



**NEW ZEALAND
THOROUGHBRED
RACING
2013-14
ANNUAL REPORT**



New Zealand Thoroughbred Racing Incorporated
106-110 Jackson Street, Petone, Wellington 5012, New Zealand
PO Box 38 386, Wellington Mail Centre 5045, New Zealand

Telephone: +64 4 576 6240 Facsimile: +64 4 568 8866
Email: office@nzracing.co.nz Website: www.Nzracing.co.nz

CONTENTS

Board of Directors 2

Governance 4

NZTR Committees and Trusts 5

Statutory Role 6

NZTR Team 7

Employees and Remuneration 8

Chairman's Statement 9

Chief Executive's Report 17

Club Statistics, Stakes and Funding 2013-14 26

Financial Statements 28

Notes to the Financial Statements 32

Audit Report 46

Acknowledgements 47

BOARD OF DIRECTORS OF NEW ZEALAND THOROUGHBRED RACING INCORPORATED

Matthew Goodson (Chairman)

Matthew is Managing Director of Salt Funds Management. He has over 20 years of investment experience in New Zealand and the United States at firms such as First NZ Capital and Goldman Sachs JB Were. He is a Partner of Goodson & Perron Bloodstock, an operation involved in Thoroughbred breeding and racing. Matthew has a Masters of Commerce & Administration (Economics, First Class Honours), a BA in Economics and is a Chartered Financial Analyst.

Joe Walls (Deputy Chairman)

Joe has been selling bloodstock for over 40 years. He is currently Chairman of NZ Bloodstock and has held that role since 2006. He has been Chair and CEO of NZ Thoroughbred Marketing and before that was a Director of Wrightson Bloodstock for 14 years. He has been a breeder, owner and seller of Thoroughbreds for the past three decades.

Greg McCarthy (NZTR Nominee to the Board of the New Zealand Racing Board)

Greg is a director of Sutton McCarthy Limited, a consultancy that provides strategic, financial and treasury advice to corporate and other clients. A Chartered Accountant, Greg is a director of Innova Products Limited, Spring Creek Estate Limited and Rangatira Forests Limited. He has been active in the Thoroughbred industry for more than 20 years as a breeder and owner. He has a BCA in Accounting, Economics and Commercial Law. He also holds a Graduate Diploma in Rural Studies.

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



John Stace

John built a career in the financial services sector in the City of London. He founded Stace Barr Ltd, which was one of Lloyd's of London's largest capital providers, and was CEO of listed Angerstein Underwriting Trust, now Amlin plc. He was Deputy Chairman of Lloyd's at the time of its reconstruction and served on Lloyd's Market Board and Lloyd's Regulatory Board. He has served on the Board of Genesis Energy and as Chairman of Methodware. Today he serves on the Boards of 3R Group Limited, Sportsground Limited and Triplejump Limited.

Ben Nettleton

Ben is a Barrister and Solicitor. He graduated from the University of Otago with a Bachelor of Laws and Bachelor of Commerce. Following admission to the Bar, he worked for a Queens Counsel before joining French Burt Partners Law Firm in July 2010. He previously worked as a journalist, and radio broadcaster/producer, and in television within the production team of Trackside TV. He is a member of the New Zealand Institute of Directors and is involved with a number of commercial boards and non-profit organisations.

Victoria Carter (appointed in 2014)

Victoria is a Director of listed company Turner's Auctions, Tax Management NZ, Co-founder of Cityhop, and Chairman of the Auckland Festival. She has been a Director of JUCY Group and Director of former NZX company Kidicorp. She was a Director of the Auckland Racing Club and Chairman of NZTR's Member's Council until becoming a Director. An Accredited Fellow of the Institute of Directors, Victoria has a Bachelor of Laws from the University of Auckland. She has a background in public relations and marketing. She and her husband breed and race horses.

Des Friedrich (resigned in 2014)

Des is an experienced Racing administrator. He has spent 33 years working in the racing industry in New Zealand and in Australia. He was a Director and General Manager for Tuscany Construction NZ Ltd, a licensee for Platinum Homes. He served for seven years as an Executive Director on the Australian Racing Board while CEO of the racing industry in the Northern Territory of Australia and was Chief Executive of Hawkes Bay Racing from 1988 to 1996.



GOVERNANCE



The Constitution of New Zealand Thoroughbred Racing Incorporated determines the composition, selection and duties of its Board of Directors. This is supported by a Board Charter and a Board Code of Conduct.

New Zealand Thoroughbred Racing supports the highest standards of behaviour and accountability from Directors and endorses the principles set out in the Code of Proper Practice for Directors approved by the Institute of Directors in New Zealand (Inc).

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

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

The members (racing clubs) of New Zealand Thoroughbred Racing support the process of selection of the independent Board to run New Zealand Thoroughbred Racing. A Members' Council, comprising nine members elected by racing clubs (three from each of the three geographical regions) and three members appointed by recognised sector organisations (Owners, Trainers and Jockeys, and Breeders), is charged with responsibility for all aspects of the appointment, appraisal and termination (if required) of the six independent Directors.

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

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

The Board met 10 times in FY14. The Board also met with the Members' Council in FY14.

One director resigned in FY14: Mr Des Friedrich.

The Company Secretary maintains a Register of Directors' Interests.

Board members with perceived or real conflicts of interest are excluded from Board discussions and decision making.

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

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

Board Meeting Attendance FY14	Total
Matthew Goodson (Chairman)	10
Joe Walls (Deputy Chairman)	9
Greg McCarthy	10
John Stace	8
Ben Nettleton	10
Des Friedrich (Resigned in 2014)	5
Victoria Carter (Appointed in 2014)	3

NZTR COMMITTEES AND TRUSTS

The Audit & Risk Committee¹

Comprises three persons appointed by the Board.
All Directors may attend meetings of the Committee.
The Committee met 8 times in FY14.

Chairman: Greg McCarthy

Members: Matthew Goodson and Victoria Carter

Attendee: Greg Purcell

Secretary: Simon Lang

Resignations in FY14: Des Friedrich

The Integrity Committee

Comprises three persons appointed by the Board.
The Committee met 7 times in FY14.

Chairman: Peter Hutt

Members: John Stace and Ben Nettleton

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

Secretary: Simon Cooper

Resignations in FY14: Nil

The Appointments & Remuneration Sub-Committee

Comprises three persons appointed by the Board.
The Committee met 4 times in 2012-13.

Chairman: John Stace

Members: Matthew Goodson and Joe Walls

Attendee: Greg Purcell

Secretary: Natasha Freeman

Resignations in FY14: Nil

Training and Development Committee

Chairman: Peter Hutt

Members: John Oatham and Will Harnett

Attendee: Greg Purcell

Secretary: Allan Child

Resignations in FY14: David Jewell and Ross Neal

General Trust Fund²

Chairman: Keith Neylon

Trustees: John Rattray, Colin Jenkins

Secretary: Simon Lang

Apprentice Jockeys' Fund³

Trustees: Matthew Goodson and Greg Purcell

Secretary: Simon Lang

NOTES:

1. NZTR Board Charter: *All Directors may attend meetings of the Committee.*
2. Rule 1305 (1): *NZTR shall appoint, from time to time, three persons who shall act as the General Trustees of the General Trust Fund.*
3. Rule 1311 (1): *The Chief Executive and the Chairperson of the Board shall be the Trustees of the Apprentice Jockeys' Fund.*

NZTR STATUTORY ROLE – SECTION 23 OF THE RACING ACT (2003)

NZTR is established as a racing code under the Racing Act 2003. Pursuant to the Act, NZTR's functions are to:

- 1.** Receive and allocate Racing Board Distributions to the Thoroughbred Code
- 2.** Regulate the Conduct of Thoroughbred Racing
- 3.** Set Objectives and Demonstrate Accountability
- 4.** Participate in the Racing Board's Governance and Decision Making

Receive and allocate Racing Board Distributions to the Thoroughbred Code	<ul style="list-style-type: none"> (a) Receive distributions paid to the code by the Board under Section 16 (Section 17). (b) Determine how much of those distributions must be distributed among registered racing clubs, and apportion and pay those amounts (Section 25).
Regulate the Conduct of Thoroughbred Racing	<ul style="list-style-type: none"> (a) Make, maintain and publicise racing rules for the thoroughbred code. Those rules may, subject to the general law, provide for any matter relating to the conduct of races and racing that the racing code thinks fit (Sections 29 and 32). (b) Amend those racing rules, subject to consultation, approval and notification requirements (Sections 30 and 31). (c) Enforce those racing rules (Sections 33-35). (d) Participate in making appointments to the Judicial Control Authority that oversees adjudication and enforcement of those rules (Sections 36-38).
Set Objectives and Demonstrate Accountability	<ul style="list-style-type: none"> (a) Prepare a 3-year statement of intent and business plan, including the thoroughbred code's policy for distributing funds received from the Board, and deliver those documents to the Racing Board (Section 23). (b) Prepare and send to the Racing Board audited financial statements (Section 28).
Participate in the Racing Board's Governance and Decision Making	<ul style="list-style-type: none"> (a) Directly nominate one member of the Racing Board's governing body and participate in recommending three other members (Sections 11 and 12). (b) Consult with the Racing Board about: <ul style="list-style-type: none"> (i) the Board's business plan (Section 20) (ii) the determination of racing dates (Section 42) (iii) the terms of reference for performance and efficiency audits of the Racing Board (Schedule 2).

NZTR TEAM

Chief Executive

Greg Purcell

General Managers

Campbell Moncur – Deputy Chief Executive

Simon Cooper

David Jewell (Resigned 2014)

Strategic Analyst

Tony Severinsen

Racing Services

Tim Aldridge

Aliesha Moroney

Ross Gove (Resigned 2014)

Handicapping

Brett Scelly

George Strickland

Finance

Simon Lang

Lucky Bryce

Christine Young

Amanda Patmore

IT

Stuart Duggan

Georg Magerl

Website Administrator

James Preston (Resigned 2014)

Operations (Stud Book and Registrations)

Julie Walker

Natasha Freeman

Vaine Strickland

Rachel Dalley

Licensing

Allan Child

Aimee Swain

Matthew Barnsley

National Racing Bureau

Tim Lambert

Cheryle Barnsley

Donna Cameron

Kirstie Lang

Allan Pollitt

Matthew Corban

Adam King

National Venue Inspector

Garry Foscett

Apprentice Jockey Mentor

Will Harnett

Apprentice Academy Directors

Sally Waters

Pip Howell

Sarah Malone

Natalie Gameson



From left to right: Simon Cooper, Marty Burns (appointed in September 2014), Greg Purcell, Campbell Moncur and Matthew Hall (appointed in September 2014)

EMPLOYEES AND REMUNERATION

Salaried Full time staff	07/2010	07/2011	07/2012	07/2013	07/2014
Internal	24	25	27	28	27
Field	12	2	4	4	6
Total	36	27	31	32	33

Total Remuneration (\$'000)	07/2010	07/2011	07/2012	07/2013	07/2014
0 - 50	13	15	16	17	14
51 - 100	18	8	10	10	13
101 - 150	4	3	3	2	3
151 - 200	0	0	1	2	1
201+	1	1	1	1	2
Total	36	27	31	32	33



CHAIRMAN'S STATEMENT

The 2013/14 season showcased the quality of the NZ thoroughbred. While we appear swamped at times by the investment in neighbouring countries, the deeds of Silent Achiever, Dundee, Sacred Falls, Rising Romance and others show that we continue to punch far above our weight. The quality of our environment coupled with the skill and professionalism of our trainers, breeders and jockeys gives NZ a powerful edge. To build on this, it is critical that we have a strong domestic racing backbone.

The biggest challenge for NZTR and the Thoroughbred industry in FY14 was continuing to drive increases in prizemoney at a consistent and sustainable rate. In the four years since FY11, NZTR funded prizemoney per race has risen by +5.4% (FY12), +8.2% (FY13), +6.2% (FY14) and is forecast to rise by at least a further +6.3% this season (FY15). While NZ has a lower cost base than neighbouring countries, a continuation of this trend is necessary for a number of further seasons before we can be assured that returns to participants are satisfactory.

We place prizemoney front and centre as it is both the lifeblood of the industry and it provides a simple clear metric to gauge the outcomes of a whole range of endeavours.

We have consistently preached and practised prudent financial management of our industry's books. Alongside the gradually improving prizemoney levels, NZTR is setting aside an average of \$1m per year to part-fund critical infrastructure expenditure and we have rebuilt NZTR reserves to satisfactory levels so that there is no further need to add to them. This means:

- sustainable prizemoney increases fully funded from income not reserves
- a sustainable structure of meetings and races
- cash reserves of \$3.5 million (plus infrastructure reserves of \$2.4 million)
- NZTR core operating expenses maintained at FY11 levels
- no increases to licensing, stud book or registration fees for the last four seasons (other than export fees)

Prizemoney levels are the outcome of a whole range of activities. In the long term, they can only keep growing if we continue our strategic focus to look externally for customer growth. We have to ensure that thoroughbred racing is relevant and attractive to existing and potential customers.

Ensuring Thoroughbred racing is relevant and attractive

A large number of our customers come to love racing through their first on-course experience. A good on-course experience is our most effective marketing tool.

Successful businesses define a clear offer and consistently deliver on it. Our challenges are that clubs do not have large marketing budgets, their offers and delivery are individual to their venue, and are therefore not necessarily consistent with other similar-sized venues. To add to that, the Thoroughbred code and NZTR have not historically had a pan-industry marketing approach or capability.

In FY14, 467,000 fans attended race meetings versus 487,000 in FY13. While there has been a decrease, it is a creditable performance by clubs against less meetings, less races, truly terrible weather causing a record number of abandonments and the continuing trend of falling attendance at almost every sport including rugby. We believe that despite the headwinds faced by almost all live sports, we can at least hold the attendance number in FY15 and perhaps even grow it.

NZTR is programming more racing at times and at places that better suit customers: later start times; less races in winter; racing more at major urban venues; increasing twilight meetings; and targeting prizemoney increases with the aim of creating more attractive events. The Country Cup series and continued lifts in Saturday prizemoney are examples of this.

We have funded the NZ Racing Desk which has successfully expanded Thoroughbred racing's previously dwindling media coverage. Driving increased penetration into non-racing media is the next challenge.

The number of visits to www.nzracing.co.nz, which is a good indicator of interest and activity in Thoroughbred racing, rose from 3.17m in FY12 to 3.37m in FY13 to 3.52m in FY14. We are working on improving the amount

Dundeel - presentation at 2014 Horse of the Year



and breadth of information we provide including horse form, online services to trainers, owners and breeders, and introducing sectional timing and real time weather updates. Delivering comprehensive accurate sectional timing in an economic manner is far from simple across our large number of racecourses. Buying an off-the-shelf package would be prohibitively expensive, so two different development avenues are being pursued.

We have continued work on creation of a Thoroughbred racing brand but have delayed its launch to ensure the customer experience lines up with the brand promise. The work being undertaken under the Racing Club Partnership Programme includes comprehensive stakeholder surveys. Through the eyes of racing customers, suppliers and stakeholders, these surveys identify areas for potential improvement and will go towards ensuring the on-course experience matches the brand.

Three years ago, we introduced scorecards for every race meeting on every conceivable metric. The information gathered from that has morphed into the Race Club Partnership Programme run by Campbell Moncur. The aim is to share information to drive self-help. There is some outstanding delivery occurring at the club level and the emphasis is on sharing this best practice information to drive a leap in efficiency and customer focus across all clubs. One early example is a club with two very well attended major days and several industry days had lost money for 9 years out of 10. They are now budgeting for a solid profit in FY15 and bigger ones thereafter.

We have continued to partner with the NZRB's events management team to deliver national franchised events. 'Christmas At The Races' and the 'Summer Festival' have been outstanding successes again in FY14 and NZTR is devoting more resources to this partnership to help clubs deliver more major events. The first results from this played a small part in assisting Hawkes Bay Racing to deliver an outstanding spring carnival in the new season. Our Premier days and Cup days have major upside potential.

Ownership continued to be resilient in FY14 and is at the same level as five years ago. However, we are not satisfied that ownership experience is consistently what it should be and this will be one of the key focuses of our partnership with NZ Thoroughbred Marketing.

Attaining ambitious prizemoney growth aspirations

NZ prizemoney is gradually improving and is now actually above historical averages, adjusted for inflation. However, lifting it to levels that are competitive with neighbouring countries requires a quantum change in NZRB performance if that is indeed possible given the structural challenges in New Zealand.

The NZRB Statement Of Intent (SOI) for FY15 contains profit downgrades from earlier projections. However, NZTR had never based our own prizemoney projections on the old numbers. Following a large \$5.8m increase in NZRB operating expenses in FY14, we are concerned with a further rise projected in FY15. This more than offsets what has actually been a strong revenue performance and a welcome upswing in TAB customer numbers, which is continuing on into the new season.

NZTR delivered detailed feedback on this SOI on behalf of the thoroughbred industry and we welcome the openness with which the NZRB accepted this. We believe a significant change of ethos is in the early stages of occurring, which will move away from the Codes having to live with whatever is "left over".

The difficulty for the NZRB is that past investment misadventures (particularly Typhoon) require sizeable catch-up expenditure – not investing is simply not an option as rampant offshore competition impacts more each year. That said, scarce investment dollars need to focus on areas which have a rapid and high payback. These include optimising the fixed odds offer, international wagering, continuing the welcome upswing in new customers, and making difficult decisions around monetising the racing calendar between the Codes and between domestic versus import.

If the NZRB can deliver 4-5% distribution growth per year, (which Tabcorp's wagering & broadcast divisions are doing in a brutally competitive market), then NZTR and the clubs can hold costs and deliver prizemoney increases above that. This is the pattern of the last four years, and over time, would see returns reach acceptable levels.

However, if this is not possible, then it will be due to the uncomfortable truth that NZ lacks the necessary scale. NZRB has no choice but to invest in its wagering system but we do not have the customer base to spread it over. The NZRB's lack of scale means that operating costs are over 40% of net wagering revenue. Tabcorp is in the 20-30% range depending on how it is measured. Having 23.5m potential customers in Australia rather than 4.5m in NZ is clearly a whole different ballgame.

In the period ahead, the Racing Minister and the NZRB Board have to make a fundamental strategic choice. Either give the industry the necessary settings to deliver 4-5% distribution growth or commit to fundamental structural changes which deal with our disadvantages of scale. While the status quo of current prizemoney is above historical averages, it is insufficient in a globalised world where owners readily race or sell their horses overseas and punters can bet in numerous different countries.

A key element of improving industry settings will be comprehensive racefields legislation which ensures we are paid a fee for the information that we provide, prevents bookmakers evading that fee by moving to offshore tax havens, and ensures that current advertising restrictions governed by the 2003 Gambling Act remain in place. In FY14, NZTR wrote to and phoned every club and sector group to ask for help to lobby for such legislation. We were delighted with your support and assistance. We welcome the supportive comments on this subject by Racing Minister, Nathan Guy on his reappointment to the role and we call for robust racefields legislation to be an early priority for our new Government.

Managing decreasing foal crops and horse numbers

Individual starters are expected to continue to fall at a rate of between 1.5%-2% per annum.

There were 3,988 live foals in FY12, we estimate 3,838 in FY13 and project only 3,523 in FY14. These numbers are fluid and continue to change as late returns gradually come in for foals from previous seasons. However, if correct, the significant decline for projected live foals in FY14 is clearly concerning. It appears to be due in part to the export of in-foal mares to China.

Foal crop returns from the world's eight leading Thoroughbred breeding countries for the 10-year period from FY04 to FY13 show a downward global trend. New Zealand has declined less than many leading jurisdictions particularly when compared to the United States, Ireland, Japan and Australia.

Country	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
US	34,798	35,046	34,887	34,301	32,174	29,500	25,800	23,200	22,500	21,275
Australia	16,940	17,178	18,413	18,255	18,388	16,112	17,191	15,893	15,540	13,365
Argentina	6,572	6,783	7,430	7,538	8,264	8,471	8,437	8,761	8,652	8,032
Ireland	10,992	11,748	12,004	12,633	12,419	10,167	7,588	7,550	7,546	7,757
Japan	8,213	7,930	7,632	7,495	7,343	7,453	7,105	7,064	6,819	6,825
France	4,931	5,252	5,373	5,393	5,447	5,524	5,470	4,984	4,823	4,809
GB	6,318	6,003	5,794	6,052	6,043	5,652	4,665	4,635	4,366	4,420
NZ	4,509	4,600	4,561	4,264	4,654	4,469	4,334	4,161	3,899	3,842
TOTAL	93,273	94,540	95,797	95,931	94,732	87,348	80,590	76,248	74,145	70,325

Blue – foal crop decrease on previous year Black – foal crop increase on previous year

Source: International Federation of Horseracing Authorities (IFHA)

Note: Some foal returns submitted to the IFHA are estimates due to timing (prior to receipt of final foal returns) and differ from final returns



O'Reilly

To deal with the potential implications of this trend for our racing programme, we have initiated a number of actions.

NZTR lifted the 1.5kg female allowance to 2kg to encourage more fillies and mares into racing, added races restricted to fillies and mares, and whole-heartedly supported the NZ Thoroughbred Breeders' Association's Pearl Series. FY14 results were encouraging with fillies and mares accounting for 47% of starters versus a trough of 40% back in FY08.

Net exports are highly responsive to price signals, so a continuation of steady prizemoney increases is critical. Helpfully, and perhaps due to a strong NZ dollar, imports from Australia have grown in recent years and exports have fallen slightly.

Continued gradual programming and handicapping improvements should also help lift starts per horse. The key to spreading the horse population so that field sizes are even is mobility between the rating bands so that a horse is not stuck on an uncompetitive mark. In response NZTR has introduced benchmarking and eliminated dual banding (from 1 August 2014). This will lift consistency in penalties for winning a race.

Improving our infrastructure

We all know many of our venues are not customer-friendly, are old, and there is no money to replace them. So, given this high-cost, historical infrastructure base, how do we become more efficient?

Since FY11, NZTR has set aside an average of \$1m per year to fund critical projects at our top 14 tracks. To maximise the impact, we are insisting on co-investment by clubs, communities and frequently (where approved) the Racing Safety Development Fund. A significant programme has been approved for the coming season.



Cromwell races

NZTR FY14 Infrastructure Expenditure

Project	Club	Venue	FY14
Plastic Running Rail	Various	Various	\$312,299
Hurdle Pads	Various	Various	\$31,257
Camera Towers	Various	Various	\$544,569
Club Loan Agreements legal costs	Various	Various	\$11,974
Drainage	Canterbury JC	Riccarton	\$132,774
Drainage	Otaki-Maori RC	Otaki	\$2,428
Irrigation system	Taranaki TRI	Pukekura	\$40,000
Irrigation system	Whangarei RC	Ruakaka	\$50,000
Ruakaka Racecourse Development	Whangarei RC	Ruakaka	\$210,000
Total Expenditure			\$1,335,300

In FY14 NZTR continued to rationalise by gradually moving meetings from small tracks to our largest Strategic and Significant courses. In FY11 our top 21 courses hosted 74.9% of all meetings. In FY15 this will be 80.5%. This recognises that small clubs tap out their volunteer base and community support once they get beyond a couple of meetings, while large clubs need as many meetings as possible to spread the costs of their professionalism.

With regard to improving training facilities, NZTR continues to explore the possibility of an artificial training and trials track in the Waikato to deliver gains from lower travelling costs and horses getting to the races more quickly. In FY15, NZTR will assess these benefits against the lower cost reality of a Te Rapa inside trials track, other potential inside tracks, and the possibility of a covered plough training surface at Cambridge.

Conclusion

The FY14 season had its share of challenges, not the least of which were record weather related abandonments. However, we are satisfied that NZ thoroughbred racing is making steady, sustainable progress. Average NZTR-funded stakes per race in the coming season will be 29% above the trough of FY11. As this is written, the new season has started extremely well with turnover and field sizes showing very encouraging signs.

To keep growing requires careful cost-conscious investment by NZTR and particularly the NZRB to grow our customer base. If the NZRB can grow profits by 4-5%, (as Tabcorp is doing in the face of massive competition), then by holding costs, prizemoney will grow at a margin above that. Further upside requires major step-changes such as racefields legislation. It is fantastic that a unified push by the industry on this issue has seen it placed firmly on the agenda of the re-elected Government.

As a Board, we are committed to a high degree of transparency and accountability. Our third annual Performance Report, which measures our performance in FY14 against our key performance indicators and forecasts in our 2014-16 Business Plan, was published in September and we anticipate publication of our third annual Business Plan (2015-17) in November, subject to the Racing Board's approval as required by The Racing Act.

Over the past year, NZTR has delivered on many of our targets, especially those that are under our direct control. Where we have not met them, we have looked at the reasons and implemented changes to address the issues.

Appreciation

My thanks to my fellow Board members Joe Walls, Greg McCarthy, John Stace, Ben Nettleton and Victoria Carter for their considerable work, which goes far beyond merely attending Board meetings. Your willingness to lend your varied expertise in all sorts of areas is a huge contribution to the industry. We lost Des Friedrich in FY14 to Australia. Des brought huge knowledge and experience to the Board and we were very sorry to lose both his deep knowledge and his fellowship.

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

I especially thank Glenda Hughes, the Chair of the NZ Racing Board and her fellow Board members. The NZRB faces numerous challenges from past under-investment and strong competition from offshore bookmakers. I believe that participants will see that a sea-change is in the early stages of occurring at the NZRB and we are greatly encouraged by the turnaround in customer numbers they are driving.

I acknowledge and thank the Racing Minister, the Hon Nathan Guy, for his oversight of the industry and his willingness to back us on the issues that really matter. His re-appointment is welcome.

I thank Greg Purcell and the team at NZTR for stepping up and meeting the many and varying demands of the Board and stakeholders throughout FY14. Your enormous hours and dedication deserve major acknowledgement.

The Board welcomed Wayne Guppy to the chairmanship of the NZTR Members' Council in FY14 following Victoria Carter's appointment to the Board.

Best wishes for all your racing endeavours in the season ahead.

Matthew Goodson

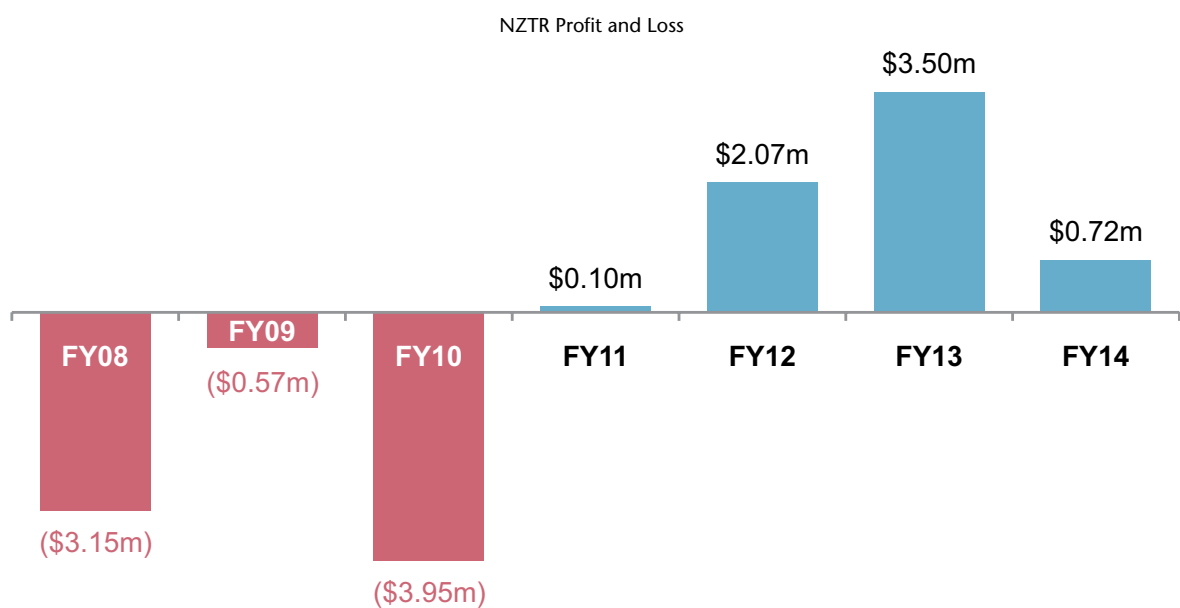
Chairman



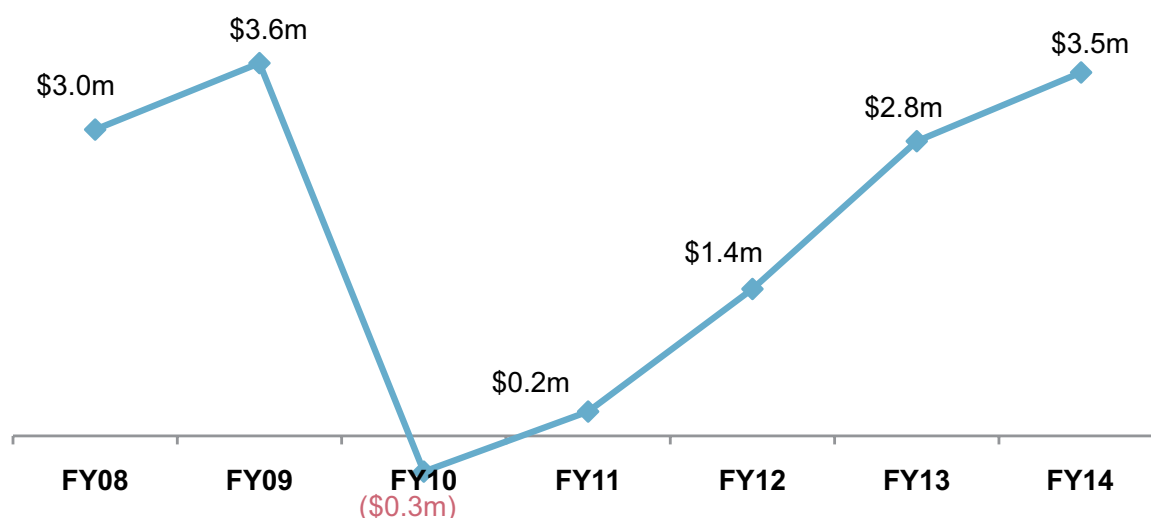
CHIEF EXECUTIVE'S REPORT

NZTR

Over the last few years NZTR's fiscal position has stabilised. Our operational expenditure, excluding marketing costs, was below FY11 budget levels on a like-for-like basis, with additional services (excluding marketing and special projects) fully funded by internal cost savings. This is reflected in our Profit and Loss statement, with a \$1.58m surplus (before infrastructure provision).



NZTR Net Current Assets
(excluding infrastructure reserve)



Of the total 44 KPIs in our FY14 Business Plan, NZTR:

- met or exceeded our FY14 Business Plan KPI on 15 of 44 (34%)
- met or exceeded prior year performance but did not meet our KPI on 6 (14%)
- neither met our KPI nor prior year performance on 23 (52%)

13 of 44 KPIs were impacted by a record number of abandonments – 19 full race meetings and 170 races.

Prizemoney

NZTR is acutely aware that our prizemoney needs to continue to rise. It is also acutely aware this can only be paid out of income. Accordingly, we are careful to balance prizemoney increases with marketing and infrastructure expenditure (we continue to set aside an average of \$1m per year for infrastructure). We are fully confident recent increases are sustainable and that steady further rises in excess of inflation are likely.

As noted in the Chairman's Statement, FY14 saw a fourth successive year of incremental prizemoney increases at a compound average annual growth rate of 4.2% over those four years. These are fully funded from earnings.

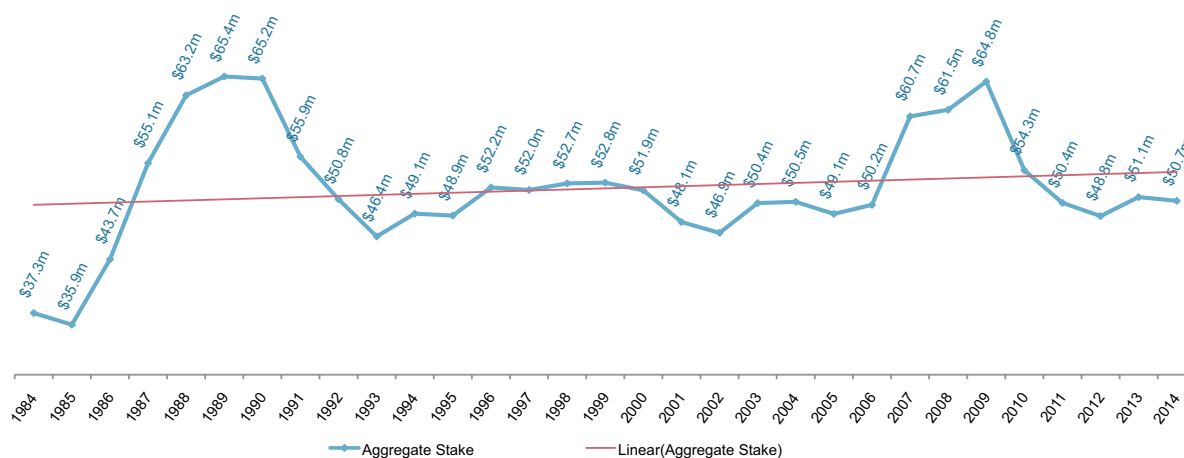
In FY15 NZTR will increase average base prizemoney per race to a budgeted \$17,696. This is 6.3% above last season's \$16,652 and will be 28.6% above the recent low of \$13,758 in FY11. Of course total prizemoney per race is around \$1,000 higher than this with additions from clubs and other sources.

This increase is sustainable despite a largely flat NZRB payout forecast. It comes from income and reflects NZTR holding its costs flat for the fourth consecutive year; club costs being under similar restraint; and a modest reduction to the FY15 racing programme seeing a small lift in income net of the revenue foregone.

To put that into perspective, we estimate that FY15 will be roughly 7% below the pre-crash days of FY89, 32% above the deep trough of FY93 and 13% below the recent peak in FY09, which was an all-time high.

However, that peak included the Minister's High Stakes funding and was partially paid out of reserves rather than income.

NZ Thoroughbred Racing Aggregate Prizemoney 1984-2014
(Farm Expense Price Index Inputs excluding livestock adjusted)



Note - Aggregate prizemoney expressed in 2014 \$.

The industry's costs have also been rising much faster than CPI inflation given that they are driven by the dairy boom, wages rising faster than prices and transport.

From 1 October 2014, minimum feature race prizemoney for:

- Rating 65 races will increase by \$2,500 per race to \$17,500
- Rating 75 races increase by \$1,000 per race to \$18,500
- Rating 85 races will increase by \$2,500 per race to \$20,000

Heritage races drive great crowds and turnover. An extra \$110,000 has been allocated to fund \$200,000 minimums for the Wellington, New Zealand and City of Auckland Cups. The Counties, Manawatu and Waikato Gold Cups will have \$100,000 minimums. The next tier will have \$75,000 minimums and four traditional winter handicaps will return to \$40,000.

An extra \$288,000 for Country Cups will enable every club in New Zealand to run their best race for at least \$20,000 (\$25,000 if it's an open handicap). The aim is for every club to have an event that galvanises community support and gives fans throughout NZ an opportunity to connect to racing on at least one day every year.

Supporting the NZ Racing Board to maximise wagering returns

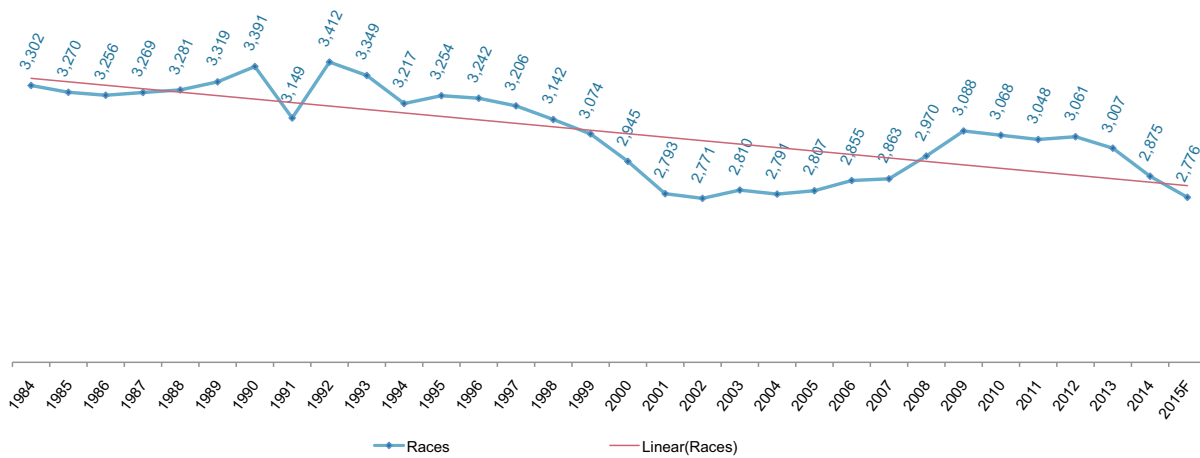
NZTR is dependent on the performance of the NZRB to drive prizemoney increases. The decisions we make to provide the optimum structure of racing and programming ultimately impacts on the NZRB's ability to deliver increased distributions to the codes.

NZTR expects to conduct 2,776 races in FY15, a 5.6% reduction on the 2,940 we had planned in FY14. Races continue to be moved from regions and times of the year when field sizes are low.

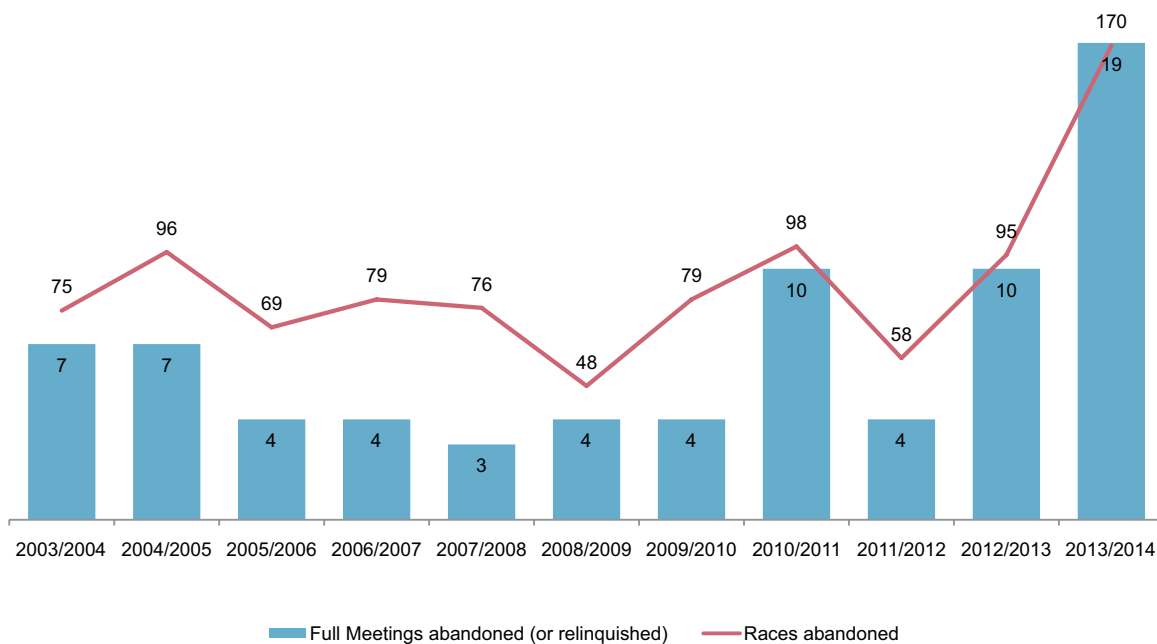
As it turned out we conducted 2,875 races in FY14 due to a record number of weather related abandonments.

Australia is a key focus for increasing revenue and FY14 was disappointing with NZ\$ export turnover per race being down 11.4%. The monthly average NZ\$A\$ exchange rate appreciated by 11.8%. A loss of coverage on Sky1 for

NZ Thoroughbred Racing Total Races 1984-2015 (Forecast)



Number of abandonments FY04-FY14



some midweek races was the other issue. Looking forward, the NZRB's focus has understandably been on the high margin NZ customer rather than on the small margin Australian customer, but we believe this market is under-developed.

In late 2013, NZTR wrote to and phoned every club and sector group to ask for help to lobby for Race Field legislation. We were delighted with the support. Robust legislation should allow the NZRB to set a fee to be paid to each Code by offshore bookmakers who accept bets on that Code's races.

We are also advocating changes to Section 16 of The Racing Act. It is not possible that an average thoroughbred race with \$147,000 turnover delivers the same profit margin to the NZRB as say a \$27,000 race. Yet, the domestic revenue share basis of Section 16 imposes this very outcome. The fact is the Thoroughbred code delivers a higher profit margin on every dollar of turnover but is not rewarded to reflect that.

Supporting Trainers, Owners, Riders and Stablehands

FY11 saw a huge lift in ACC levies which peaked that year at 11.17% of every dollar paid to an industry employee. Since then, major improvements at ACC itself and huge effort by NZTR in defining thoroughbred industry claims has seen a sharp fall. The levy declined to 9.58% in FY12, 6.91% in FY13, 5.94% in FY14 and will be 5.26% in FY15, with the prospect of further reductions in the future. This is a huge saving to trainers, jockeys, breeders and all participants.

Other initiatives include further upgrades to the Trainers' Service Centre as one go-to portal which links trainers to owners and a NZTR-sponsored pilot for the Trainers' Mentoring Service whereby business mentors are aligned with willing public trainers to up-skill their commercial and administration expertise including financial management and processes, marketing and communication strategies.

In FY14 NZTR commenced a comprehensive review of the ownership experience. This review will be completed in FY15 and aims to improve the owner experience, from start to finish. A number of aspects are currently being improved. These include horse syndication options including Social Racing and simplification of ownership Rules and forms requiring only a person who is selling an interest, a person acquiring an interest and the Racing Manager to sign change of ownership forms.

NZTR takes extremely seriously its primary responsibility to ensure the health, welfare and safety of all riders. In FY15 changes are being made to health and safety regulations which will require all Class A, B, D and E riders to complete a Rider Medical Examination. This will be required every two years until the age of 50, and annually thereafter. The medical examination will be paid for by NZTR. Previously NZTR required a medical examination only when a rider was first licensed.

NZTR is also introducing in FY15 baseline concussion testing for all riders. The testing will involve a baseline test followed by further testing after a fall or accident. The RIU will be undertaking baseline concussion testing on behalf of NZTR over the coming months.



Total Licences (as at 15 September of each year)

Licence Type	2010-11	2011-12	2012-13	2013-14	2014-15
Public Trainer	357	351	346	343	337
Permit To Train	375	376	373	362	348
Owner-Trainer	402	388	363	344	318
Total	1132	1110	1082	1049	1003
Jockey	95	95	91	95	96
Apprentice Jockey	40	46	57	58	57
Amateur Rider	41	44	42	57	46
Total	176	185	190	210	199

NZTR introduced a Limited Credit Programme (LCP) in FY12 to register and licence stablehands. This was viewed as a preliminary step towards the promotion of Level 3 training opportunities.

Historically few stablehands, stud grooms and track work riders have undertaken industry training.

NZTR, in partnership with the Primary ITO, has invested in developing and marketing qualifications for industry professions alongside its Apprentice Training Academy jockey qualifications.

Supporting Race Clubs

Many of our on-course facilities are dated and there is little or no money to replace them. NZTR has carefully built up an infrastructure reserve (an average of \$1m per year) and only distributes this where it can be leveraged with co-funding from clubs, the Racing Safety Development Fund (RSDF) and other sources.

This reserve will only be invested in Strategic and Significant courses, where enough racedays are held to spread the fixed costs.

In FY15 NZTR will continue to move meetings from some small tracks to our largest Strategic and Significant courses. From FY11 to FY15, our top 21 venues have moved from 74.9% to 80.5% of all meetings. This recognises that small clubs work well with their volunteer base and community support with one or two meetings but more than this presents issues for our industry while Strategic and Significant venues need as many meetings as possible to spread their costs and to ensure a premium product.

We will also continue to assess the potential for a synthetic track in the Waikato region and provide \$405,000 to the 17 largest training centres in recognition of each of their contributions to the industry via the provision of training facilities and tracks

Once again NZTR's partnership with the NZRB Events Management team is helping to deliver national franchised events such as Christmas At The Races, an outstanding success.

In FY15, in support of this, the Racing Club Partnership Programme will continue to work with clubs to survey internal and external stakeholders to gauge experiences offered by clubs.

Identifying infrastructure investment priorities and ensuring racing venues meet all necessary compliance requirements will also be an important part of this partnership work schedule.



Sea King and Karlos

Marketing our Industry

Over the last three decades racing has lost considerable relevance in New Zealand society, in line with many sports, while competition has grown and widened. Our sport's internal focus has led to reluctance to bring in changes required to meet changing customer demands.

The challenge NZTR faces is to reverse this customer decline. The various initiatives spelt out in our Business Plan are designed to make our sport more relevant and appealing to a greater number of customers.

In addition to making changes to the racing programme to ensure people can go racing when it suits them, such as more twilight meetings, we are lifting prizemoney on our 20 biggest days which provide top class racing, building on the re-launched Social Racing as a mechanism to introduce new owners, supporting Country Cups, and helping clubs in a partnership with the NZRB's Events Management team and through the Race Club Partnership Programme.

Also in FY15 NZTR will continue to fund the NZ Racing Desk which has successfully lifted Thoroughbred racing's presence in traditional media and online, continue to make improvements to www.nzracing.co.nz which had 3.52m visits in FY14 (up from 3.37m in FY13) including form information.

Work towards creating a distinctive Thoroughbred sports brand that can tell our story to a new generation of fans and deliver an experience consistent with the brand being delivered continues and is anticipated to come to fruition in FY15.

New Zealand Pattern

We are required to restrict the number of black type races in New Zealand to approximately 5% of the estimated number of flat races run during the season and maintain the 'pyramid' model used by most countries in Part 1 of the Blue Book; i.e. more Group 2 races than Group 1 races, and more Group 3 races than the combined total of Group 1 and Group 2 races.

Due to the reduction of total flat races, the 5% threshold has been exceeded and the 'pyramid' model has not been upheld. Based on projected total flat races over the next three years, New Zealand will be required to cut Pattern races by 19 (to 128 in FY17) to meet the 5% threshold. To achieve the 'pyramid' model more downgrades will need to occur in Group 1 races than Group 2 races.

There are currently 21 black type races with 1st warnings (17 last year) and 8 races with 2nd warnings (14 last year).

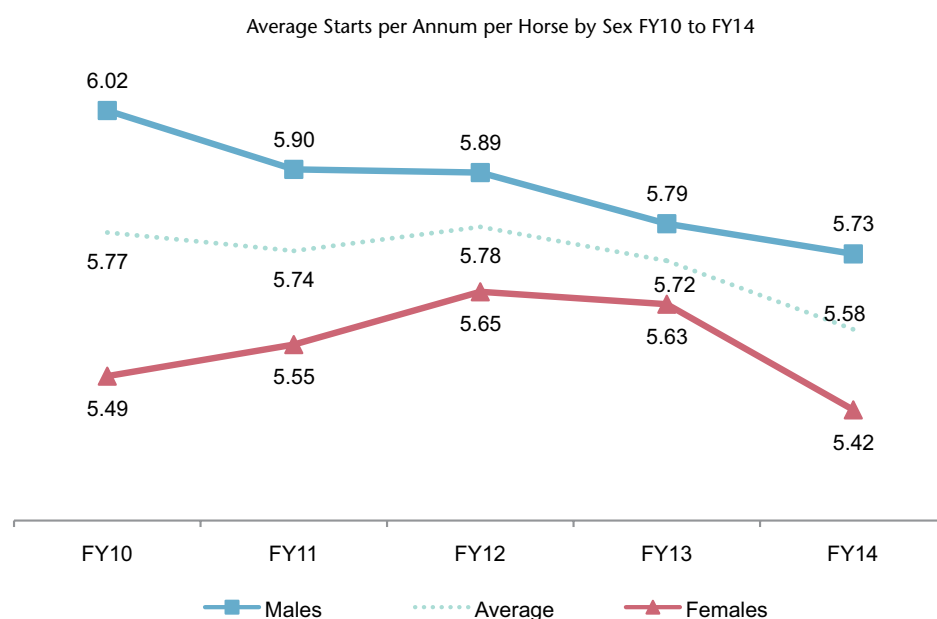
Status	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Group 1	22	22	22	22	22	22
Group 2	23	23	23	22	21	22#
Group 3	33	33	33	36	39	40
Listed	68	66	68	65	65	63
Total	146	144	146	145	147	147

Note: The Group 2 status of the Foxbridge Plate will not actually take effect until August, 2015.

Fillies and Mares

A total of 473 two-year-old fillies enrolled for the FY14 NZB Insurance Pearl Series (Series 2014), an incentive scheme which features bonus payments on designated races. This compares with 647 fillies enrolled in the 2013 Series (Series 2013).

We will continue to support this excellent incentive series and increase the number of national mid-week races for fillies and mares (initiated in FY12) to complement the \$25,000 special condition fillies and mares races run on Saturdays.



Source: NZTR Analysis

Jumps Racing

Two key changes in FY14 have really worked:

- open entry jump races have given certainty that a race will not be cancelled due to insufficient entries
- stakes have been lifted, with average prizemoney of \$21.6k in the second half of FY14 compared to \$16.2k in 2H13.

Field size has lifted to 8.89 in 2H14 from 8.42 in the 2H13. Strong numbers and divisions in maiden jumps fields lend confidence for the future.

Our challenges are to re-establish a sustainable base of activity in the South Island and lift betting turnover. Consistent fields above 8 will certainly help but other strategies and promotions need to be developed.

Animal Welfare

The number of horses leaving Thoroughbred racing and breeding in New Zealand each year is approximately 800. The welfare priority is securing futures for retired racehorses. However, once they leave the industry they are no longer within the industry's jurisdiction and this presents a challenge.

In FY15 NZTR is strengthening its Rules of Racing around horses leaving racing making it mandatory to report horse retirement (this does not include horses leaving racing and entering the Thoroughbred breeding population) and promoting second careers for retiring racehorses by expanding its Thoroughbreds in Equestrian Sport (TIES) partnership with Equestrian Sport New Zealand (ESNZ) across five equestrian disciplines; a programme aimed at increasing awareness of re-training and re-homing options for retiring racehorses and helping with this transition.

Conclusion

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

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

My thanks also go to the hard working committees and staff of our race clubs, and to the executive of the New Zealand Trainers' Association, New Zealand Jockey's Association, the New Zealand Federation of Thoroughbred Racehorse Owners, the New Zealand Thoroughbred Breeders' Association, New Zealand Thoroughbred Marketing, the New Zealand Equine Health Association, the New Zealand Veterinary Association and the Racing Integrity Unit for your effort and support.

I would also like to thank the Minister for Racing, the Honourable Nathan Guy MP and his staff.

NZTR is grateful for the work of all NZRB staff.

Finally, I owe particular thanks to the entire NZTR team who all worked extremely hard in 2013-14.

Greg Purcell

Chief Executive

NZRB Club Net Stakes and Funding Statistics 2013 2014

Thoroughbred Clubs	Mtgs	Races	Starters	Off-course totalisator turnover	On-course totalisator turnover	Total FOB (Off & On-course)	Export Turnover (\$NZ)	Stakes Paid	Noms, Accepts & Club Charges/ Payments to Owners	Total Club, Meeting & Stakes Funding	Stakes to Funding Ratio
Ashburton RC	10	83	897	5,369,292	272,362	1,974,084	7,814,750	944,500	5,498	1,299,741	72.2%
Auckland RC	24	218	2,389	35,543,885	6,460,252	13,414,241	28,952,125	9,372,350	983,727	10,122,170	82.9%
Avondale JC	13	108	1,088	7,063,741	469,992	3,112,079	10,621,505	869,825	(273)	1,366,167	63.7%
Banks Peninsula RC	2	17	166	927,222	85,820	291,231	1,318,791	132,825	0	209,503	63.4%
Beaumont RC	1	8	84	353,165	36,503	118,460	499,373	60,000	0	96,629	62.1%
Cambridge JC	2	17	205	2,366,587	228,620	918,077	1,904,621	426,000	24,425	540,768	74.3%
Canterbury Racing	18	166	1,814	19,304,938	3,074,306	6,290,720	21,160,341	5,105,185	446,156	5,894,551	79.0%
Central Otago RC	2	20	196	1,263,183	179,120	399,309	1,662,481	176,000	0	264,341	66.6%
Counties RC	13	106	1,078	9,657,075	766,301	3,554,157	12,130,788	1,427,500	66,806	1,942,923	70.0%
Dargaville RC	1	7	62	503,148	118,373	278,876	744,814	50,000	0	102,084	49.0%
Egmont RC	6	41	425	3,077,512	208,697	1,010,900	3,851,962	455,500	13,350	668,910	66.1%
Feilding JC	3	25	278	2,864,607	257,114	835,957	3,177,354	344,000	16,250	494,378	66.3%
Gore RC	4	33	315	1,994,665	109,905	671,114	3,256,052	379,000	6,750	519,936	71.6%
Greymouth JC	1	8	62	586,734	71,349	211,286	689,606	85,625	0	127,137	67.3%
Hawke's Bay RI	15	126	1,334	14,448,910	1,748,893	5,201,634	15,596,799	2,717,300	205,254	3,637,613	69.1%
Kumara RC	1	10	96	838,151	384,295	234,270	912,109	104,000	0	204,887	50.8%
Kuwong JC	0	0	0	0	0	0	0	0	0	30,000	0.0%
Levin RC	4	35	379	3,539,769	311,837	1,339,421	4,598,792	587,500	20,538	776,047	73.1%
Manawatu RC	9	79	851	9,014,499	1,107,989	3,393,071	8,967,082	1,928,000	122,958	2,425,321	74.4%
Marlborough RC	2	16	126	824,279	84,855	341,429	1,247,331	152,000	0	209,316	72.6%
Marton JC	4	35	388	4,288,937	381,499	1,476,691	4,675,823	651,000	16,513	858,795	73.9%
Masterton RC	1	7	59	417,841	43,639	165,442	360,516	59,000	0	97,614	60.4%
Matamata RC	12	96	1,108	9,097,211	682,177	3,304,114	10,960,764	1,147,185	25,850	1,654,423	67.8%
Oamaru JC	2	13	131	840,590	20,840	248,801	1,396,084	106,750	0	180,816	59.0%
Otago RC	14	108	1,074	8,536,029	831,250	2,804,790	8,886,364	1,618,060	38,150	2,224,577	71.0%
Otaki-Maori RC	11	89	917	7,172,297	522,725	2,491,896	8,897,903	1,023,300	21,398	1,481,722	67.6%
Pakuranga HC	1	8	89	902,417	121,659	242,653	1,047,318	172,500	300	233,227	73.8%
Poverty Bay TFC	2	16	114	836,503	76,459	402,514	1,218,052	130,000	(6,720)	189,253	72.2%
Rangitikei RC	2	17	208	1,920,974	195,380	598,492	2,101,147	287,500	7,310	392,754	71.3%
Reefton JC	1	8	58	448,921	55,029	215,403	477,188	79,500	0	116,046	68.5%
Riverton RC	4	40	421	2,518,886	337,318	797,234	2,494,126	514,000	7,582	692,487	73.1%
Rotorua, Racing	9	75	790	6,872,054	631,527	2,498,424	7,873,372	941,825	32,535	1,334,406	68.1%

Rotorua-BOP HC	1	9	77	513,281	35,947	159,181	792,743	78,000	0	115,628	67.5%
South Canterbury RC	10	75	710	4,597,683	234,114	1,652,499	6,831,587	772,800	7,500	1,129,349	67.8%
South Waikato RC	1	9	101	648,920	91,350	289,958	1,059,690	70,000	0	113,154	61.9%
Southland RC	5	42	432	2,813,463	330,081	896,182	4,136,308	597,500	6,625	812,637	72.7%
Stratford RC	3	21	210	1,547,273	204,113	536,066	1,814,086	174,000	0	284,878	61.1%
Tapanui RC	1	8	89	661,087	69,984	199,228	644,101	85,000	0	118,332	71.8%
Taranaki TRI	13	101	993	9,783,700	1,170,576	3,353,170	11,790,452	1,474,300	18,638	2,055,210	70.8%
Taumarunui RC	1	8	114	1,512,466	139,202	475,477	1,166,720	245,000	10,169	291,007	80.7%
Taupo, Racing	4	32	334	2,526,807	234,939	1,194,452	3,395,837	241,000	(127)	404,766	59.6%
Tauranga, Racing	12	99	990	9,980,193	1,430,419	3,746,108	10,562,761	1,351,060	22,333	2,003,228	66.3%
Te Aroha, Racing	10	81	878	6,412,418	480,906	2,410,097	8,368,370	987,000	20,900	1,387,809	69.6%
Thames, Racing	2	16	124	1,378,480	228,371	593,915	1,928,793	151,065	0	255,759	59.1%
Waikato RC	20	178	2,002	22,003,620	2,139,946	8,049,502	21,406,185	3,552,875	154,893	4,642,017	73.2%
Waikouaiti RC	1	8	77	829,727	129,036	209,826	457,226	79,000	0	133,977	59.0%
Waimate RC	1	10	82	461,515	26,903	183,082	511,999	95,000	0	130,308	72.9%
Waipa RC	6	50	560	3,510,868	184,267	1,285,275	4,590,070	392,000	0	607,259	64.6%
Waipukurau JC	3	19	183	1,367,021	191,477	473,752	1,138,387	142,000	0	267,318	53.1%
Wairarapa RC	4	32	334	2,821,424	581,353	1,089,432	3,260,421	284,000	6,750	518,062	53.5%
Wairoa JC	1	8	77	425,144	36,167	144,967	408,492	78,000	0	115,200	67.7%
Wairoa RC	2	16	134	858,554	132,027	428,388	1,167,128	147,000	(6,980)	207,128	74.3%
Wanganui JC	10	87	1,048	8,058,979	568,550	2,555,139	10,255,231	1,065,500	29,819	1,480,524	70.0%
Waverley RC	4	29	290	2,012,299	117,198	755,327	2,850,830	283,500	0	410,272	69.1%
Wellington RC	11	101	1,103	16,255,641	2,771,521	5,624,901	12,509,949	4,151,500	528,880	4,963,148	73.0%
Westland RC	1	8	63	484,446	77,096	193,397	830,756	85,000	0	124,197	68.4%
Whakatane RC	4	29	250	1,732,706	181,887	714,816	2,266,168	214,000	0	367,980	58.2%
Whangarei RC	11	91	826	8,434,851	762,026	3,333,910	8,849,733	1,226,185	(6,836)	1,752,484	70.4%
Winton JC	3	26	250	1,500,674	82,076	516,592	2,553,790	218,000	0	322,486	67.6%
Woodville-Pahiatua RC	6	47	498	3,233,090	244,623	1,079,704	4,551,791	371,000	0	600,212	61.8%
Wynndham RC		0	0	0	162	0	103	0	0	30,037	0.0%
Grand Total	345	2,875	30,031	279,760,349	32,752,401	100,981,111	309,595,037	50,659,015	2,846,920	66,032,911	72.4%

Notes

1. Off-course totalisator turnover does not include Pick 6 or Turbo Quaddies.
2. On-course totalisator turnover excludes on-course FOB.
3. Noms, Accepts & Club Charges/Payments to Owners is the net amount of all direct club charges and credits to owners paid through NZTR's Settlement System.
4. Total Club, Meeting & Stakes Funding is all NZTR funding paid to clubs, including minimum stakes, Group and Listed, special interest, iconic, meeting, venue category funding, carnival and jumping support, and on-course payments.
5. Stakes to Funding Ratio is the Stakes Paid minus Club Noms, Accepts and Club Charges/Payments, then divided by Total Club, Meeting & Stakes Funding.

FINANCIAL STATEMENTS

NEW ZEALAND THOROUGHBRED RACING INCORPORATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE 12 MONTHS ENDED 31 JULY 2014

	Notes	31 July 2014 \$	31 July 2013 \$
INCOME			
NZRB Code Distributions		73,567,424	74,393,715
Nomination and Acceptance Fees		2,253,731	2,870,338
TRM and Publications		208,936	219,272
Registrations		590,295	586,636
Licence Fees		217,400	209,309
Stud Book		1,369,688	1,401,894
Interest		356,845	195,046
Sundry Income		349,992	334,358
TOTAL INCOME		78,914,311	80,210,568
LESS EXPENSES			
Club Product Payments and Subsidies		70,422,739	69,782,982
TRM and Publications Expenses		286,520	287,051
Ownership and Industry Initiatives		55,030	39,780
Training and Development		121,709	127,759
Property and Central Overheads	2	377,987	404,812
IT Infrastructure and Network Costs	3	554,399	578,466
Special Projects	4	335,801	166,508
Salaries and Other Staff Costs		2,894,586	2,909,041
Other Department Costs	5	1,075,793	1,032,217
Sundry Costs	6	1,205,555	1,123,917
TOTAL EXPENSES		77,330,119	76,452,533
SURPLUS BEFORE INFRASTRUCTURE PROJECTS		1,584,192	3,758,035
Infrastructure Projects			
RSDF Funding – Infrastructure	7	475,667	439,159
Infrastructure Expenditure	7	(1,335,300)	(697,675)
NZTR INFRASTRUCTURE EXPENDITURE NET OF FUNDING		(859,633)	(258,516)
TOTAL SURPLUS		724,559	3,499,519

The notes on pages 32 to 45 should be read in conjunction with these financial statements

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
STATEMENT OF MOVEMENT IN EQUITY
FOR THE 12 MONTHS ENDED 31 JULY 2014

	Notes	Retained Earnings \$	Infrastructure Reserve \$	Total Equity \$
EQUITY as at 1 August 2012		2,705,789	783,651	3,489,440
Surplus for the FY13 Year		3,499,519	–	3,499,519
Transfer of Retained Earnings to Infrastructure Reserve	10	(1,741,484)	1,741,484	–
EQUITY as at 31 July 2013		<u>4,463,824</u>	<u>2,525,135</u>	<u>6,988,959</u>
EQUITY as at 1 August 2013		4,463,824	2,525,135	6,988,959
Surplus for the FY14 Year		724,559	–	724,559
Transfer of Infrastructure Reserve to Retained Earnings	10	103,308	(103,308)	–
EQUITY as at 31 July 2014		<u>5,291,691</u>	<u>2,421,827</u>	<u>7,713,518</u>

The notes on pages 32 to 45 should be read in conjunction with these financial statements

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2014

	Notes	31 July 2014 \$	31 July 2013 \$
Opening Equity (excluding Infrastructure Reserve)		4,463,824	2,705,789
Retained earnings		827,867	1,758,035
Infrastructure Reserve		2,421,827	2,525,135
TOTAL EQUITY		7,713,518	6,988,959
CURRENT ASSETS			
Cash		417,287	1,753,222
On Call Deposits		787,975	2,672,869
Short Term Deposits		6,388,515	1,279,150
Trade and Sundry Debtors	20	950,732	842,852
Prepayments	21	205,088	151,843
Work in Progress	21	183,198	37,165
Income Receivable		554,369	390,600
Short Term Loans and Advances	11	30,000	30,000
Code Distribution Account		332,613	2,027,931
TOTAL CURRENT ASSETS		9,849,777	9,185,632
LESS CURRENT LIABILITIES			
Trade and Sundry Creditors		3,399,005	3,188,376
Provision for Annual Leave		195,293	222,159
Fees and Subscriptions in Advance		333,654	381,853
TOTAL CURRENT LIABILITIES		3,927,952	3,792,388
NET CURRENT ASSETS		5,921,825	5,393,244
NON-CURRENT ASSETS			
Property, Plant and Equipment	8	223,493	279,476
Intangibles	9	393,695	325,033
Loans and Advances	11	1,174,505	991,206
TOTAL NON-CURRENT ASSETS		1,791,693	1,595,715
NET ASSETS		7,713,518	6,988,959

The Financial Statements of New Zealand Thoroughbred Racing Incorporated are accepted on behalf of the Board of Directors on 23 October 2014.



MATTHEW GOODSON
BOARD CHAIRMAN



GREGORY McCARTHY
AUDIT AND RISK COMMITTEE CHAIRMAN

The notes on pages 32 to 45 should be read in conjunction with these financial statements

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
STATEMENT OF CASH FLOW
FOR THE 12 MONTHS ENDED 31 JULY 2014

	Notes	31 July 2014 \$	31 July 2013 \$
CASH FLOW FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Fees, Services and Subscriptions		2,833,886	2,954,486
Receipts from the NZRB and Other Income		75,821,155	77,982,952
Interest Income		370,087	147,196
		79,025,128	81,084,634
<i>Cash was applied to:</i>			
Payment to Suppliers and Employees		(8,068,332)	(6,754,178)
Payments to Clubs and Other Initiatives		(70,422,739)	(69,782,982)
		(78,491,071)	(76,537,159)
Net Cash Flow from Operating Activities		534,057	4,547,475
CASH FLOW FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Sale of Motor Vehicle		25,775	17,500
Repayment of Loans		88,055	23,337
Distribution Account		1,695,318	(1,463,831)
		1,809,148	(1,422,994)
<i>Cash was applied to:</i>			
Purchase of Property, Plant and Equipment		(50,298)	(179,688)
Purchase of Intangibles		(218,016)	(234,410)
Investment in Term Deposits		(5,109,366)	(51,310)
Advance of Loans		(186,354)	(30,000)
		(5,564,034)	(495,408)
Net Cash Flow from Investing Activities		(3,754,886)	(1,918,402)
Net Increase/(Decrease) in Cash held		(3,220,829)	2,629,073
Add Opening Cash		4,426,091	1,797,018
CLOSING CASH		1,205,262	4,426,091
RECONCILIATION OF OPERATING CASH FLOW WITH NET SURPLUS			
Total Surplus for the Year		724,559	3,499,519
Add Non-Cash Items:			
Impairment of Loan		–	34,000
Depreciation		80,506	100,645
Amortisation		149,354	117,676
Decrease in Loan Provisions		(85,000)	(65,000)
		144,860	187,321
Add Movement in Other Working Capital Items			
Accrued Income		(163,772)	(347,697)
Sundry Debtors		(107,880)	131,300
Prepayments		(53,245)	(124,478)
Work in Progress		(146,032)	(30,202)
Sundry Creditors		183,763	567,062
Fees in Advance		(48,196)	(54,250)
FY12 NZRB Funding received in FY13		–	718,900
		(335,362)	860,635
NET CASH FLOW FROM OPERATING ACTIVITIES		534,057	4,547,475

The notes on pages 32 to 45 should be read in conjunction with these financial statements

NOTES TO THE FINANCIAL STATEMENTS

NEW ZEALAND THOROUGHBRED RACING INCORPORATED NOTES TO THE FINANCIAL STATEMENTS FOR THE 12 MONTHS ENDED 31 JULY 2014

1. STATEMENT OF ACCOUNTING POLICIES

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

Statement of Compliance

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

NZTR's primary objectives are to:

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

Any equity has been provided with a view to supporting these primary objectives rather than making a financial return. Accordingly, NZTR has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for Public Benefit Entities.

Functional and Presentation

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

Basis for Preparation

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

Significant Accounting Policies

Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted.

The External Reporting Board (XRB) has introduced a revised Accounting Standards. The revised framework intends to introduce Public Benefit Entity Accounting Standards (PAS) comprising International Public Sector Accounting Standards (IPSAS), modified as appropriate for New Zealand circumstances.

The Financial Reporting Act 2013 was enacted in December 2013 and will bring the revised framework into law. The enhancements include terminology changes for not-for-profit entities. These standards will apply to non-for-profit entities that prepare financial statements that comply with Tier 1 or Tier 2 reporting requirements.

The Public Benefit Entity Standards and Public Benefit Framework are effective for reporting periods beginning on or after 1 April 2015.

NZTR have not assessed the implication of the new Accounting Standards Framework at this time.

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2014

a) Cash and Cash Equivalents

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

b) Employee Benefits

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

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

c) Financial Instruments

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

Financial instruments are recognised initially at fair value plus any directly attributable transaction costs. All financial assets are classified as loans and receivables and all financial liabilities as other financial liabilities. Subsequent to initial recognition all financial instruments are measured at amortised cost determined using the effective interest rate which is the rate that exactly discounts future estimated cashflows through the expected life of the financial asset, or, where appropriate a shorter period.

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

d) Goods and Services Tax

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

e) Income Tax

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

f) Property, Plant and Equipment

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

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

The useful lives and residual values are reviewed annually.

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2014

g) Intangible Assets

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

h) Grants in Advance

Grants in advance are recognised in the Statement of Financial Position until such a time as the expense that the Grant was applied for is incurred and recognised in the Statement of Financial Performance.

i) Impairment

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

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

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

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

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

j) Operating Leases

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

NZTR's future contracted commitment to operating leases are disclosed in note 13.

k) Investments

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

l) Cash Flow

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

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

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2014

m) Revenue

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

Registration, Stud Book, Licence, and TRM and Publication Revenue

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

Levies

Pursuant to the Rules of Racing, and the NZTR Constitution, levies are charged to Clubs and are set annually in relation to each financial year. Levies revenue is recognised when invoiced. In the year ended 31 July 2014 levies were charged at Zero.

Fines

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

Interest

Interest revenue is recognised using the effective interest rate method.

Code Distribution

Revenue is recognised each month pursuant to Section 25 of the Racing Act 2003 based upon the Base Level of Code Funding from the New Zealand Racing Board plus additional distributions in accordance with the Racing Industry Funding Model agreed to in FY12.

Each racing code is responsible pursuant to Section 25 of the Racing Act 2003 to distribute funding to the clubs in line with their funding policy. Expenditure is recognised when payments are made to clubs (funding) and stakeholders (prizemoney). At balance date payments that haven't been made are accrued for.

Fees and Subscriptions in Advance

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

n) Changes in Accounting Policies

The following changes in accounting policies have been made in the current period:

The costs for airfares and accommodation that were previously included in Other Department Costs under Conferences and Committees have been moved to Travel including Motor Vehicle Expenses and Accommodation respectively.

As all of these costs are categorised under Other Department Costs there is no change to the Statement of Financial Performance. The impact of these reclassification of these costs within Other Department Costs and retrospective restatement of FY13 comparatives have been disclosed in Note 19.

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2014

2. PROPERTY AND CENTRAL OVERHEADS

The expenses included in Property and Central Overheads are:

	12 Months Ended 31 July 2014	12 Months Ended 31 July 2013
	\$	\$
Rent and Property Expenses	69,702	70,936
Insurance	81,229	99,542
Printing and Postage	45,458	62,769
Lease Expenses	22,870	22,653
Depreciation	24,853	28,554
General Expenses	56,741	39,960
Bank Fees	30,912	31,700
NZRB Charges	17,400	18,851
ACC Levy	28,822	29,847
	377,987	404,812

3. IT INFRASTRUCTURE AND NETWORK COSTS

The expenses included in IT Infrastructure and Network Costs are:

Depreciation	41,233	35,113
Amortisation	149,658	113,450
Maintenance and Network Costs	363,508	429,903
	554,399	578,466

4. SPECIAL PROJECTS

Board Approved:

Stakes Payment Alignment	55,000	46,283
Strategic Business Planning	–	37,725
Brand Development	–	50,000
Industry Taxation Litigation	2,500	32,500
Racing Club Partnership Program	267,051	–
Industry Web Platform	11,250	–
	335,801	166,508

5. OTHER DEPARTMENT COSTS

The expenses included in Other Department Costs are:

DNA Typing and Microchipping	223,186	243,398
Travel including Motor Vehicle Expenses	203,513	179,099
Depreciation	23,673	29,728
Cellphone	6,627	11,111
Freephone Number	31,584	31,294
Appeals and Enquiries	7,152	4,476
Accommodation	76,489	60,360
Subscriptions	3,614	10,744
Marketing	427,468	301,367
General Expenses	4,171	3,535
Conferences and Committees	68,152	118,466
Stud Book	164	38,639
	1,075,793	1,032,217

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2014

6. SUNDRY COSTS

The expenses included in Sundry Costs are:

Board and Members Council Expenses	84,742	50,137
Board Fees	169,735	161,500
Legal and Professional Fees	285,457	109,366
Audit Fees	30,250	34,605
Bad Debts Expense	(23,826)	69,460
Raceday Services and Initiatives	434,695	437,309
Racecourse Depreciation	16,173	16,173
Annual General Meeting	24,134	21,638
General Expenses	12,445	25,231
Industry Grants	159,750	185,006
Medical Advisor	12,000	13,492
	1,205,555	1,123,917

7. INFRASTRUCTURE PROJECTS

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

Racing Safety Development Fund	475,667	439,159
	475,667	439,159

Infrastructure costs were incurred on the following projects:

Hurdle Pads	31,257	7,808
Judicial Towers	544,569	190,948
Riccarton Drainage	132,774	58,403
Running Rails	312,299	320,516
Ruakaka Racecourse Development	210,000	100,000
Otaki Drainage	2,428	20,000
Taranaki Drainage	40,000	–
Whangarei Drainage	50,000	–
Club Loan Agreements (Legal Fees)	11,973	–
	1,335,300	697,675

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2014

8. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment \$	Motor Vehicles \$	Computer Hardware \$	Racecourse Equipment \$	31 July 2014 Total \$
Cost					
Balance at 1 August 2013	457,344	108,531	704,909	161,726	1,432,510
Additions	3,028	–	47,270	–	50,298
Adjustments	–	–	–	–	–
Disposals	–	(25,775)	–	–	(25,775)
Balance at 31 July 2014	460,372	82,756	752,179	161,726	1,457,033

Accumulated Depreciation

Balance at 1 August 2013	380,977	60,454	638,174	73,429	1,153,034
Depreciation expense for the year	25,157	23,673	41,279	16,172	106,281
Disposals	–	(25,775)	–	–	(25,775)
Balance at 31 July 2014	406,134	58,352	679,453	89,601	1,233,540

Net Book Value

Balance at 1 August 2013	76,367	48,077	66,735	88,297	279,476
Balance at 31 July 2014	54,238	24,404	72,726	72,125	223,493

	Office Equipment \$	Motor Vehicles \$	Computer Hardware \$	Racecourse Equipment \$	31 July 2013 Total \$
Cost					
Balance at 1 August 2012	396,060	62,404	650,132	161,726	1,270,322
Additions	61,284	63,627	54,777	–	179,688
Adjustments	–	–	–	–	–
Disposals	–	(17,500)	–	–	(17,500)
Balance at 31 July 2013	457,344	108,531	704,909	161,726	1,432,510

Accumulated Depreciation

Balance at 1 August 2012	352,119	39,953	603,061	57,256	1,052,389
Depreciation expense for the year	28,858	29,728	35,113	16,173	109,872
Disposals	–	(9,227)	–	–	(9,227)
Balance at 31 July 2013	380,977	60,454	638,174	73,429	1,153,034

Net Book Value

Balance at 1 August 2012	43,941	22,451	47,071	104,470	217,933
Balance at 31 July 2013	76,367	48,077	66,735	88,297	279,476

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2014

9. INTANGIBLES

	Computer Software and Web Development 31 July 2014 Total \$
Cost	
Balance at 1 August 2013	3,515,022
Additions	218,016
Disposals	–
Balance at 31 July 2014	<u>3,733,038</u>
Accumulated Amortisation	
Balance at 1 August 2013	3,189,989
Amortisation expense for the year	149,354
Disposals	–
Balance at 31 July 2014	<u>3,339,343</u>
Net Book Value	
Balance at 1 August 2013	325,033
Balance at 31 July 2014	393,695
	Computer Software and Web Development 31 July 2013 Total \$
Cost	
Balance at 1 August 2012	3,280,612
Additions	234,410
Disposals	–
Balance at 31 July 2013	<u>3,515,022</u>
Accumulated Amortisation	
Balance at 1 August 2012	3,072,312
Amortisation expense for the year	117,677
Disposals	–
Balance at 31 July 2013	<u>3,189,989</u>
Net Book Value	
Balance at 1 August 2012	208,300
Balance at 31 July 2013	325,033

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2014

10. INFRASTRUCTURE PROJECTS RESERVES

In FY12 NZTR approved a new infrastructure projects reserve. NZTR has allocated \$756,325 to infrastructure expenditure in FY14, of which a net \$859,633 has been spent. Therefore the balance of \$103,308 has been transferred from the infrastructure reserve.

	2013-2014 \$	2012-2013 \$
OPENING BALANCE	2,525,135	783,651
Transfer of Infrastructure Reserve	(103,308)	1,741,484
CLOSING BALANCE	2,421,827	2,525,135

11. LOANS

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

		31 July 2014 \$	31 July 2013 \$
Short Term Loans and Advances			
New Zealand Equine Education Trust	Interest Free	–	85,000
Waikato RC	OCR + 1%	30,000	30,000
Total Short Term Loans and Advances		30,000	115,000
Provision for Diminution of Loans		–	(85,000)
Total Short Term Loans and Advances as per Statement of Financial Position		30,000	30,000
Non-Current			
RACE Inc	BBBR + 1%	516,944	520,000
Hawke's Bay Racing Incorporated	OCR + 1%	471,206	471,206
Whangarei RC	OCR + 1%	186,355	–
Total Non-Current		1,174,505	991,206
Total Loans as per Statement of Financial Position		1,174,505	991,206

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

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

On the 5 January 2009, the New Zealand Racing Board provided a loan of \$300,000 to Whangarei Racing Club, secured by a Deed of Guarantee under which NZTR ascts as guarantor.

On 31 July 2014 this loan was assigned to NZTR. The balance of the loan on the date of assignment was \$186,355.

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

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2014

12. FINANCIAL INSTRUMENTS

Nature and Extent of Activities

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

Fair Value

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

Credit Risk

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

NZTR places its cash and short term deposits with registered Banks.

13. LEASE COMMITMENTS

NZTR have entered into leases on office equipment and office rental. These leases have terms between 1 and 5 years with a renewal option on the office rental lease. Future minimum rentals payable on operating leases as at 31 July 2014 are as follows:

	31 July 2014	31 July 2013
	\$	\$
Up to 1 year	70,432	63,139
1 to 5 years	101,888	110,277
5+ years	–	3,923
Total minimum lease payments	172,320	177,339

14. RELATED PARTY TRANSACTIONS

As part of its normal operations, NZTR transacts with thoroughbred racing clubs and thoroughbred kindred bodies across New Zealand. These transactions include receipt of levies, stakes, and other fees, and the administration of the New Zealand Racing Board Distribution to the NZTR Code.

14.1 Loans to related parties

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

	31 July 2014	31 July 2013
	\$	\$
New Zealand Equine Education Trust	–	85,000

At 31 July 2014 NZEET and NZTR agreed to transfer ownership of the building used by NZEET, situated at Cambridge race course, from NZEET to NZTR equal to the value of the loan between NZTR and NZEET. However NZTR has recognised the value of the building as a Fixed Asset impaired by \$40,000, therefore the asset value of the building at 31 July 2014 is \$45,000.

The impairment was offset against the \$85,000 Provision for Diminution of Loans. The balance of \$45,000 Provision for Diminution of Loans is no longer required and has therefore been recognised as Sundry Income.

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2014

14.2 Transactions involving related parties

Board

Transactions took place in the ordinary course of NZTR's business where a member of the Board is also a member of the governing body of a club or kindred body.

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

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

Racing Integrity Unit

NZTR owns 25% of the RIU and therefore has the ability to appoint a director to the board of directors. However, the RIU has been set up where each code will fund their share of the operating expenses of the RIU on a cost recovery basis i.e. the RIU has been set up as an independent vehicle that is funded via the codes with no intention to generate any profit. Therefore, in line with NZ IAS 28: Investments in Associates, all initial start-up funding provided by NZTR to RIU was expensed and all ongoing costs are funded from the NZRB Distributions to the codes. This is on the basis that any equity accounting would not be material as there is no investment value to capitalise nor any share of any profits.

Other Related Entities

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

- Apprentice Jockeys Fund ("AJF"). The AJF hold apprentice and their employer's earnings in trust. NZTR charge a management fee to the AJF to manage the fund.
- General Trust Fund ("GTF"). The GTF financially supports injured licensees. NZTR charge a management fee to the GTF to manage the fund. NZTR also provides funding through the Funding Model to support the GTF.
- New Zealand Equine Education Trust ("NZEET"). The NZEET manages the education of apprentices. NZTR contributes funding towards administration costs of the NZEET.
- The New Zealand Racing Board ("NZRB"). The NZRB distributes funds to NZTR to fund thoroughbred racing. As well as distributing funds and paying clubs on NZTR's behalf, the NZRB also charged to NZTR: telephone, IT, property costs, Broadcast services and On Course services.

	12 Months Ended 31 July 2014	12 Months Ended 31 July 2013
	\$	\$
Apprentice Jockeys Fund management fee	6,900	6,000
General Trust Fund net of funding over management fee	(22,700)	(7,700)
Annual movement in Code Distribution account	(1,695,318)	1,463,831
NZRB Code Distributions less Club Product Payments and Subsidies	3,144,685	4,610,733

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2014

14.3 Board and Key Management Personnel

	12 Months Ended 31 July 2014 \$	12 Months Ended 31 July 2013 \$
Total Board and Key Personnel Compensation	682,949	646,031

15. CAPITAL COMMITMENTS

There are no capital commitments that will materially affect the Financial Statements (2013: Nil).

16. LOAN GUARANTEE

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

At 31 July 2014 the balances of the two loans were \$5,276,000 and \$2,991,206 respectively (2013: \$5,773,000 and \$2,997,794 respectively).

NZTR has provided a back-to-back guarantee to the New Zealand Racing Board covering the amounts guaranteed to the Bank of New Zealand and amounts loaned by the NZRB.

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

17. CONTINGENT LIABILITIES

In FY14 NZTR has entered into contractual agreements with Taranaki TRI, Counties RC, Rotorua RC, RACE and Canterbury JC with committed undistributed funding of \$285,058 (2013: \$656,201).

	Total Contractual Funding \$	Actual Funding to 31 July 2013 \$	Actual Funding to 31 July 2014 \$	Committed Funding in 2014-2015 \$
RACE	26,369	–	–	26,369
Taranaki TRI	40,000	–	40,000	–
Counties RC	56,097	–	56,097	–
Rotorua RC	64,865	–	–	64,865
Waikato RC	69,603	–	69,603	–
Canterbury JC	41,750	–	41,750	–
Canterbury JC	86,352	–	86,352	–
Canterbury JC	245,000	58,402	132,774	53,824
Whangarei RC	500,000	100,000	260,000	140,000
	1,130,036	158,402	686,576	285,058

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2014

18. SUBSEQUENT EVENTS

We are not aware of any subsequent events that will materially affect the Financial Statements (2013: Nil).

19. CHANGE IN ACCOUNTING POLICIES AND PRIOR PERIOD IMPACT

Due to a change in accounting policy to reclassify airfares and accommodation costs for overseas Conferences that were included in Conferences and Committees under Other Department Costs in FY13, retrospective adjustments to Note 5 have been made to recognise the change in accounting policy for the reporting of these two expenses.

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

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

	Previously Reported 31 July 2013	Adjustment 31 July 2013	Restated Balance 31 July 2013
	\$	\$	\$
OTHER DEPARTMENT COSTS			
Conferences and Committees	166,809	(48,343)	118,466
Travel including Motor Vehicle Expenses	143,976	35,123	179,099
Accommodation	47,140	13,220	60,360

20. TRADE AND SUNDRY DEBTORS

	31 July 2014	31 July 2013
	\$	\$
Trade Debtors	323,663	270,779
Racing Activities Debtors	627,069	572,073
Total trade and sundry debtors	950,732	842,852

	2014			2013		
	Gross	Impairment	Net	Gross	Impairment	Net
	\$	\$	\$	\$	\$	\$
Current	488,022	–	488,022	498,146	–	498,146
Past due 31-60 days	204,158	–	204,158	125,631	–	125,631
Past due 61-90 days	106,255	–	106,255	90,585	–	90,585
Past due >90 days	152,296	–	152,296	197,950	(69,460)	128,490
Total	950,731	–	950,731	912,312	(69,460)	842,852

NZTR have reviewed all trade and sundry debtors for collectability. No trade and other receivables have been impaired as at 31 July 2014 (2013: \$69,460).

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2014

21. PREPAYMENTS AND WORK IN PROGRESS

Due to a change in reporting Trade and Sundry Debtors the following changes have been made to the reporting of Trade and Sundry Debtors within the Statement of Financial Position:

- Prepayments previously included in Trade and Sundry Debtors within the Statement of Financial Position have been removed and are now shown as a separate item on the Statement of Financial Position.
- Work in Progress previously included in Trade and Sundry Debtors within the Statement of Financial Position have been removed and are now shown as a separate item on the Statement of Financial Position.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NEW ZEALAND THOROUGHBRED RACING INCORPORATED

Report on the Financial Statements

We have audited the financial statements of New Zealand Thoroughbred Racing Incorporated on pages 28 to 45, which comprise the statement of financial position as at 31 July 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Members, as a body in accordance with section 20 of the constitution. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of financial statements, in accordance with generally accepted accounting practice in New Zealand, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor, we have no relationship with or interests in New Zealand Thoroughbred Racing Incorporated.

Opinion

In our opinion, the financial statements on pages 28 to 45 present fairly, in all material respects, the financial position of New Zealand Thoroughbred Racing Incorporated as at 31 July 2014, and its financial performance, movements in equity and cash flows for the year ended on that date in accordance with generally accepted accounting practice in New Zealand.



Chartered Accountants

23 October 2014

Wellington, New Zealand

ACKNOWLEDGEMENTS

The Board and Management wish to record their appreciation of the co-operation and assistance they have received during the 2013-14 season from the following people and organisations:

The Honourable Nathan Guy MP, Minister for Racing
The office of The Minister for Racing
The New Zealand Racing Board
Harness Racing New Zealand
Greyhound Racing New Zealand
Department of Internal Affairs
The Judicial Control Authority
Equine Branch, New Zealand Veterinary Association
Environmental Science and Research Ltd
Massey Foundation
Massey University
New Zealand Breeders' Association
New Zealand Equine Health Association
New Zealand Equine Research Foundation
New Zealand Jockeys' Association
New Zealand Jumps Inc.
New Zealand Police Department
New Zealand Qualifications Authority
New Zealand Racing Laboratory Services Ltd
New Zealand Thoroughbred Breeders' Association
New Zealand Thoroughbred Marketing Ltd
New Zealand Thoroughbred Racehorse Owners' Federation
New Zealand Trainers' Association
Primary Industry Training Organisation
Racing Club Committees, Managers and Staff
Racing Journalists and Broadcasters
Tertiary Education Commission

NZTR Annual Report photos:

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



New Zealand Thoroughbred Racing Incorporated

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

PO Box 38 386 + Wellington Mail Centre 5045 + New Zealand

Telephone: +64 4 576 6240 Facsimile: +64 4 568 8866 Email: office@nzracing.co.nz

Website: www.Nzracing.co.nz