. This team, effectively managed by Darren Jones, has this year focused on internal process change and personal skills development. This is aimed at improving NZTR’s customer service. The understanding of processes and knowledge is now not solely confined to one individual. This was a significant business risk less than 12 months ago.

Some of these changes include the reduction in the Import fee and simplified forms process, the removal of the Colours Loan requirement and fee

and the upcoming removal of the Racing Managers fee / form requirement. This together with some cosmetic changes to existing forms ensures costs to owners are reduced, and the process requirements become simple and easy to follow.

The next few months in particular look promising as the team look to develop the On-line Breeders Service Centre to capture breeding records and transactions without the hassle of back-and-forth paper correspondence.

NATIONAL RACING BUREAU (NRB)

The NRB is a cornerstone of NZTR functions. The NRB team handles 7,500 phone calls per month or 90,000 calls per year. By its nature the NRB is a customer service driven business unit, and our focus in the past season has to been to enhance procedural controls and deliver improved services for customers. This has extended to the highly successful development and rollout of ‘NRB Online’, adding a new dimension to our services. *NRB Online* allows trainers to process race meeting transactions (nominations, withdrawals, scratchings, gear changes, stable returns, etc) online instead of contacting the NRB directly.

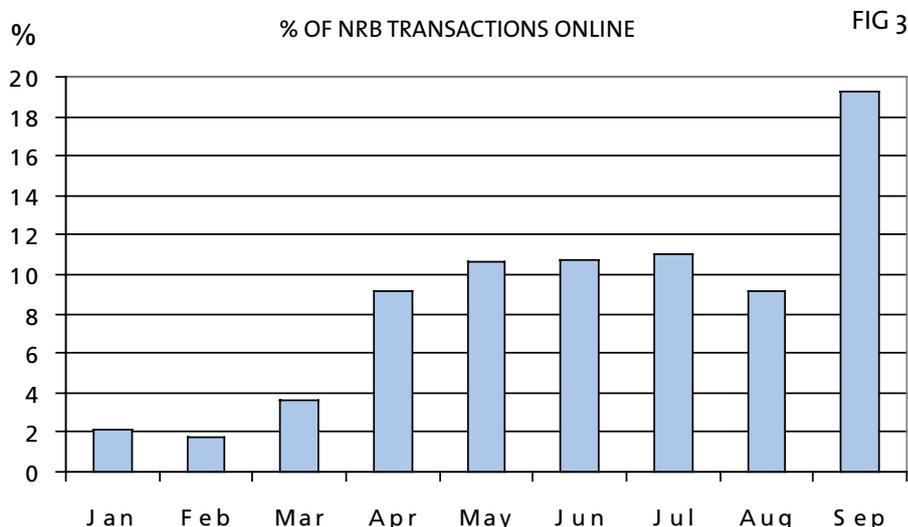
As at mid-September just under 20% of all NRB transactions were being completed via *NRB Online*. The growth of these transactions, since January 2007, is illustrated in the graph below (FIG 3).

The NRB team continues to drive this initiative hard. They are targeting 25% of all transactions being completed online by the end of the year.

NRB services were enhanced in 2007 through the appointment of Craig Baker to the role of Racing Co-ordinator. Craig and his dedicated staff continue to provide an accurate and efficient service to stakeholders and clubs. Their knowledge is first-class and is now being supplemented with appropriate customer service training and knowledge of other areas of our business.

COMMUNICATIONS

NZTR recognises the strong link between industry satisfaction and how well NZTR keeps its stakeholders informed. Recent changes have placed more emphasis on communications and provides for more effective outcomes, as well as ensuring NZTR has the capabilities in place in the event of a looming crisis such as we have witnessed with Equine





Influenza in Australia recently. The 2006 Mercedes Thoroughbred Racing Awards aftermath highlighted our lack of preparedness and the critical role that communication occupies for us.

There has been a long-held perception that NZTR does not consult enough with stakeholders and is not proactive with its communication. It is our responsibility through Simon Cooper to ensure that there is a full understanding of NZTR's primary roles and the Board's responsibilities among our stakeholders, particularly its 'Industry first' position. During 2006/07 we have gone the extra mile to make sure we consult on all major initiatives and while it is not always practical to cover every single individual on all occasions, I am confident in stating, based on the feedback I have received, that stakeholders feel more informed across the board.

We introduced this year, our Stakeholder (non-club) meetings, to compliment the traditional Regional Forums. These six-monthly forums have provided us with productive debate and exchange of information. I am hopeful the Regional Forums will take on the same two-way format adopted by the Stakeholder meetings.

We engage regularly with the Race Club Managers Group (RCMG) both formally and informally. This group brings to the table a wealth of experience and coalface knowledge. While we don't always agree, the RCMG is a critical stakeholder group that fervently argues for, and looks to support the club structure. It is through this group that we positively test and fine-tune many of our policies.

NZTR recognise the hugely important role that the media play in disseminating information on our behalf. Over the last year we have consciously made ourselves more available to the media and tried to provide accurate and up-to-date information when at all possible. While not always practical, Simon Cooper or myself are always available as a first point of contact. In addition, every member of the NZTR team is listed with his or her contact details every month in the Thoroughbred Racing Monthly.

Internal communications has also been part of our strategy this past year. Working with the staff, keeping them informed of all major NZTR activities and issues, as well as providing conditions and development training commensurate with our desire of being a 'Preferred Employer.'

TRAINING AND DEVELOPMENT

The Chairman's Statement, earlier in this Annual Report, sets out the background to NZTR's review of training and development conducted in the second half of last season, a process led by Simon Cooper and Peter Hutt.

Stakeholders told us through the consultative stage of this review that they fully endorse NZTR taking a stronger leadership role in training and development. Stakeholders believe that there is a lack of industry support in this critical area and considerably more focus and more resources should be directed towards it.

Our review has identified a wide-range of issues. Employers have identified shortages of skills among those currently working in the industry at all levels and there is generally a poor understanding among employers of how this may be corrected and, accordingly, very limited efforts in trying to change this lack of skills.

As a first step in correcting this, the thoroughbred code has appointed a Training and Development Manager to co-ordinate and drive all industry needs. We have also substantially increased our funding provision and are in the process of putting in place an expanded range



of training options, where we currently focus almost exclusively on Apprentice training.

Correction of the long-term lack of sufficient education and training provision in the Thoroughbred sector requires a long-term, step-by-step corrective approach. The aim of meeting industry needs now represents a key priority for NZTR.

HANDICAPPING AND RACE PLANNING

In March 2007, NZTR undertook a review into the Ratings Based Handicapping System and associated ratings bands. A number of pertinent changes were implemented as a result of this review, including:

- (a) New rating bands based on statistical analysis to alleviate the bottleneck of runners in the lower grades and provide more opportunities for these runners.
- (b) For horses running in grades above their own (e.g. a R70 horse running in a R80 race) they will not be re-rated out of their grade for a placed performance in a higher graded race. Horses can still be re-rated out of their grade for a win, or for a placed performance in a Black Type race. This was specifically directed to increase participation

by encouraging horses to run out of their grade. This is a key issue in the South Island in particular where horses are afforded fewer opportunities to start.

- (c) Centralised programming will be pursued by NZTR within the next 12 months. We are also hoping to gain support for, and initiate 'rolling' programmes whereby we introduce a new programme every month (outside of the key and base races).

In addition, the NZTR Handicapping Policy, containing a Ratings Based Handicapping Guide, will be released in the near future.

CONCLUSION

In closing, I'd like to say how pleased I am to be a part of New Zealand racing at this time. The growth opportunities afforded our industry rarely come along and we're now in that 'zone'. By working with the NZRB on our broadcast model, focusing on delivering policies to increase equine participation, and assisting clubs to develop the oncourse model for the enjoyment of their customers, I'm extremely confident we can continue to deliver growth and enhanced returns for our participants.

Our policies will continue to focus on industry first, cluster or club second. By working with the clusters and/or clubs

we're confident we can retain their profitability and ensure NZTR's focus on returns to owners is not diluted.

To the Board, in particular Chairman Guy Sargent, thank you for your support and your commitment to a programme of change. We are now seeing the benefits of that direction. To all my staff, particularly the senior Management team, many thanks, I know I ask a lot at times. And finally, to my partner Jacqui, thank you for your unwavering support and valuable assistance throughout a tough but enjoyable second year in New Zealand.

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 2006/07 SEASON FROM THE FOLLOWING PEOPLE AND ORGANISATIONS:

The Right Honourable Winston Peters,
Minister for Racing

The 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 Health Association

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 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' Group

Racing Journalists and Broadcasters

Tertiary Education Commission



TRUSTEES, GENERAL TRUST FUND COMPRISING:

Bernard Kelly (Chairman), Peter Grieve and Gavin Higgin (Retired June 2007)

NEW ZEALAND APPRENTICESHIP BOARD COMPRISING:

Rob Tocker (Chairman), Dudley Brown, Simon Cooper, Michael Pitman, Bob Smith, Richard Collett, Sally Waters and Sarah Malone

GRADED STAKES COMMITTEE COMPRISING:

Peter Fennessy (Chairman), Chas Amon, David Ellis (Resigned December 2006), Peter Hutt, Tom Jamison, Michael Martin, John Rattray, Steve Till, Alan Cole (Resigned August 2006) and Paul Bittar (Appointed May 2007)

2006/07 NZTR ANNUAL REPORT PHOTOS:

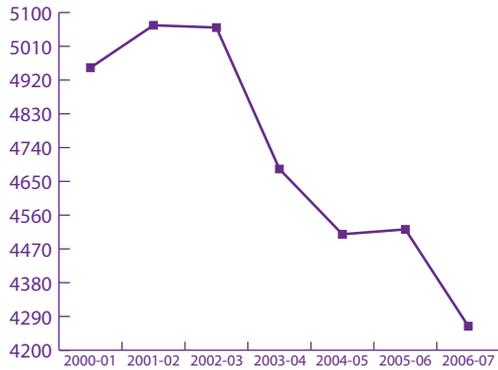
Jeni Bassett – Equine Attitude, Race Images (Palmerston North), Trish Dunnell



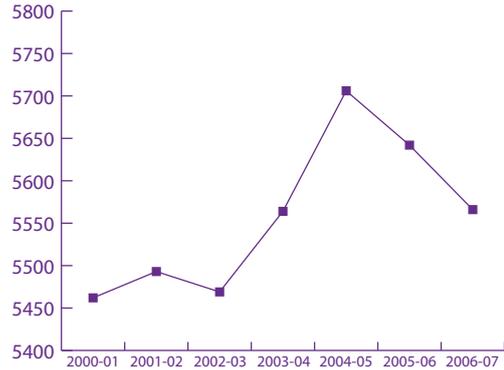
statistics

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
THOROUGHBRED RACING							
No of Meetings – full totalisator	299	296	297	283	286	289	286
No of Clubs to race	69	69	68	71	69	71	72
No of racetracks used	51	51	51	51	51	51	51
Races run	2,863	2,855	2,807	2,791	2,810	2,771	2,793
Horses Registered	2,917	3,006	3,118	3,141	3,153	3,048	2,958
No of Horses Racing in NZ	5,566	5,642	5,706	5,564	5,469	5,493	5,462
No of Listed Races (incl Group Races)	147	146	147	146	151	152	152
No of Black Type Races (incl Jump Races)	158	158	157	158	163	165	165
Black type as % of Total Races	5.5	5.5	5.6	5.6	5.8	5.9	5.9
Prizemoney Paid	\$49,429,973	\$39,726,447	\$37,225,515	\$36,272,557	\$35,014,720	\$32,023,240	\$32,205,795
Highest single stake	\$1,000,000	\$1,000,000	\$1,000,000	\$750,000	\$500,000	\$500,000	\$500,000
Average stake per race	\$17,265	\$13,915	\$13,262	\$12,996	\$12,461	\$11,556	\$11,531
No of Public Trainers	333	351	366	354	361	337	369
Permit to Train Holders	387	397	377	372	379	333	365
No of Owner-Trainers	476	489	634	685	696	632	781
No of Jockeys	124	116	129	159	154	112	166
No of Apprentice Jockeys	60	54	62	63	64	55	54
No of Amateur Riders	40	34	31	25	24	18	36
THOROUGHBRED BREEDING							
No of Broodmares Pastured (Approx)	8163	8,286	8,590	8,910	9,288	9,282	9,160
No of Stallions	201	192	207	217	229	223	226
No of Foals Bred	4264	4,522	4,509	4,683	5,060	5,066	4,953
No of Thoroughbreds Exported	1831	1,849	1,806	1,782	1,763	1,914	2,000
BETTING TURNOVER							
On-course Betting	\$47,781,035	\$44,241,000	\$45,475,868	\$46,461,350	\$48,224,441	\$46,682,383	\$48,225,976
Off-course Betting	\$385,088,609	\$382,347,000	\$389,314,200	\$373,102,358	\$373,905,987	\$373,641,423	\$388,054,589
Fixed Odds Betting Racing	\$32,773,856	\$30,007,000	\$8,767,887	\$3,741,749	\$1,580,150	N/A	N/A
TOTAL BETS	\$465,643,500	\$456,658,000	\$443,557,955	\$423,305,457	\$423,710,578	\$420,323,806	\$436,280,565
SOURCE OF OFF-COURSE TURNOVER							
Win/Place	51.8%	51.63%	55.28%	55.87%	56.59%	57.77%	55.85%
Double	4.2%	4.48%	4.00%	4.08%	4.29%	3.85%	3.42%
Treble	4.2%	4.27%	4.65%	4.72%	4.72%	3.82%	2.66%
Quinella	9.2%	9.64%	10.30%	10.57%	11.22%	11.66%	11.40%
Trifecta	20.1%	20.47%	21.36%	21.74%	21.57%	21.87%	25.15%
Fixed Odds	7.6%	7.29%	2.20%	0.99%	0.42%	N/A	N/A
Pick6 & Six Pack	2.9%	2.22%	2.20%	2.02%	1.19%	1.03%	1.52%
TOTAL	100.00%						

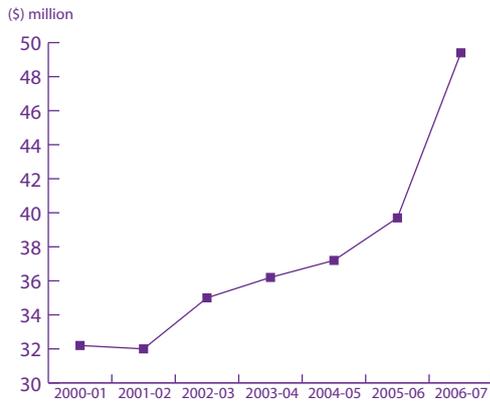
NUMBER OF FOALS BRED IN NZ



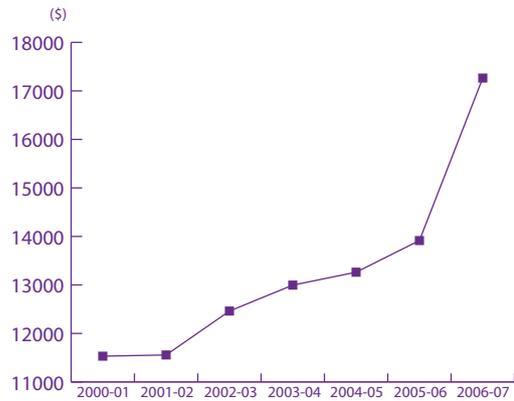
NUMBER OF HORSES RACING IN NZ



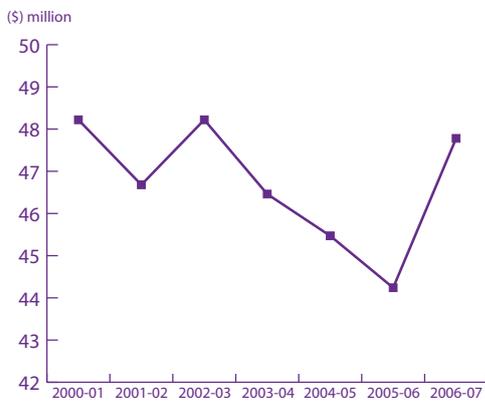
PRIZEMONEY PAID



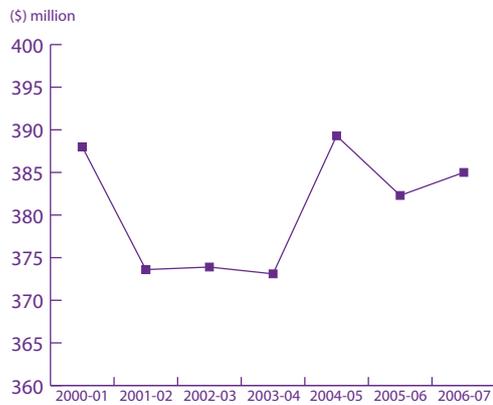
AVERAGES STAKE PER RACE



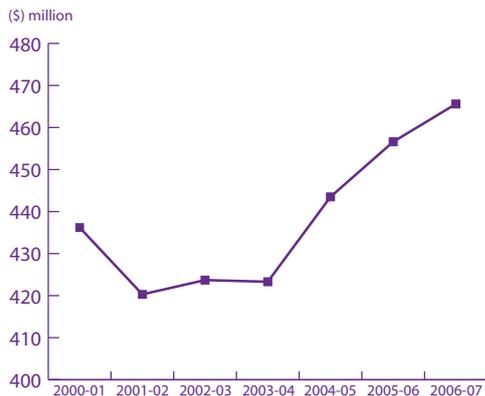
ON-COURSE BETTING



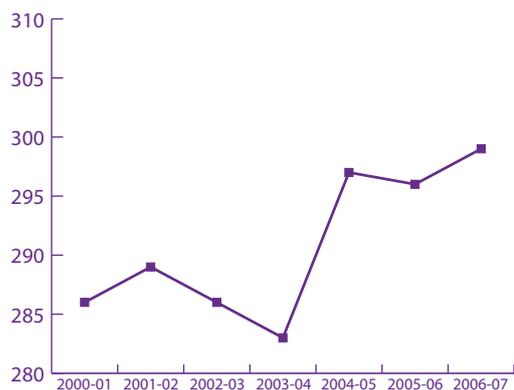
OFF-COURSE BETTING



TOTAL TURNOVER



NUMBER OF MEETINGS





group one winners NEW ZEALAND 2006–2007

RACE

Mudgway Stakes
 Stoney Bridge Stakes
 Kelt Capital Stakes
 Captain Cook Stakes
 New Zealand Bloodstock 1000 Guineas
 First Sovereign Trust NZ 2000 Guineas
 Automotivepyrde Levin Classic
 First Sovereign Trust Avondale Gold Cup
 Zabeel Classic
 Waiwera Infinity Railway Handicap
 Sharp Telegraph Handicap
 Century City Developments Wellington Cup
 Trusts Charitable Foundation Thorndon Mile
 Waikato Draught Sprint
 Whakanui Stud International Stakes
 Otaki-Maori WFA
 Mercedes Derby
 SKYCITY Auckland Cup
 Ford Diamond Stakes
 Starcraft NZ Stakes
 New World NZ Oaks
 Ford Manawatu Sires' Produce Stakes
 New Zealand Bloodstock Breeders' Stakes
 First Sovereign Trust Champions Mile

HORSE

Seachange
 Seachange
 Legs
 Jurys Out
 Dorabella
 Magic Cape
 Porotene Gem
 Sharvasti
 Mikki Street
 Donna Rosita
 Darci Brahma
 Willy Smith
 Sir Slick
 Darci Brahma
 Sir Slick
 Sir Slick
 Redoute's Dancer
 Prize Lady
 Alamosa
 Gaze
 Princess Coup
 Nightlign
 Captivate
 Floydeboy

STAKE

\$200,000
 \$150,000
 \$1,000,000
 \$150,000
 \$275,000
 \$300,000
 \$200,000
 \$150,000
 \$200,000
 \$200,000
 \$300,000
 \$200,000
 \$150,000
 \$150,000
 \$150,000
 \$700,000
 \$700,000
 \$175,000
 \$200,000
 \$300,000
 \$175,000
 \$150,000
 \$200,000

SEACHANGE (LEFT), NIGHTLIGN



group one winners INTERNATIONAL 2006–2007

RACE

MRC Underwood Stakes
MRC Sir Rupert Clarke Stakes
VRC Turnbull Stakes
VRC Victoria Derby
HKJC Stewards' Cup
MRC CF Orr Stakes
HKJC Hong Kong Gold Cup
STC Coolmore Classic
HKJC Mercedes-Benz Hong Kong Derby
Nad al Sheba Dubai Sheema Classic Stakes
WATC Derby
AJC Australian Derby
AJC Sydney Cup
SAJC Robert Sangster Stakes
HKJC Champions Mile
QTC Queensland Oaks
QTC Queensland Derby

HORSE

El Segundo
Rewaaya
Sphenophyta
Efficient
Armada
El Segundo
Vengeance of Rain
Tuesday Joy
Vital King
Vengeance of Rain
Guyno
Fiumicino
Gallic
Universal Queen
Able One
Eskimo Queen
Empires Choice

VITAL KING (JOCKEY B. PREBBLE) WINNING THE MERCEDES-BENZ HONG KONG DERBY (LEFT)
VENGEANCE OF RAIN (JOCKEY A. DELPECH) WINNING THE HONG KONG GOLD CUP

PHOTOS COURTESY OF THE HONG KONG JOCKEY CLUB



mercedes thoroughbred racing awards

THE 17TH ANNUAL MERCEDES THOROUGHbred RACING AWARDS DINNER, SPONSORED FOR THE EIGHTH CONSECUTIVE YEAR BY MERCEDES CARS, WAS HELD IN THE PETTIGREW GREEN ARENA IN NAPIER ON FRIDAY, 31ST AUGUST 2007.

Guests exceeded 500 with support from all sector groups, together with the Hawke's Bay racing fraternity, and entertainment from William Winitana and Naked Gun ensured that the night was a huge success.

Seachange was a popular choice as Mercedes Horse of the Year as was the announcement of the recipient of the Award for Outstanding Contribution to Racing, Sam Kelt, long-time owner, breeder and sponsor of the Kelt Capital Stakes.



Mercedes-Benz









mercedes roll of honour

AWARD

- DEWAR STALLION OF THE YEAR 2006-07
- MERCEDES BROODMARE OF THE YEAR 2006-07
- GROSVENOR STALLION OF THE YEAR 2006-07
- MERCEDES BREEDER OF THE YEAR 2006-07
- NEW ZEALAND BLOODSTOCK FILLY OF THE YEAR 2006-07
- MERCEDES MEDIA AWARD 2006-07
- MCBEATH APPRENTICE JOCKEY OF THE YEAR 2006-07
- MERCEDES JUMPS JOCKEY OF THE YEAR 2006-07
- MERCEDES JOCKEY OF THE YEAR 2006-07
- DUNSTAN TRAINER OF THE YEAR 2006-07
- MERCEDES OWNER OF THE YEAR 2006-07
- MERCEDES PEOPLE'S CHOICE AWARD
- MERCEDES CHAMPION JUMPER 2006-07
- MERCEDES CHAMPION TWO-YEAR-OLD 2006-07
- MERCEDES CHAMPION THREE-YEAR-OLD 2006-07
- MERCEDES CHAMPION SPRINTER 2006-07
- MERCEDES CHAMPION MIDDLE DISTANCE HORSE 2006-07
- MERCEDES CHAMPION STAYER 2006-07
- MERCEDES AWARD FOR OUTSTANDING CONTRIBUTION TO RACING 2006-07
- MERCEDES HORSE OF THE YEAR 2006-07

2007

- Zabeel
- River Century (dam of Legs and Guyno)
- Volksraad
- Mr Garry Chittick
- Princess Coup
- Mr Aidan Rodley
- Mr Troy Harris
- Mr Tommy Hazlett
- Mr Opie Bosson
- Mr Mark Walker
- Karreman Bloodstock / Mr Dick Karreman
- Sir Slick
- Van Winkle
- Nightlign
- Princess Coup
- Darci Brahma
- Sir Slick
- Pentathon
- Mr Sam Kelt
- Seachange

financial statements



STATEMENT OF FINANCIAL PERFORMANCE

FOR THE 16 MONTHS ENDED 31 JULY 2007

	NOTES	16 MONTHS ENDED 31-JUL-07 \$	12 MONTHS ENDED 31-MAR-06 \$
NZTR CORE ACTIVITIES			
Income			
Calendar and Publications		533,337	384,222
Registrations		1,040,880	916,845
Levies		3,398,209	2,314,220
Licence Fees		294,120	215,444
Stud Book		2,421,631	1,820,305
Interest		456,814	328,387
Sundry Income		318,936	155,862
Transfer from Classic Races Stakes Subsidy Reserve	7	143,755	-
Transfer from Code Supplementary Fund Reserve	7	528,780	-
NZRB Surplus		-	335,656
Total Income	16	9,136,462	6,470,941
Less Expenses			
Calendar and Publications		453,078	273,958
Ownership and Industry Initiatives		201,478	77,644
Property and Central Overheads	11	660,455	470,421
IT Infrastructure and Network Costs	12	785,914	938,911
Special Projects	13	388,273	320,074
Salaries and Other Staff Costs		3,934,781	2,709,836
Other Department Costs	14	1,349,068	1,138,196
Sundry Costs	15	1,959,093	993,425
Restructuring Costs		94,310	279,934
Total Expenses		9,826,450	7,202,399
Net (Loss)	7	(689,988)	(731,458)
NZTR DISTRIBUTION ACCOUNT			
Income from NZRB Funding			
NZRB Code Distributions and Levies		60,400,497	36,799,061
NZRB Supplementary Funding		-	571,799
NZRB Distribution		7,585,012	-
Total Income from NZRB Funding	16	67,985,509	37,370,860
Expenses from NZRB Funding			
Club Products Payments and Subsidies		61,462,575	37,760,900
Supplementary Levies		-	403,920
Total Expenses from NZRB Funding		61,462,575	38,164,820
Net Profit/(Loss) transferred to Reserves		6,522,934	(793,960)
NZTR DISTRIBUTION PROFIT/(LOSS) ALLOCATED TO RESERVES AS FOLLOWS:			
Transfer to Code Distribution Reserve	7	6,522,934	(961,839)
Transfer to Code Supplementary Funding Reserve	7	-	167,879
		6,522,934	(793,960)

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

STATEMENT OF FINANCIAL POSITION

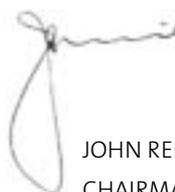
AS AT 31 JULY 2007

	NOTES	31-JUL-07 \$	31-MAR-06 \$
EQUITY			
Opening Retained Earnings		3,563,624	4,295,082
Net (Loss) for the Period		(689,988)	(731,458)
Closing Retained Earnings	7	2,873,636	3,563,624
Reserves	7	8,004,086	2,182,889
TOTAL EQUITY		10,877,722	5,746,513
Represented by:			
CURRENT ASSETS			
ANZ Current Account		87,780	138,771
ANZ Term Deposits		2,250,000	4,100,000
Trade and Sundry Debtors		417,073	438,493
Levies Receivable		150,867	239,725
Short Term Loans and Advances	9	73,698	20,000
NZ Thoroughbred Bonus Scheme	7	724,700	740,775
Code Distribution Account	7	6,116,424	-
TOTAL CURRENT ASSETS		9,820,542	5,677,764
LESS CURRENT LIABILITIES			
Trade Creditors		1,036,003	1,663,587
Provision for Annual Leave		303,335	443,929
Fees and Subscriptions in Advance		344,370	199,517
Race Day Disaster Fund		-	1,614
Code Distribution Account	7	-	406,510
TOTAL CURRENT LIABILITIES		1,683,708	2,715,157
NET CURRENT ASSETS		8,136,834	2,962,607
NON-CURRENT ASSETS			
Property, Plant, and Equipment	6	1,098,735	1,006,217
Loans and Advances	9	479,191	601,600
NZ Thoroughbred Bonus Scheme	7	1,162,962	1,176,089
TOTAL NON-CURRENT ASSETS		2,740,888	2,783,906
NET ASSETS		10,877,722	5,746,513

The Financial Statements of New Zealand Thoroughbred Racing are accepted on behalf of the Board of Directors on 12 September 2007.



GUY SARGENT
CHAIRMAN – NZTR BOARD



JOHN RENNIE
CHAIRMAN – NZTR FINANCE COMMITTEE

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

STATEMENT OF CASH FLOWS

FOR THE 16 MONTHS ENDED 31 JULY 2007

	16 MONTHS ENDED 31-JUL-07 \$	12 MONTHS ENDED 31-MAR-06 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Fees, Services and Subscriptions	5,083,178	3,439,653
Levies	2,900,343	2,287,217
Receipts from the NZRB	67,985,509	37,706,516
NZ Thoroughbred Bonus Scheme	(29,202)	348,710
Interest Income	407,459	242,102
	<u>76,347,287</u>	<u>44,024,198</u>
Cash was applied to:		
Payment to Suppliers and Employees	(9,332,436)	(6,908,361)
Payments to Clubs	(61,462,575)	(38,164,820)
NZ Thoroughbred Bonus Scheme	29,202	(348,710)
Net Cash Flow from Operating Activities	<u>5,581,478</u>	<u>(1,397,693)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from Sale of Fixed Assets	21,781	79,475
	<u>21,781</u>	<u>79,475</u>
Cash was applied to:		
Purchase of Fixed Assets	(791,380)	(409,732)
(Purchase)/Sale of Investments	(4,862,870)	1,461,839
Net Cash Flow from Investing Activities	<u>(5,632,469)</u>	<u>1,131,582</u>
Net (Decrease) in Cash held	(50,991)	(266,111)
Add Opening Cash	138,771	404,882
CLOSING CASH	<u>87,780</u>	<u>138,771</u>
RECONCILIATION OF OPERATING CASH FLOWS WITH NET (LOSS) ON OPERATIONS		
Net (Loss) to Accumulated Fund	(689,988)	(731,458)
Add Non-Cash Items:		
Loss on Sale of Fixed Assets	27,621	32,576
Depreciation	649,460	905,314
Transfer to/(from) Reserves	6,522,934	(793,960)
	<u>7,200,015</u>	<u>143,930</u>
Add Movement in Other Working Capital Items		
Accrued Interest	(49,355)	(86,285)
Sundry Debtors	(254,255)	(40,283)
Sundry Creditors	(769,792)	(643,852)
Fees in Advance	144,853	(39,745)
	<u>(928,549)</u>	<u>(810,165)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>5,581,478</u>	<u>(1,397,693)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 16 MONTHS ENDED 31 JULY 2007

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 (NZTR).

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

NZTR has changed reporting dates to fall in line with the racing season (1 August-31 July). Therefore comparative information is for the year ended 31 March 2006.

BASIS FOR PREPARATION

The measurement base adopted is historical cost. Reliance is placed on the fact that NZTR 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 period.

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, and Equipment

Property, plant, and equipment is stated at cost less accumulated depreciation which has been calculated on the following basis:

Office Equipment, Furniture and Fittings	20% straight line
Motor Vehicles	20%-33% straight line
Computer Equipment	20% straight line

c) Investments

Investments are stated at cost.

d) Taxation

NZTR is specifically mentioned in the Income Tax Act 2004 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 discontinued. Funding to Clubs is paid out of the Code Distribution. All other NZTR operations are funded from the Retained Earnings.

f) Differential Reporting

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: FRS-10: Statement of Cash Flows.

g) Cash Flow

“Cash” means coins and notes, demand deposits and other highly liquid investments in which NZTR invests as part of its day-to-day cash management.

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

“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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 16 MONTHS ENDED 31 JULY 2007

COMPARATIVE INFORMATION

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

2. NATURE OF BUSINESS

NZTR is the administrative body overseeing the operations of the of the country's thoroughbred horse racing and racing clubs.

3. CAPITAL COMMITMENTS

There are no capital commitments as at 31 July 2007 (2006:\$nil).

4. CONTINGENT LIABILITIES

We are not aware of any litigation in process that will materially affect the Financial Statements.

5. LEASE COMMITMENTS

Lease commitments as at 31 July 2007 are as follows:

	31-Jul-07	31-Mar-06
	\$	\$
Motor Vehicles		
Due in 12 months – Current	24,487	6,946
Due in 1-2 years – Non-Current	19,591	6,946
Due in 3-5 years – Non-Current	603	3,383
Total	44,681	17,275

6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	31-Jul-07 NBV	31-Mar-06 NBV
	\$	\$	\$	\$
Office Equipment, Furniture and Fittings	458,135	277,723	180,412	229,230
Motor Vehicles	280,192	126,021	154,171	172,082
Computer Equipment	866,822	740,115	126,707	94,728
Computer Programmes, IT and Web Development	2,224,973	1,587,528	637,445	510,177
Total	3,830,122	2,731,387	1,098,735	1,006,217

Fixed Asset additions during the year totalled \$791,380, comprising of Computer Equipment \$246,441, Computer Programmes, IT and Web Development \$388,574, Office Equipment, Furniture and Fittings \$69,254 and Motor Vehicles \$87,111.

	31-Jul-07	31-Mar-06
	\$	\$
Depreciation Expense		
Office Equipment, Furniture and Fittings	94,655	68,869
Motor Vehicles	79,620	40,568
Computer Equipment	80,752	87,121
Computer Programmes, IT and Web Development	394,433	693,795
Bloodtyping Unit Equipment	-	14,961
	649,460	905,314

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 in 2006.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 16 MONTHS ENDED 31 JULY 2007

7. ACCUMULATED FUNDS AND RESERVES

	31-Jul-07 \$	31-Mar-06 \$
RETAINED PROFITS AT START OF PERIOD	3,563,624	4,295,082
Net (Loss)	(689,988)	(731,458)
RETAINED PROFITS AT END OF PERIOD	2,873,636	3,563,624
RESERVES:		
CODE DISTRIBUTION		
Opening Balance	(406,510)	555,329
Transfers in to/(out of) Reserves	6,522,934	(961,839)
Closing Balance	6,116,424	(406,510)

With the introduction of the Racing Act 2003 on 1 August 2003, the 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.

Pursuant to Section 25 of the Act, each racing code is then responsible for distributing 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, the NZRB distributed to Clubs on NZTR's behalf in excess of the available funds in the Code Distribution Account creating a deficit.

CLASSIC RACES STAKES SUBSIDY		
Opening Balance	143,755	143,755
Transfers (out of) Reserves	(143,755)	-
Closing Balance	-	143,755
CODE SUPPLEMENTARY FUND		
Opening Balance	528,780	360,901
Transfers (out of)/in to Reserves	(528,780)	167,879
Closing Balance	-	528,780

The Classic Races Stakes Subsidy and Code Supplementary Fund were previously used to distribute stakes funding to clubs. All funding to Clubs including stakes is now funded out of the Code Distribution. As such, the balances of both these reserves have been transferred to the Statement of Financial Performance in the 16 months ended 31 July 2007.

NZ THOROUGHBRED BONUS SCHEME		
Opening Balance	1,916,864	1,568,154
Transfers (out of)/in to Reserves	(29,202)	348,710
Closing Balance	1,887,662	1,916,864

The NZ Thoroughbred Bonus Scheme makes payments to horses enrolled in the scheme that win or place 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.

TOTAL RESERVES – OPENING BALANCE	2,182,889	2,628,139
Movement in Reserves	5,821,197	(445,250)
TOTAL RESERVES – CLOSING BALANCE	8,004,086	2,182,889

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 16 MONTHS ENDED 31 JULY 2007

8. FINANCIAL INSTRUMENTS

NATURE AND EXTENT OF ACTIVITIES

NZTR 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 one loan which is interest free.

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 investments with quality financial institutions, such as the ANZ Bank. Amounts owed to NZTR are mostly due from entities in the racing industry and hence the credit risk is considered low.

9. LOANS

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

		31-Jul-07	31-Mar-06
		\$	\$
Catwalk Trust	Interest Free	-	10,000
New Zealand Racing Hall of Fame	Interest Free	-	10,000
RACE Inc		257,007	-
Otago Racing Club		42,487	-
Oamaru Racing Club		31,211	-
Otaki-Maori Racing Club		103,184	-
New Zealand Equine Education Trust	Interest Free	119,000	151,600
NZTR Owners Settlement	Interest Free	-	450,000
		552,889	601,600
Current		73,698	20,000
Non-Current		479,191	601,600
		552,889	621,600

10. RELATED PARTY NOTE

NZTR entered into transactions during the period with two related parties. These included the NZTR Owners Settlement which manages all settlements in regards to thoroughbred racing.

The second was with the NZRB for both operating and funding transactions. The NZRB charged NZTR for property, telephone, technology and salary costs. NZTR invoiced the NZRB for drug testing for the 16 months ended 31 July 2007 only. The NZRB also distributed funding on NZTR's behalf to Clubs.

	16 Months Ended 31-Jul-07	12 Months Ended 31-Mar-06
	\$	\$
NZTR Settlement Administration Fee	157,796	110,771
NZRB (operating fees less operating expenses)	(176,458)	(236,797)
NZRB (funding revenue less funding expenses)	6,522,934	(793,960)

NZTR has advanced the following amounts, interest free, to related parties:

	31-Jul-07	31-Mar-06
	\$	\$
New Zealand Equine Education Trust	119,000	151,600
NZTR Owners Settlement	-	450,000
	119,000	601,600

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 16 MONTHS ENDED 31 JULY 2007

	16 Months Ended 31-Jul-07 \$	12 Months Ended 31-Mar-06 \$
11. PROPERTY AND CENTRAL OVERHEADS		
The key expenses that are included in Property and Central Overheads are:		
Rent and Property Expenses	129,039	67,289
Insurance	61,245	44,791
Depreciation	94,655	68,869
Loss on Disposal of Property, Plant and Equipment	27,621	32,576
12. IT INFRASTRUCTURE AND NETWORK COSTS		
The key expenses included in IT Infrastructure and Network costs are:		
Depreciation	475,185	780,916
Maintenance and Network Costs	310,728	157,995
13. SPECIAL PROJECTS		
The key projects included in Special Projects are:		
Venue Inspection	127,397	97,164
Rules of Racing Review	62,716	-
Regional Feasibility Studies	41,777	-
14. OTHER DEPARTMENT COSTS		
The key expenses included in Other Department Costs are:		
Drug Detection	160,095	265,329
DNA Typing	302,184	272,478
Travel	296,874	197,075
The decrease in drug detection costs is due to the NZRB agreeing to fund the cost of drug testing with the New Zealand Laboratory Services from 1 August 2006.		
15. SUNDRY COSTS		
The key expenses included in Sundry Costs are:		
Judicial Control Authority	199,340	149,472
Board Expenses	171,954	145,362
Board Fees	172,928	-
Legal and Professional Fees	315,685	180,527
Audit Fees	36,890	18,500
Bad Debt (Recovery)/Write-Off	(13,140)	24,483
16. TOTAL OPERATING REVENUE		
Income from NZRB Funding	67,985,509	37,370,860
Income from NZTR Core Activity	9,136,462	6,470,941
Total Operating Revenue	<u>77,121,971</u>	<u>43,841,801</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 16 MONTHS ENDED 31 JULY 2007

17. NEW ZEALAND INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZIFRS)

In December 2002 the Accounting Standards Review Board (ASRB) announced that New Zealand reporting entities would be required to apply NZIFRS for reporting periods commencing on or after 1 January 2007. The international standards were released on 31 March 2004 and adopted in New Zealand by the ASRB on 24 November 2004 with certain adaptations to reflect New Zealand circumstances. Entities have the option of adopting NZIFRS early for periods beginning on or after 1 January 2005.

NZTR will not be an early adopter of NZIFRS. The Opening Balance Sheet (1 April 2006) under the new Standards will be reported in the 2008 Annual Report, preparatory to full adoption for the financial year ending 31 July 2008. A conversion project has commenced. This project entails assessing the impacts of changes in financial reporting standards on NZTR's financial reporting and other related activities, then designing and implementing processes to deliver financial reporting on an NZIFRS compliant basis, as well as dealing with any related impacts.

Transition from existing NZ GAAP to NZIFRS will be made in accordance with NZIFRS 1 "First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards". Upon adoption of NZIFRS, comparative information will be restated to conform with the requirements of NZIFRS and the impact that adoption of NZIFRS has had on NZTR's financial statements will be set out.

NZTR has not yet completed the quantification phase of this exercise and as such is unable to conclude on the resulting impact of adoption of NZIFRS to NZTR's Statement of Financial Position as at 1 April 2006.

AUDIT REPORT

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

We have audited the financial statements on pages 35 to 43. The financial statements provide information about the past financial performance of New Zealand Thoroughbred Racing Incorporated and its financial position as at 31 July 2007. This information is stated in accordance with the accounting policies set out on pages 38 and 39.

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 July 2007 and the results of its operations and cash flows for the 16 month period ended 31 July 2007.

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 and the provision of taxation advice, we have no relationship with or interests in New Zealand Thoroughbred Racing Inc.

Unqualified Opinion

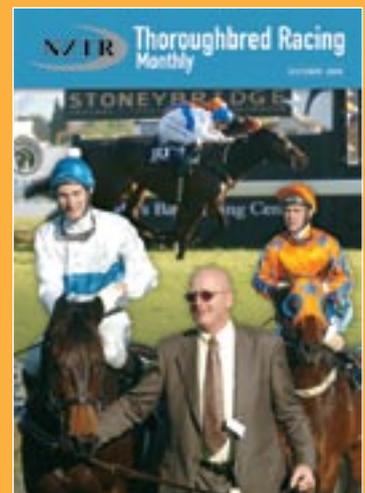
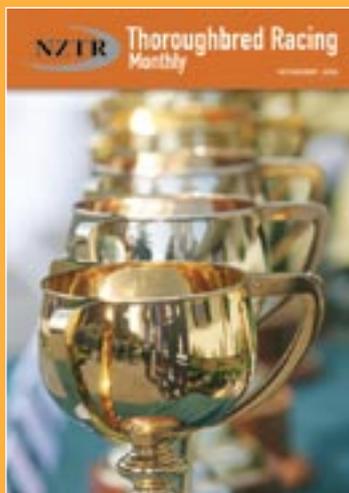
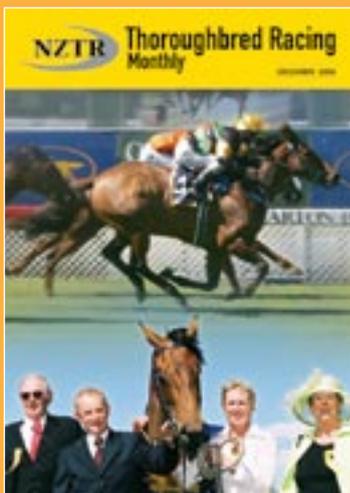
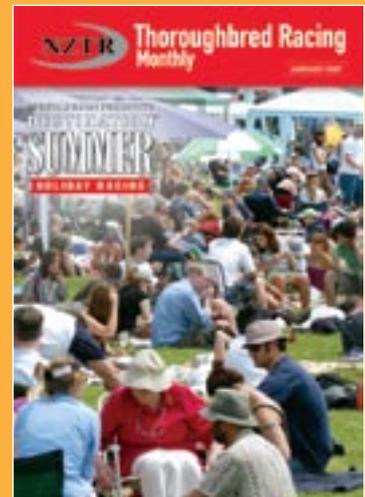
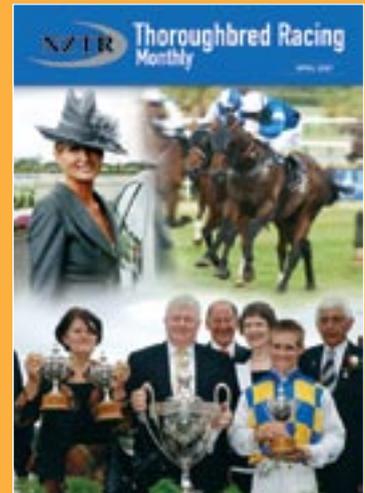
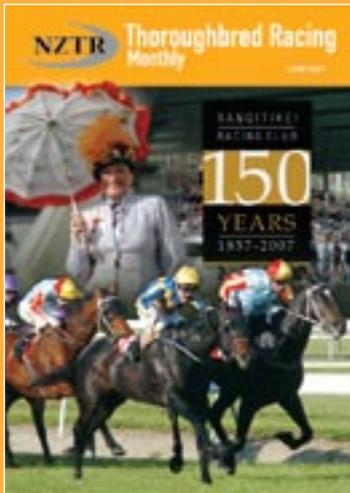
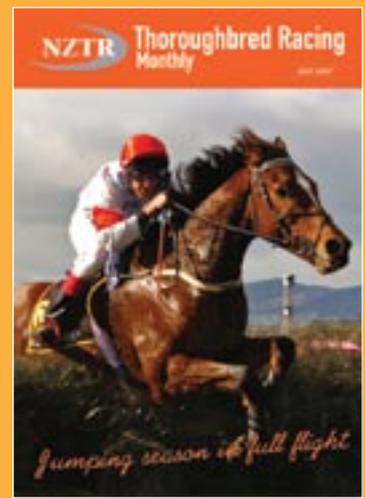
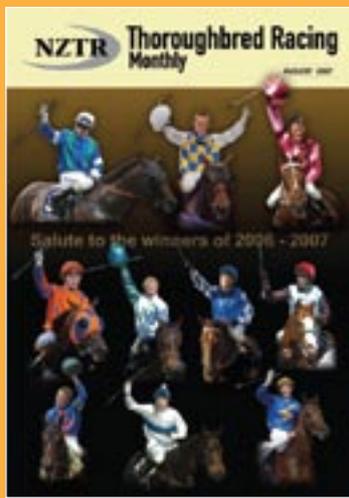
We have obtained all the information and explanations we have required.

In our opinion the attached financial statements fairly reflect the financial position of New Zealand Thoroughbred Racing Inc as at 31 July 2007 and the results of its operations and cash flows for the 16 month period ended on that date.

Our audit was completed on 12 September 2007 and our unqualified opinion is expressed as at that date.



**CHARTERED ACCOUNTANTS
WELLINGTON, NEW ZEALAND**





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