



ANNUAL REPORT 2016-2017

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BOARD PROFILES



John Stace built a career in the financial services sector in the City of London. He founded Stace Barr Ltd, which in the 1980s and 90s was one of Lloyd's of London's largest capital providers, and was Founding CEO of listed Angerstein Underwriting Trust, now Amlin plc, which was recently acquired by Mitsui Insurance for US\$5.3bn. He was Deputy Chairman of Lloyd's and served on the Council of Lloyd's, Lloyd's Market Board and Lloyd's Regulatory Board. He has served on the Board of Genesis Energy, Edward Lumley Holdings and Equestrian Sports New Zealand. Today he is Chairman of Sounds Air & Tourism Ltd, a non-Executive Director of 3R, a Director of Sportsground Ltd and an ambassador for the Tank Museum, Bovington, Dorset, UK.

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

Alan Jackson (Chairman) has over 35 years' international business experience across a wide spectrum of industries and disciplines, including public and listed companies and racing bodies in three countries. His current governance roles include independent directorships of Fletcher Building, and Delegat Group. He has undertaken consulting for a number of Racing and Wagering Organisations in the Asia Pacific, and was Chair of TVN in Australia. He was a founding Director of the New Zealand Racing Board between 2003 and 2006 and again a Director in 2012-13. Alan served as Managing Partner and subsequently Chairman of the Boston Consulting Group (BCG) Australasia and on the global Executive Committee of BCG. He has also chaired the Housing Corporation of New Zealand.



Victoria Carter ONZM (Deputy Chair) has over 20 years' experience in governance roles as an independent director of public and private companies (Kidicorp, JUCY Group, Turners Auctions) and charities (President, Auckland Kindergarten Association). Immediate past Chair of the Auckland Arts Festival, Victoria is a director of Tax Management NZ, Auckland Regional Amenities funding board and founder/owner of Cityhop car share. A former Auckland City Councillor, she is a Chartered Fellow of the NZ Institute of Directors. Victoria has a Bachelor of Laws from the University of Auckland. She was a Director of the Auckland Racing Club and Chair of the Members' Council. She breeds and races horses with her husband. In 2016 Victoria received an ONZM for services to arts, business and the community.

Rodger Finlay has more than 30 years' experience in the financial services industry including senior investment banking and funds management positions with major institutions, specialising in the global natural resource sectors. He is a Fellow of Chartered Accountants Australia and New Zealand, and a Chartered Fellow of the Institute of Directors. He is a Governor of Radio New Zealand, Chairman of Mundane Asset Management, Chairman of New Zealand Oil and Gas, Deputy Chairman of Rural Equities Limited, and a director of Moeraki Limited.

Jason Fleming was the Hawke's Bay Jockey Club CEO from June 2009 to August 2015. He has served as the Chief Executive of the Infinity Foundation, and is the Managing Director of Account Collections Limited. He previously had a career in banking in both New Zealand and England.



GOVERNANCE

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

New Zealand Thoroughbred Racing supports the need for the highest standards of behaviour and accountability from Directors and endorses the principles set out in the Code of Proper Practice for Directors approved by the Institute of Directors in New Zealand (Inc). The Constitution of New Zealand Thoroughbred Racing Incorporated determines the composition, selection and duties of its Board of Directors. It is supported by a Board Charter and a Board Code of Conduct.

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

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

The Board met seven times in 2016-17, excluding a strategy day, teleconferences, and circular resolutions.

Rodger Finlay was appointed to the Board in August 2016. Ben Nettleton completed his term on the NZTR Board in November 2016, but remained on NZTR's Integrity Committee. He was replaced by Jason Fleming.

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 Chief Executive and oversees a formal performance review process for all NZTR staff.

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.

BOARD ATTENDANCE

Alan Jackson	7
Victoria Carter	5
John Stace	7
Rick Williams	6
Rodger Finlay (appointed August 2016)	6
Jason Fleming (appointed November 2016)	3
Ben Nettleton (retired November 2016)	2

MEMBERS' COUNCIL

Wayne Guppy (Chairman)	Central Region
Bill Cotton (Deputy Chairman)	Southern Region
Murray Acklin	Southern Region
Howard Clarke	Southern Region
Karyn Fenton-Ellis	Northern Region
John Fokerd	Breeders
Nigel Tiley	Trainers & Jockeys
Paul Humphries	Central Region
Paul Kenny	Northern Region
Murray Gibson	Northern Region
Neil Oldfield	Owners
John Wheeler	Central Region



NZTR COMMITTEES & TRUSTS 2016-17

The Audit and Risk Committee

Comprises three people appointed by the Board. All Directors may attend meetings of the Committee. The Committee met one time outside of regular Board meetings in 2016-17.

Chair Rodger Finlay

Members Victoria Carter,
Alan Jackson (until 1 March 2017),
Jason Fleming (from 1 March 2017)

Secretary Karen Larsen

The Appointments and Remuneration Committee

Comprises three people appointed by the Board. All Directors may attend meetings of the Committee. The Committee met three times in 2016-17.

Chair John Stace

Members Alan Jackson, Rick Williams

Secretary James Dunne/Karen Larsen

The Integrity Committee

Comprises three people appointed by the Board. All Directors may attend meetings of the Committee. The Committee met seven times in 2016-17.

Chair Peter Hutt

Members Ben Nettleton, John Stace

Secretary James Dunne

The Training & Development Committee

Peter Hutt (Chairman)

Rick Williamson

Chris Watson

Colin Hall

Wendy Cooper

Martin Burns

Anna Jones

Bridget Flynn

John Oatham

General Trust Fund

Chair John Rattray

Trustees Keith Neylon, Colin Jenkins

Secretary Karen Larsen

Apprentice Jockeys' Fund

Trustees Alan Jackson, Greg Purcell (retired),
Bernard Saundry

Secretary Karen Larsen



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	<ul style="list-style-type: none"> (a) Receive distributions paid to the code by the Board under Sections 16 and 17. (b) Determine how much of those distributions must be distributed among registered racing clubs, and apportion and pay those amounts (Section 25).
2	Regulate the Conduct of Thoroughbred Racing	<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).
3	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).
4	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).



"A three-year-old crop that included Bonneval, Eleonora, Gingernuts, Hall of Fame, Jon Snow, La Diosa, Sacred Elixir, Saracino, Ugo Foscolo and Volpe Veloce was worth celebrating."



CHAIRMAN'S STATEMENT



INTRODUCTION

The 2016-17 season was notable for some memorable performances on the track and some encouraging advances off the track.

A quality crop of New Zealand-trained three-year-olds starred at home and in Australia and there was some significant progress in terms of future-proofing our code.

However, unlocking the full potential of the New Zealand thoroughbred industry is a long term project, and, in line with the views expressed in my 2016 report, there is still much to be done.

There was no doubt about the worth of the New Zealand racing product during the season.

A three-year-old crop that included Bonneval, Eleonora, Gingernuts, Hall of Fame, Jon Snow, La Diosa, Sacred Elixir, Saracino, Ugo Foscolo and Volpe Veloce was worth celebrating.

Three were Group 1 winners in Australia and eight New Zealand-trained three-year-olds won group races in Australia during the season.

Off the track, NZTR entered a new era in June with the appointment of Bernard Saundry to succeed Greg Purcell as Chief Executive.

Bernard was previously Chief Executive at Racing Victoria and has considerable experience at the top level of racing administration in Australia. It is rare that administrators with his track record become available to the likes of NZTR, and we were fortunate to acquire a candidate that fulfilled all our criteria.

Greg Purcell, who had a six year stint as CEO, made a substantial contribution to our industry. He was at the helm of NZTR during a period marked by rapid change. His work ethic and passion for racing were always obvious and his racing knowledge, particularly in the wagering field, was a great asset to the NZTR Board. We sincerely thank him for his efforts.

Allan Fenwick, a former NZTR Chief Executive, was also in the limelight during the season, becoming an Officer of the New Zealand Order of Merit (ONZM) in the 2017 Queen's Birthday Honours. Allan served on a host of racing boards and organisations before a 12-year stint as the NZTR CEO.

"The increases provided a welcome fillip for our stakeholders."

A significant advance for the thoroughbred code was the introduction of a \$10,000 minimum stake, from March 1, which was followed by a raft of stake increases from the start of the new season.

The increases, which were confirmed after the New Zealand Racing Board (NZRB) announced that the thoroughbred code would get another \$6.5 million for stakes in each of the next two seasons, provided a welcome fillip for our stakeholders.

Both are steps in the right direction and represent a 13 per cent increase in NZTR funded prize money and will encourage owners and trainers to run their better horses on Saturdays or public holidays.

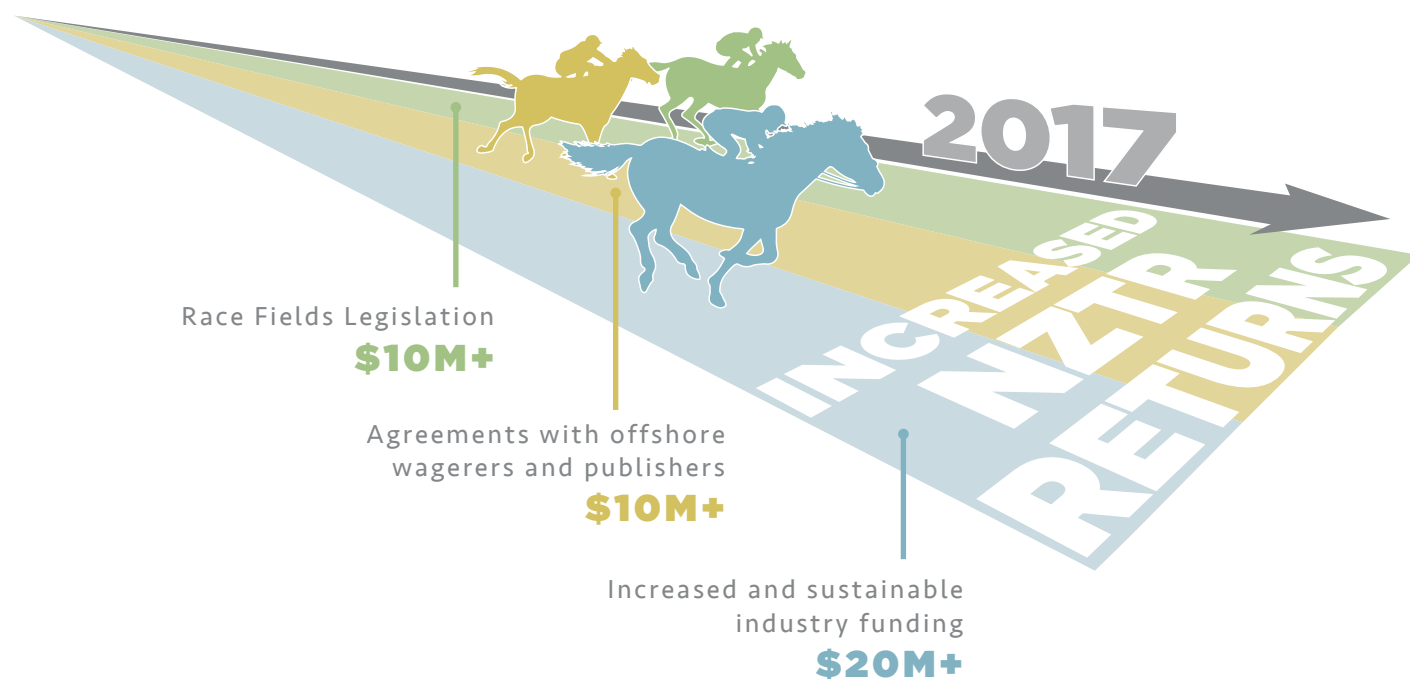
FINANCIAL PERFORMANCE

It was another challenging year financially, but NZTR was able to return to a pre-audited trading profit, with a surplus of \$65,000 before infrastructure funding, compared to a \$1.117m deficit in 2015-16.

Funding for infrastructure projects of \$440,000 brought the overall position to a \$375,000 deficit, against a deficit of \$1.84m for the previous year. The net cash asset has decreased from \$2.66m to \$1.64m.

Looking forward, our budgets will continue to be tight, as funding from NZRB, apart from the \$6.5 million additional grant that could be directed only to stakes, has not increased year on year. In fact, funding has decreased with a guaranteed \$73.1m funding base against last season's \$73.9m.

Factors determining the future of thoroughbred racing industry returns





REVENUE OPPORTUNITIES

In addition to the successes on the track and within the code, it is important to reiterate the principal enhancement opportunities for New Zealand thoroughbred racing.

These take in the race fields legislation, agreements with offshore wagering and publishing operators and increased and sustainable industry funding.

We believe that this can produce more than \$40 million in returns to NZTR, over the next three years, enabling the industry to make real progress.

Underpinning these initiatives will be the final clarification of Intellectual Property [IP] ownership with the NZRB, which allows NZTR's objectives to be met without undermining the Racing Board's ability to compete.

Racing Amendment Bill

Getting the draft race fields legislation through its first reading in Parliament, shortly before the House rose for the election, was a significant step forward. All those involved in this long awaited event deserve recognition for their efforts to date.

In order for the industry to take advantage of this opportunity, we must ensure that NZTR and the industry realises its full potential in the Australian market by producing a competitive product. To achieve this, NZTR will work with the NZRB and the other codes to reach an agreed position.

Recent visits to Australia have confirmed this is a significant opportunity, given the 70 plus percent share thoroughbreds have of the Australian wagering market.



"In order to make progress, we also need to challenge existing paradigms and debate and agree the best path forward for the industry."

Australian market

At present, less than three percent of Australian betting on thoroughbred racing is on New Zealand racing. We have a low share of the Australian punter's mind and wallet and we need to change that. The initial aim will be to increase our share of the Australian market to six percent.

We must therefore ensure that within the next 12 months we will be in a position to increase returns from the export of New Zealand thoroughbred racing.

The moves, outlined by Bernard in his report, to utilise the race fields legislation and improve our digital readiness, will be a crucial factor in improving our penetration into the Australian market.

Efficiencies of scale

The third initiative must be to continue to strongly argue in favour of wagering scale and efficiency for the New Zealand industry.

This has proved challenging this year and, in spite of some strong arguments being presented, there has been little movement beyond fixed odds outsourcing.

The reality is that there is a limit to what the NZRB can achieve on its own, in terms of profit increase or cost control, because of its comparatively small size.

Your Board's view remains that, to compete successfully in an international market, against sophisticated international operators of significant scale, the NZRB needs to leverage the efficiencies and synergies of partnership with an international-scale operator.

There are real opportunities to harness those benefits for racing but the size of the prize will decrease over time.

LOOKING FORWARD

To grow and prosper as a sport, we must have the increased money flows discussed above and achieving these returns remains our priority, but this alone will not be enough to provide a step change for the industry.

There are other aspects we must address to enable thoroughbred racing to thrive in an increasingly competitive environment. These include improving our tracks and facilities, building race attendances, upskilling industry participants and an increasing emphasis on health and safety performance.

In order to make progress, we also need to challenge existing paradigms and debate and agree the best path forward for the industry.

- Health and safety is an issue that we cannot take lightly and we must adopt, monitor and embed improved health and safety standards across the industry.
- The high number of meeting abandonments during the 2016-17 season has emphasised the infrastructure challenges in front of us. We must develop an infrastructure that balances the needs of the clubs, regions and the industry as a whole, while improving our 'ready to race' performance. The industry must also determine the potential role of synthetic tracks based on successful international models.
- We need to look at work hours, employment practices and career development that would encourage a new generation to enter the industry with the belief that there is a fulfilling career path ahead.

These are but a few areas that need attention. We can't do them all at once but we must be prepared to discuss, plan and implement solutions that further enhance our sport.

ACKNOWLEDGEMENTS

We welcomed a new Minister for Racing, Hon David Bennett, this year and have appreciated the enthusiasm with which he approached his new role, including his work to get the Racing Amendment Bill through its first reading.

We also acknowledge the work done by the previous Racing Minister, Hon Nathan Guy, who provided valuable support for our industry during his tenure, which began in late 2011 and ended last May.

My fellow Board members, Deputy Chair Victoria Carter, Rodger Finlay, Jason Fleming, John Stace and Rick Williams carried a considerable workload over the last 12 months, as the Board tackled a number of complex areas. Jason joined the Board following the 2016 AGM and his wide knowledge of racing and business administration has been an asset.

I also acknowledge the work of Peter Hutt as Chair of the Integrity and Training & Development committees and thank Wayne Guppy for his work as Chairman of our Members' Council.

The New Zealand Racing Board is our key partner and I thank Chair Glenda Hughes and Chief Executive John Allen for their work during the past year. The codes cannot work in isolation and need to work with the NZRB if we are to make the required progress.

I must also record the Board's appreciation for the work of the NZTR executive team and staff. We have a small workforce, who work in an increasingly complex industry, with stakeholders who have high expectations. For many of our staff, their prime motivation is a sheer love of racing rather than any desire to climb a corporate ladder and we should all appreciate their efforts.

My very best wishes to you all for your racing endeavours in the coming season.

Alan Jackson
Chairman





"A high point of the year was the results produced by an outstanding crop of three-year-olds ...stunning performances at home were replicated across the Tasman."





CHIEF EXECUTIVE'S REPORT

INTRODUCTION

The 2016-17 racing season saw some outstanding results on the track and while the industry still faces some significant challenges, there is cause for optimism as we enter a new season.

A 13 percent increase in stakes, compared to the first half of the 2016-17 season, will provide real encouragement for stakeholders at all levels.

As I didn't take up my role with New Zealand Thoroughbred Racing until late June, I am limited to the extent to which I can comment on the season under review.

However, it has quickly become apparent that both the NZTR staff and Board are committed to making real progress and we've been able to identify key areas to work on in the new season.

Budgets remain tight but there are some significant revenue opportunities on the horizon and we must be open to change.

Our stakeholders are looking to NZTR and the New Zealand Racing Board (NZRB) to lead the way and we will work collaboratively to ensure that this happens.

I have met as many industry participants as practicable since moving to Wellington and have been impressed by their passion and enthusiasm for our sport.

RACING PERFORMANCE

A high point of the 2016-17 racing year was the results produced by an outstanding crop of three-year-olds. Some stunning performances at home were replicated across the Tasman.

Gingernuts and Bonneval were the respective winners of the New Zealand Derby and New Zealand Oaks and were also Group I winners at the Sydney autumn carnival.

Bonneval, later voted Horse of the Year, became the first horse for 27 years to win both the New Zealand and Australian Oaks and Gingernuts was a decisive winner of the Rosehill Guineas.

Gingernuts found the Australian Derby a step too far but the race still went to a Kiwi, with Bonneval's stablemate Jon Snow successfully backing up from his Group II Tulloch Stakes win a week earlier.



New Zealand-trained horses have won the Australian Derby in four of the past five seasons and this pattern has been repeated in the Australian Oaks, with New Zealand visitors successful in three of the last four seasons.

Kiwi three-year-olds also made a mark in Melbourne in the spring, with Sacred Elixir and Saracino winning Group II races, while Sacred Elixir was runner-up in the Victoria Derby and Eleonora was a Group III winner and placed in the Victoria Oaks.

The New Zealand One Thousand Guineas winner, La Diosa, was a Group II winner at the Sydney carnival.

Seven individual New Zealand three-year-olds won group races at either the Melbourne spring carnival or in Sydney in the autumn.

There were a number of other three-year-old stars on the home front, including Ugo Foscolo, Volpe Veloce and Hall of Fame.

Our leading juveniles, Summer Passage and Melody Belle, also measured up in Australia. Melody Belle was a Group II winner at the Brisbane winter carnival and Summer Passage was runner-up at Group I level in Sydney.

Kawi and Start Wondering were the standouts among the older New Zealand horses. Kawi won three Group I races at weight-for-age, bringing his career tally of Group I wins to six and Start Wondering was just a nose away from winning the three major sprint races.

PREMIERSHIPS

The Cambridge training partnership of Murray Baker and Andrew Forsman had a season that was notable in both quantity and quality.

The stable topped the New Zealand premiership for a second time with 107 wins, and also won eight races in Australia.

More remarkably, the partnership won 24 black type races, with a record haul of 20 group wins. Five of those wins were at Group I level and the team earned more than \$5.5 million in stakes over the season.

Chris Johnson's late run to win the jockeys' premiership generated plenty of interest over the winter. The Canterbury horseman had to overcome plenty of hurdles before earning his second premiership – 21 years after his first – and becoming the oldest rider to top a New Zealand premiership.



REBECCA BLACK

The low point of the racing year was the death of Riverton jockey Rebecca Black, following a race fall at Gore in December.

Rebecca was aged 40 and the mother of three children. She rode her first winner in the 1993-94 season and had a career tally of more than 100 wins.

There will always be an element of risk in all equestrian sports, but any death hits the racing community hard and it was a particularly difficult time for Rebecca's riding colleagues.

The racing community, as is invariably the case, responded generously when a trust fund was established on behalf of Rebecca's family, and more than \$150,000 has been raised.

A SEASON OF ABANDONMENTS

An exceptionally wet year had an unwanted impact on the 2016-17 season.

A total of 30 thoroughbred meetings were affected or disrupted by weather or track conditions, with 13 full meetings and 133 races abandoned.

The number of meetings abandoned and races lost was the second highest in the last 14 years. The worst year over this period was the 2013-14 season, when 19 meetings and 170 races were abandoned but the latest season was the only other year when more than 100 races were lost.

The figures for 2016-17 would have been significantly worse had it not been for the efforts made by the NZTR racing department, clubs and stakeholders to retain as many racing opportunities as possible. Eleven meetings were postponed or transferred to another venue after the original meetings were abandoned.

TURNOVER IMPACT

The abandonments affected domestic turnover and the wet spring and autumn also restricted the racing opportunities for some horses.

There were 2,564 races held during the season, down 8.1 percent on the previous season, and the total number of starts fell from 29,687 to 26,863, a drop of 9.5 percent.

Betting on New Zealand thoroughbred racing was down 6.4 percent for the 2016-17 season, with total turnover of \$408 million, compared to \$436 million the previous year. Totalisator betting on domestic meetings was down 5.4 percent on 2015-16 and fixed odds betting dropped 8.5 percent.

The comparative figures were also skewed by the fact that fewer race meetings had been scheduled for 2016-17 in any event, as the industry adapted to smaller foal crops.



The number of individual starters in 2016-17 dropped by six percent, from 5,177 to 4,864. This was the sixth successive decline in individual thoroughbred starters, although the weather exacerbated the figures for the past year.

NZTR had been aiming to lift the average field size over the 2016-17 season, but instead the average size dropped from 10.64 to 10.48, with the weather again a significant factor.

The spate of abandonments has also heightened debate on the need for all weather tracks, although this must be an industry-wide decision, involving all three codes and the New Zealand Racing Board.

STAKES LEVELS

Stakeholders will benefit from the full extent of the recent stakes increases in the 2017-18 season.

The NZRB will distribute an additional \$6.5 million for stakes to NZTR in each of the next two seasons.

NZTR committed \$3.2 million to funding the \$10,000 minimums, which were introduced in March 2017, and more than \$2 million has been added to stakes at Feature and Premier 2 meetings.

This has lifted the minimum stake for a non-maiden race at a feature meeting to \$22,500. This will apply to 134 of the 322 meetings scheduled for the 2017-18 season, including virtually every Saturday meeting.

FINANCIAL POSITION

It was pleasing to return to a surplus before infrastructure spending, but we will be looking for higher efficiencies in internal practices to reduce and stabilise operating costs in the new season.

The overall spend for the 2016-17 financial year, other than club payments (inclusive of stakes), was up 6.6% on the previous year. This was primarily

due to additional resourcing of our Marketing and Communications, and IT departments, including bringing the IT infrastructure and maintenance in-house.

A higher staff turnover than in the previous year, including appointing a new Chief Executive, also contributed to the rise in costs. Five additional positions were filled, some of which had been vacant at the end of the 2015-16 financial year.

There has also been some erosion of the NZTR reserves, with the net cash asset declining to \$1.65 million.

At the same time, we cannot cease promoting and marketing our sport and we will need to be innovative about the way we build our profile while under spending constraints.

RACING AMENDMENT BILL

The whole industry was buoyed by the news that the Racing Amendment Bill, which will allow us to introduce race fields fees, passed through its first reading before the House rose for the election.

The Bill has been sent to the Primary Production Select Committee, which is scheduled to report back on February 15, 2018.

It has taken longer than first anticipated for the legislation to reach this stage but the potential benefits are significant.

NZTR will continue to advocate for a flexible fees regime that will enable thoroughbred racing to be packaged and delivered innovatively, thus maximising the revenue opportunities that the race fields legislation will unlock.

DIGITAL READINESS

Ahead of the introduction of race fields legislation, NZTR will improve the digital presence of thoroughbred racing in collaboration and consultation with the NZRB.

NZTR will aggregate its digital brands across all channels, including social media, and work on building a digital 'one-stop shop' for thoroughbred racing content. This will be used to drive more wagering and on-track engagement on New Zealand thoroughbred racing.

INFRASTRUCTURE AND VENUES

Investment in thoroughbred racing infrastructure and in 'race-readiness' is an important NZTR priority. There is a significant gap between the demands of thoroughbred racing's current infrastructure and the funding that is available.

In the 2017-18 season, NZTR will focus on enabling racing clubs to present 'race ready' tracks and on identifying what improvements will be required in the medium term.

These improvements will result in some short-term pain when courses need to be closed for repairs. There will be an obvious example in the new season, with Ellerslie expected to be out of action for several months following the Auckland Cup meeting, to allow for the installation of a new drainage system.

NZTR will also work with the NZRB and the two other codes to develop a long-term venue plan for the New Zealand industry.

IMPROVING THE OWNERSHIP EXPERIENCE

Owner participation is the bedrock of our sport. Without owners, there can be no racing.

In the 2017-18 season we will begin a dedicated programme of work, designed to improve the experience of thoroughbred owners. Ownership priorities will focus on improving the experience of existing owners, before looking to attract greater numbers in coming seasons.

TRAINING AND DEVELOPMENT

NZTR has strengthened its training and education team over the past year and begun to implement a training and development roadmap.

We will introduce restructured training programmes that will cater for stud staff, jockeys, track riders and stablehands, and develop a high quality apprentice jockey training programme.

Another key component will be developing strategies to attract more young people into the racing industry, with an obvious example being the Ride to Time programme that was trialled in August.

HORSE WELFARE

During the 2016-17 season NZTR conducted a major analysis of thoroughbred welfare issues, in consultation with the industry and animal welfare bodies.

NZTR recognises the critical importance of continuing to improve thoroughbred welfare outcomes and will undertake targeted welfare initiatives in the 2017-18 season.

These will include initiatives to improve thoroughbred population traceability and welfare enhancing amendments to the Rules of Racing.

THE OUTLOOK

The New Zealand racing industry has faced some tough challenges in recent years, many of them not of our own making.

Societal changes and rapid changes in the wagering and media landscape have thrown up roadblocks that could not have been anticipated, even a decade ago.

This has also meant that the industry needs to become more agile than in the past. Racing has traditionally been an industry that resisted change.

That attitude cannot continue and all codes, sectors and organisations need to work together to find cost effective solutions.

Those solutions are out there but it will require all the participants to take a long term view that takes into account the needs of the wider industry.

APPRECIATION

The thoroughbred industry relies on contributions from an array of individuals and organisations, much of it on a voluntary basis.

My special thanks to the NZTR Board, who have made it easy for me to begin my new role, and to the NZTR staff, who tackle often difficult tasks with enthusiasm and skill.

My thanks also goes to the committees and staff of our race clubs, and to the executives of the New Zealand Trainers' Association, New Zealand Jockeys' Association, the New Zealand Thoroughbred Racehorse Owners' Federation, the New Zealand Thoroughbred Breeders' Association, New Zealand Thoroughbred Marketing, the New Zealand Equine Health Association, the New Zealand Veterinary Association, the Judicial Control Authority and the Racing Integrity Unit for all your efforts.

The industry needs to take a collaborative approach to progress and I have appreciated the support received from NZRB Chief Executive John Allen, Harness Racing New Zealand CEO Edward Rennell and Greyhound Racing New Zealand CEO Phil Holden.

Bernard Saundry
Chief Executive Officer

NZTR CLUB TURNOVER, STAKES & FUNDING

THOROUGHBRED CLUBS	MTGS	RACES	STARTS	TOTAL OFF-COURSE TURNOVER	TOTAL ON-COURSE TURNOVER	TOTAL NZ TURNOVER	EXPORT TURNOVER (\$NZD)	TOTAL STAKES PAID	CLUB NOMS & ACCEPTS & OTHER CHARGES/ PAYMENTS	NET STAKES	TOTAL CLUB, MEETING & STAKES FUNDING	NET STAKES TO FUNDING RATIO
Ashburton RC	6	54	601	6,393,595	219,196	6,612,791	6,255,871	779,500	5,250	774,250	1,003,984	77.12%
Auckland RC	22	179	1,958	45,202,533	5,438,856	50,641,389	29,265,489	9,948,900	1,071,214	8,877,686	10,338,881	85.87%
Avondale JC	12	98	1,053	11,439,897	410,541	11,850,439	12,065,446	849,000	0	849,000	1,309,277	64.84%
Banks Peninsula RC	1	9	89	1,035,975	49,440	1,085,415	948,245	74,000	0	74,000	120,689	61.31%
Beaumont RC	1	7	75	524,607	51,033	575,640	591,644	90,000	0	90,000	134,877	66.73%
Cambridge JC	2	15	170	2,764,973	133,127	2,898,100	2,001,272	371,000	19,525	351,475	514,254	68.35%
Canterbury Racing	23	205	2,245	32,234,662	2,954,726	35,189,388	31,040,421	6,197,650	460,560	5,737,090	7,193,627	79.75%
Central Otago RC	1	9	100	1,274,960	105,261	1,380,221	716,519	92,000	0	92,000	143,461	64.13%
Counties RC	11	89	962	12,193,049	651,179	12,844,228	10,426,404	1,425,750	49,675	1,376,075	1,918,371	71.73%
Dargaville RC	1	3	24	246,712	27,062	273,774	166,856	21,000	0	21,000	65,805	31.91%
Egmont RC	4	32	330	4,929,792	186,481	5,116,273	4,059,593	490,625	12,150	478,475	635,794	75.26%
Feilding JC	3	24	258	3,336,556	226,821	3,563,378	3,294,639	412,000	11,750	400,250	561,572	71.27%
Gore RC	3	26	249	2,472,856	82,832	2,555,687	2,616,282	377,500	6,250	371,250	524,883	70.73%
Greymouth JC	1	8	65	781,117	72,901	854,018	659,356	88,500	0	88,500	134,041	66.02%
Hawke’s Bay RI	13	114	1,167	19,880,546	1,865,356	21,745,902	14,355,160	3,066,500	228,512	2,837,988	3,969,874	71.49%
Kumara RC	0	0	0	0	0	0	0	0	0	0	10,000	0.00%
Kurow JC	1	9	89	1,059,783	115,948	1,175,730	854,793	99,500	0	99,500	146,403	67.96%
Levin RC	3	26	250	3,047,918	195,252	3,243,170	2,945,078	527,000	21,875	505,125	674,399	74.90%
Manawatu RC	8	57	563	9,147,411	796,680	9,944,091	6,381,830	1,842,000	117,336	1,724,664	2,250,012	76.65%
Marlborough RC	2	16	127	1,288,373	89,106	1,377,479	1,197,360	180,000	0	180,000	259,517	69.36%
Marton JC	4	33	347	5,655,337	269,175	5,924,512	4,595,110	722,500	16,075	706,425	910,764	77.56%
Masterton RC	1	8	68	972,323	32,981	1,005,304	723,380	95,000	0	95,000	140,305	67.71%
Matamata RC	11	92	1,043	11,817,279	615,904	12,433,184	11,253,208	1,079,800	22,824	1,056,976	1,579,599	66.91%
Oamaru JC	2	17	166	1,439,470	23,223	1,462,693	1,264,641	147,000	0	147,000	227,589	64.59%
Otago RC	12	109	1,169	11,656,494	569,523	12,226,018	11,631,206	1,799,200	33,575	1,765,625	2,345,002	75.29%
Otaki-Maori RC	9	66	618	7,207,520	380,616	7,588,136	7,288,496	853,500	20,250	833,250	1,236,106	67.41%
Pakuranga HC	1	7	75	1,008,667	72,510	1,081,178	1,245,524	195,000	11,225	183,775	259,001	70.96%
Poverty Bay Tfc	1	9	98	894,535	126,765	1,021,299	745,302	116,000	0	116,000	141,235	82.13%
Rangitikei RC	2	14	126	1,734,549	121,446	1,855,995	1,450,195	300,000	6,375	293,625	391,460	75.01%
Reefton JC	1	8	68	820,401	83,717	904,118	923,572	87,000	0	87,000	131,834	65.99%
Riverton RC	4	39	387	3,522,562	311,289	3,833,851	2,622,139	632,000	7,475	624,525	794,126	78.64%
Rotorua, Racing	8	65	627	7,791,143	464,142	8,255,285	6,541,796	968,500	15,590	952,910	1,315,740	72.42%
Rotorua-BOP HC	1	8	72	761,327	47,174	808,501	705,070	86,000	0	86,000	136,000	63.24%
South Canterbury RC	7	63	662	6,025,973	175,935	6,201,908	5,816,530	680,000	7,125	672,875	954,677	70.48%
South Waikato RC	1	8	65	689,009	64,429	753,438	798,091	92,000	0	92,000	142,000	64.79%
Southland RC	5	45	450	4,143,979	288,055	4,432,034	4,502,257	740,350	4,938	735,413	958,456	76.73%

STATISTICS 2016-2017 SEASON

THOROUGHBRED CLUBS	MTGS	RACES	STARTS	TOTAL OFF-COURSE TURNOVER	TOTAL ON-COURSE TURNOVER	TOTAL NZ TURNOVER	EXPORT TURNOVER (\$NZD)	TOTAL STAKES PAID	CLUB NOMS & ACCEPTS & OTHER CHARGES/ PAYMENTS	NET STAKES	TOTAL CLUB, MEETING & STAKES FUNDING	NET STAKES TO FUNDING RATIO
Stratford RC	1	8	84	1,680,829	145,520	1,826,349	1,449,440	95,980	0	95,980	129,902	73.89%
Tapanui RC	1	8	98	728,024	51,452	779,476	493,438	90,000	0	90,000	123,908	72.63%
Taranaki TRI	14	112	1,121	15,612,755	1,030,627	16,643,383	13,958,380	1,733,600	33,675	1,699,925	2,375,236	71.57%
Taumarunui RC	1	9	90	1,849,919	120,108	1,970,027	1,229,012	230,000	7,190	222,810	277,814	80.20%
Taupo, Racing	4	26	258	3,112,252	244,248	3,356,500	2,390,949	212,000	0	212,000	374,873	56.55%
Tauranga, Racing	12	101	1,017	15,108,562	1,196,185	16,304,747	11,834,193	1,620,625	28,500	1,592,125	2,244,490	70.93%
Te Aroha, Racing	9	74	737	8,396,637	358,212	8,754,850	6,415,638	1,101,000	28,250	1,072,750	1,519,773	70.59%
Thames, Racing	1	8	66	679,407	73,470	752,878	283,412	94,500	0	94,500	168,271	56.16%
Waikato RC	17	145	1,611	27,809,346	1,762,432	29,571,779	20,288,798	3,998,375	206,351	3,792,024	4,757,793	79.70%
Waikouaiti RC	1	8	77	1,020,526	132,915	1,153,441	448,965	89,000	0	89,000	146,250	60.85%
Waimate RC	1	7	72	638,397	16,669	655,066	462,683	90,000	0	90,000	128,934	69.80%
Waipa RC	5	43	485	4,456,217	143,848	4,600,065	3,781,598	376,000	0	376,000	572,639	65.66%
Waipukurau JC	2	17	181	1,903,640	141,696	2,045,336	1,485,614	181,000	0	181,000	267,769	67.60%
Wairarapa RC	3	23	212	2,637,350	389,305	3,026,655	2,131,331	228,800	6,500	222,300	412,101	53.94%
Wairio JC	1	10	91	643,948	27,046	670,995	444,433	120,000	0	120,000	162,544	73.83%
Wairoa RC	2	17	175	1,952,477	147,343	2,099,820	1,630,640	205,000	0	205,000	233,210	87.90%
Wanganui JC	12	94	1,039	11,384,677	534,302	11,918,979	10,300,624	1,268,000	31,325	1,236,675	1,779,740	69.49%
Waverley RC	3	23	257	2,829,403	102,524	2,931,927	2,265,287	239,000	0	239,000	341,516	69.98%
Wellington RC	10	90	989	21,059,953	2,270,641	23,330,594	15,591,366	4,030,750	538,318	3,492,432	4,812,873	72.56%
Westland RC	1	9	67	800,909	65,654	866,564	605,929	111,700	0	111,700	142,050	78.63%
Whakatane RC	2	16	164	1,658,983	153,579	1,812,562	1,446,374	156,000	0	156,000	247,027	63.15%
Whangarei RC	10	86	907	14,341,280	827,085	15,168,365	10,971,034	1,345,000	5,625	1,339,375	1,821,864	73.52%
Winton JC	1	9	85	782,021	14,338	796,359	656,548	95,000	0	95,000	136,435	69.63%
Woodville-Pahiatua RC	5	43	485	4,552,585	183,300	4,735,885	4,058,677	350,000	0	350,000	539,825	64.84%
Wyndham RC	1	7	79	457,274	9,926	467,201	606,940	70,000	0	70,000	115,000	60.87%
Grand Total	308	2,564	26,863	371,493,258	27,461,109	398,954,367	307,180,080	53,657,605	3,035,283	50,622,322	67,405,451	75.10%

NOTES

1. Total off-course and on-course turnovers do not include Pick 6 or Turbo Quaddies.
2. Club Noms, Accepts & other charges/payments to Owners is the net amount of all direct club nomination and acceptance charges for Group, Listed and Prestige Jumps races, minus credits paid to owners for the same races.
3. Total Club, Meeting & Stakes Funding is all NZTR funding paid to clubs, including minimum stakes, Group and Listed, special interest, iconic, heritage, country cup and other race funding, meeting type, venue category, racing compliance, governance/audit, event tier funding, iconic marketing and jumping support, on-course payments and any other meeting funding. Charges to clubs for NZTR race meeting services and NZRB race meeting broadcast costs are not netted off. All efforts have been made to reconcile against the club settlement statements but there still may be some small discrepancies between funding recorded and total funding received by clubs.
4. Net Stakes to Funding Ratio is Stakes Paid minus Club Noms & Accepts & other charges/payments, then divided by Total Club, Meeting & Stakes Funding.





Independent Auditor's Report

To the Members of New Zealand Thoroughbred Racing Incorporated

Opinion

We have audited the financial statements of New Zealand Thoroughbred Racing Incorporated ('NZTR'), which comprise the statement of financial position as at 31 July 2017, and the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 24 to 48, present fairly, in all material respects, the financial position of NZTR as at 31 July 2017, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

We are independent of the entity in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of advisory services, we have no relationship with or interests in the entity. These services have not impaired our independence as auditor of the entity.

Director's responsibilities for the financial statements

The Directors are responsible on behalf of the entity for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards, 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.

In preparing the financial statements, the Directors are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8>

This description forms part of our auditor's report.

Deloitte Limited

Wellington, New Zealand
2 October 2017

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 31 JULY 2017

	NOTES	ACTUAL 31 JULY 2017 \$	ACTUAL 31 JULY 2016 \$
Revenue			
New Zealand Racing Board code distribution	3.1.3	74,359,276	74,008,313
Race day fees		2,899,834	3,071,926
TRM and publications	3.1.1	185,016	182,593
Stud book	3.1.1	1,590,953	1,441,683
Licence fees	3.1.1	297,148	208,727
Registrations	3.1.1	552,033	546,292
Interest	3.1.2	105,060	228,074
Sundry revenue		444,484	643,712
Total revenue		80,433,804	80,331,320
Less expenses			
Club payments (subsidies and prizemoney)		71,579,088	73,201,370
TRM and publications		297,938	296,415
Ownership and industry initiatives		15,246	73,260
Industry training and development		137,246	139,266
Property and central overheads	4.1	652,566	498,430
IT infrastructure and network costs	4.2	793,456	789,535
Special projects	4.3	220,875	255,975
Salaries and other staff costs		4,277,721	3,583,663
Other department costs	4.4	1,090,697	1,223,305
Sundry costs	4.5	1,303,924	1,386,651
Total expenses		80,368,757	81,447,870
(Deficit)/surplus before infrastructure projects		65,047	(1,116,550)
Infrastructure revenue and expenses			
Racing Safety Development Fund (RSDF) - grants received	4.6	-	48,964
New Zealand Racing Board gaming grant	4.6	20,000	-
Infrastructure expenditure	4.6	(460,274)	(770,477)
Total NZTR infrastructure fund		(440,274)	(721,513)
Total (deficit) attributable to NZTR		(375,227)	(1,838,063)
Other comprehensive revenue		-	-
Total comprehensive revenue and expense attributable to NZTR		(375,227)	(1,838,063)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2017

	NOTES	ACCUMULATED SURPLUS \$	INFRASTRUCTURE RESERVE \$	TOTAL ACCUMULATED SURPLUS \$
Accumulated surplus as at 1 August 2015		5,291,691	1,314,652	6,606,343
(Deficit) for the year ended 31 July 2016		(1,838,063)	-	(1,838,063)
Transfer of infrastructure reserve to accumulated surplus	4.6	721,513	(721,513)	-
Accumulated surplus as at 31 July 2016		4,175,141	593,139	4,768,280

	NOTES	ACCUMULATED SURPLUS \$	INFRASTRUCTURE RESERVE \$	TOTAL ACCUMULATED SURPLUS \$
Accumulated surplus as at 1 August 2016		4,175,141	593,139	4,768,280
(Deficit) for the year ended 31 July 2017		(375,227)	-	(375,227)
Prior year accounting treatment adjustment		(451,856)	-	(451,856)
Transfer of infrastructure reserve to accumulated surplus	4.6	440,274	(440,274)	-
Accumulated surplus as at 31 July 2017		3,788,332	152,865	3,941,197

STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2017

	NOTES	ACTUAL 31 JULY 2017 \$	ACTUAL 31 JULY 2016 \$
Total accumulated surplus attributable to NZTR		3,941,197	4,768,280
Current assets			
Cash and cash equivalents	2.1	3,581,373	3,706,250
Short term deposits	2.1	259,020	948,926
Trade and sundry debtors from exchange transactions	2.2	1,282,373	711,212
Trade and sundry debtors from non-exchange transactions	2.2	32,227	41,704
Prepayments		253,874	50,479
Other revenue receivable from exchange transactions	2.2	32,539	33,479
Short term loans and advances	2.3	-	131,346
Code distribution account	2.2	187,501	1,258,779
Total current assets		5,628,907	6,882,175
Less current liabilities			
Trade and sundry creditors from exchange transactions	2.4	3,230,581	3,668,033
Trade and sundry creditors from non-exchange transactions	2.4	174,560	70,002
Employee entitlements	2.4	325,089	303,645
Provision for Thoroughbred Bonus Scheme		-	120,000
Fees and subscriptions in advance		456,402	471,732
Total current liabilities		4,186,632	4,633,412
Net current assets		1,442,275	2,248,763
Non-current assets			
Property, plant and equipment	6.0	366,451	203,272
Intangibles	7.0	378,870	616,155
Work in progress		65,552	26,248
Loans and advances	2.3	1,688,049	1,673,842
Total non-current assets		2,498,922	2,519,517
Net assets		3,941,197	4,768,280

The Financial Statements of New Zealand Thoroughbred Racing Incorporated have been accepted on behalf of the Board of Directors on 28 September 2017.



Dr Alan Jackson
Chair of New Zealand Thoroughbred Racing



Rodger Finlay
Audit and Risk Chair

The accompanying accounting policies and notes form part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2017

	31 JULY 2017 \$	31 JULY 2016 \$
Cash flow from operating activities		
<i>Cash was provided from:</i>		
Fees, services and subscriptions from exchange transactions	2,060,763	3,555,657
Receipts from the code distribution and other income	78,330,388	76,324,949
Interest income	106,001	264,225
	80,497,152	80,144,831
<i>Cash was applied to:</i>		
Payment to suppliers and employees	(8,842,759)	(8,598,745)
Payments to clubs	(72,232,838)	(72,364,138)
	(81,075,597)	(80,962,883)
Net cash flow from operating activities	(578,445)	(818,052)
Cash flow from investing activities		
<i>Cash was provided from:</i>		
Maturity in term deposits	689,906	2,960,325
Repayment of loans	192,139	81,552
	882,045	3,041,877
<i>Cash was applied to:</i>		
Purchase of property, plant and equipment	(278,975)	(100,464)
Purchase of intangibles	(35,200)	(500,382)
Work in progress	(39,304)	344,147
Advance of loans	(75,000)	(498,174)
	(428,479)	(754,873)
Net cash flow from investing activities	453,566	2,287,004
Net increase in cash held	(124,879)	1,468,952
Add operating cash	3,706,252	2,237,300
Total cash and cash equivalents	3,581,373	3,706,252

STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 JULY 2017

	31 JULY 2017 \$	31 JULY 2016 \$
Reconciliation of Operating Cash Flow to Net (Deficit)		
Total deficit for the year	(375,227)	(1,838,063)
Add non-cash items		
Depreciation	115,797	94,990
Amortisation	272,485	222,114
	388,282	317,104
Add movement in other working capital items		
Prior period accounting adjustment	(451,857)	-
Accrued income	940	340,033
Sundry debtors	509,594	(675,565)
Prepayments	(203,395)	144,253
Sundry creditors	(311,450)	674,107
Fees in advance	(15,330)	100,079
Provision for NZTR Bonus Scheme	(120,000)	120,000
	591,500	702,907
Net cash flow from operating activities	578,445	(818,052)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

1. BASIS OF PREPARATION

Reporting entity and statutory base

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

The primary objectives of NZTR are to:

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

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

Statement of compliance

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

Basis of preparation

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

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

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

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

Changes in accounting policies and prior period comparatives

NZTR conducts its race day settlements through a bespoke system known as the Thoroughbred Racing Owners Settlement Account (TROSA). When TROSA is consolidated with the NZTR system, there are a number of intercompany balances that must be eliminated. In 2015 there was one intercompany balance not eliminated. This meant that the financial statements of 31 July 2015 recorded that NZTR was due to receive \$451,856 from NZTR. This entry has been corrected through the statement of equity for the year ended 31 July 2017.

There were no other changes in accounting policies.

New standards and interpretations issued and not yet effective

The following new standards and or amendments issued by the External Reporting Board are not yet effective and have not been early adopted by NZTR. NZTR has not yet assessed the impact of adopting these standards. Any effect of adoption will be reported in the financial statements for the year ending 31 July 2018.

Standard	Amendment	Date Effective
PBE IPSAS 1	Clarification of when a comparison of general purpose prospective financial statements and historical financial statements for the current reporting period must be applied.	01 January 2018
PBE IPSAS 34 PBE IPSAS 35 PBE IPSAS 36 PBE IPSAS 37 PBE IPSAS 38	These new standards relate to the recognition and measurement of interest in other entities; such as investments in associates, joint ventures and joint arrangements.	01 January 2019
PBE IPSAS 21 PBE IPSAS 26	Amended standards to include assets measured at revalued amounts under the revaluation model in PBE IPSAS 17, Property, Plant and Equipment and PBE IPSAS 31 Intangible Assets.	01 January 2019
PBE IPSAS 39	This new standard replaces the current standard on employee benefits IPSAS 25.	01 January 2019
PBE IFRS 9	This new standards replaces most of the requirements of PBE IPSAS 29 and introduces a new classification model for financial assets.	01 January 2021

Critical accounting estimates and assumptions

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

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

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

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

Taxation

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

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

- Goods and Services Tax (GST)
- Fringe Benefit Tax (FBT)
- Employer compulsory Kiwi Saver contributions
- Accident Compensation Commission (ACC) levies.

These financial statements have been prepared exclusive of GST.

Specific definitions

Throughout this report specific language is used to refer to industry activity. Some definitions specific to the racing industry are detailed below.

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

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

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

TRM: TRM is the abbreviation for Thoroughbred Racing Monthly.

2. FINANCIAL INSTRUMENTS

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

Financial instrument categories

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. NZTR's loans and receivables balance includes cash and cash equivalents, including short-term deposits, trade and other receivables and loans and advances to racing clubs. Loans and receivables are initially recognised at the fair value and subsequently measured at amortised cost using the effective interest method.

	NOTE	31 JULY 2017 \$	31 JULY 2016 \$
Cash and cash equivalents	2.1	3,840,393	4,655,176
Trade and sundry debtors, and revenue receivable	2.2	1,347,139	786,395
Code distribution (NZRB)	2.2	187,501	1,258,779
Club loans and advances	2.3	1,688,049	1,805,188
Total loans and receivables		7,063,082	8,505,538

At the end of each reporting period, and whenever circumstances warrant, loans and receivables are assessed for objective evidence of impairment. Impairment is considered incurred as a result of one or more events that occurred after the initial recognition of the asset, where the event had an impact on the estimated future cash flows of that asset, and can be estimated reliably. Any financial asset impairment loss is recognised through the statement of comprehensive revenue and expense.

2.1 Cash and cash equivalents

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

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

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

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

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

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

	31 JULY 2017 \$	31 JULY 2016 \$
Operational bank account and cash on hand	175,560	268,555
On call accounts	3,405,813	3,437,695
Investments - term deposits	259,020	948,926
Total cash and cash equivalents	3,840,393	4,655,176

2.2 Trade and sundry debtors, and revenue receivable

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

	31 JULY 2017 \$	31 JULY 2016 \$
Trade and sundry debtors		
Trade debtors from exchange transactions	1,282,373	711,212
Trade debtors from non-exchange transactions	32,227	41,704
Code distribution (NZRB)	187,501	1,258,779
Total trade and sundry debtors	1,502,101	2,011,695
Other revenue receivable from exchange transactions		
Interest receivable	32,539	33,479
Total revenue receivable from exchange transactions	32,539	33,479
Total trade and sundry debtors, and other revenue receivable	1,534,640	2,045,174
Due date profile		
Not past due	784,269	1,870,864
Past due 1 - 30 days	441,633	51,855
Past due 31 - 60 days	44,656	27,691
Past due 61	264,082	94,764
Total trade and sundry debtors, and other revenue receivable	1,534,640	2,045,174

NZTR has reviewed all trade and sundry debtors, and other revenue receivable for collectability. There is a provision for doubtful debts recognised on trade or the other receivables as at 31 July 2017 of \$3,700 (2016 of \$19,936). The provision recognised debts due that have either been placed with a debt collection agency or where the debtor has been placed on the arrears list.

2.3 Club loans and advances

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

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

The NZTR Board has determined that the carrying value of the loans approximates their fair value as at 31 July 2017.

		31 JULY 2017 \$	31 JULY 2016 \$
Short term loans and advances			
	<i>Interest rate</i>		
Otago Racing Club	OCR + 1%	-	131,346
Total short term loans and advances		-	131,346
Non-current loans and advances			
RACE Inc.	OCR + 1%	812,399	737,399
Hawke's Bay Racing Inc.	OCR + 1%	474,514	474,514
Whangarei Racing Club Inc.	OCR + 1%	180,663	194,663
Taupo Racing Club Inc.	OCR + 1%	13,500	25,000
Northern Race Day Services Inc.	OCR + 1%	136,306	162,266
Central District Starting Gates Inc.	OCR + 1%	70,667	80,000
Total non-current loans and advances		1,688,049	1,673,842
Total loans		1,688,049	1,805,188

2.4 Other financial liabilities

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

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

	31 JULY 2017 \$	31 JULY 2016 \$
Trade and sundry payables		
Trade creditors from exchange transactions	3,230,581	3,668,033
Taxes and transfers payable	174,560	70,002
Total trade and sundry payables	3,405,141	3,738,035
Other provisions		
NZTR Thoroughbred Bonus Scheme	-	120,000
Employee entitlements		
Provision for annual leave	173,948	198,559
Salaries payable	151,141	105,086
Total employee entitlements	325,089	303,645
Total other financial liabilities	3,730,230	4,161,680

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

2.5 Financial instrument risks

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

2.5.1 Capital risk management

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

2.5.2 Interest rate management

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

2.5.3 Liquidity risk management

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

All trade and sundry payables are due within three months.

All bank guarantees are on demand.

2.5.4 Credit risk management

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

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

There is an inherent credit risk for loans and advances made to thoroughbred racing clubs. NZTR holds sufficient mortgage or guarantee security over all loans and advances, which are reviewed on a regular basis.

2.6 Financial guarantee contracts

2.6.1 RACE

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

NZRB loans are secured by mortgages over RACE property.

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

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

At 31 July 2017 the balances of the loans from the Bank of New Zealand and the NZRB were \$3,621,500 and \$2,927,712 respectively (2016: \$4,776,000, \$2,614,688).

2.6.2 New Zealand Bloodstock Insurance Pearl Series (the "Scheme")

During the financial year ending 31 July 2017 NZTR entered into a financial guarantee arrangement with New Zealand Bloodstock, effective from 1 August 2017. The guarantee provides assurance that funds will be available for the payment of bonuses won through the offering of the Scheme and can only be called upon when the Scheme has insufficient funds to do so itself.

The NZB Insurance Pearl Series is a bonus scheme for NZ-bred fillies and mares, offering bonuses of almost \$2.6 million and prize money of nearly \$2.8 million. The Scheme includes 215 individual races for fillies and mares over three seasons' racing, with bonuses for each race of up to \$20,000. The Scheme has been designed to benefit owners, trainers and breeders of fillies and mares running in New Zealand and is available in all regions of the country. All bonuses are cumulative, ie a horse can win multiple bonuses throughout her racing career.

3. REVENUE

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

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

Revenue is measured at fair value of consideration received.

3.1 Revenue from exchange transactions (IPSAS 9)

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

3.1.1 Registrations, stud book, licensing, nominations, acceptance and scratching fees, management services, Thoroughbred Racing Magazine (TRM) and other publications

Revenue is recognised either at the time of invoicing or when a payment is made for goods/services. One-off receipts are recorded under sundry revenue in the statement of comprehensive revenue and expenses. Registrations, stud book, nominations, acceptances, scratchings, licensing fees, TRM subscriptions and other publications are disclosed separately.

3.1.2 Interest

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

3.1.3 NZRB code distribution

Revenue is recognised pursuant to Section 25 of the Racing Act 2003 based upon the base level of code funding received from the NZRB plus additional distributions in accordance with the code funding distribution agreement that was in effect in the financial year 2015/16. This revenue is recognised as an exchange transaction, as NZTR supplies its racing product to NZRB in exchange for a distribution from NZRB surpluses accumulated from the NZRB's wagering, sports betting and gaming activities.

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

3.1.4 Fees and subscriptions in advance

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

3.2 Revenue received from non-exchange transactions

	31 JULY 2017 \$	31 JULY 2016 \$
Revenue from non-exchange transactions		
Fines	39,200	138,660
Total revenue from non-exchange transactions	39,200	138,660

Revenue from fines is recognised when the fine is collected. This revenue is recorded under sundry revenue in the statement of comprehensive revenue and expense. Fines are applied to the General Trust Fund at NZTR's discretion (note 8.4.2).

4. EXPENDITURE

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

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

4.1 Property and central overheads

The expenses included in property and central overheads are:

	31 JULY 2017 \$	31 JULY 2016 \$
ACC Levy	23,032	29,456
Bank fees	47,881	36,494
Insurance	80,955	60,515
Equipment leases	7,202	7,215
Printing and postage	78,077	69,346
Rent and property expenses	169,276	143,445
Depreciation	44,768	35,491
Telephone	61,938	58,977
General expenses	139,437	57,491
Total property and central overheads	652,566	498,430

4.2 IT infrastructure and network costs

The expenses included in IT infrastructure and network costs are:

	31 JULY 2017 \$	31 JULY 2016 \$
Amortisation	272,485	222,113
Depreciation	39,855	35,367
Maintenance and network costs	481,116	532,055
Total IT infrastructure and network costs	793,456	789,535

4.3 Special projects

The expenses included in special projects are:

	31 JULY 2017 \$	31 JULY 2016 \$
NZTR strategic programme	220,875	255,975
Total special projects	220,875	255,975

4.4 Other department costs

The expenses included in other department costs are:

	31 JULY 2017 \$	31 JULY 2016 \$
Animal welfare	19,299	6,921
DNA typing and microchipping	240,275	231,354
Travel including motor vehicle expenses	199,434	271,415
Mobile telephones	14,743	39,952
Freephone number	6,615	8,394
Accommodation	80,836	89,117
Subscriptions	4,903	5,715
Marketing	366,928	390,911
Conferences and committees	65,655	104,151
Stud book	8,942	4,112
Depreciation	4,740	3,196
General expenses	78,327	68,067
Total other department costs	1,090,697	1,223,305

4.5 Sundry costs

The expenses included in sundry costs are:

	31 JULY 2017 \$	31 JULY 2016 \$
Board member expenses	102,497	92,547
Board fees	174,063	171,433
Diligent board books	11,696	11,000
Legal and professional fees	198,932	275,817
Audit fees	26,192	28,592
Bad debts expense	1,809	19,247
Raceday services and initiatives	455,103	530,791
Raceday depreciation	26,433	20,935
Annual general meeting and club conference	10,000	13,706
Industry grants	191,320	198,128
Medical advisor	22,336	21,600
General expenses	83,543	2,855
Total sundry costs	1,303,924	1,386,651

Audit fees of \$26,500 have been recognised for the audit by Deloitte Limited of NZTR's annual financial statements (2015/16 \$28,659).

Other services performed by Deloitte Limited during the period included the vote verification for the Horse of the Year Awards 2016/17 \$2,500 (2015/16 \$2,500), and advisory services 2016/17 \$162,500 (2015/16 \$7,475).

4.6 Infrastructure projects

The infrastructure projects reserve was set up in 2010/2011 to fund critical projects at strategic and significant venues. Since 2011 NZTR has set aside \$4,566,951 to help fund these projects. Clubs, communities, and frequently the Racing Safety Development Fund ("RSDF"), co-invest in supported initiatives to share the costs of infrastructure projects.

Approved investment from the RSDF is recognised by the stage of completion of the project. Funding by the RSDF is usually 50% at project commencement and 50% at completion. As at 31 July 2017, there were no outstanding applications to the RSDF for funding of completed or partially completed projects.

Expenditure is recognised when it is incurred.

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

	31 JULY 2017 \$	31 JULY 2016 \$
External funding for infrastructure projects was received from the following sources:		
New Zealand Racing Board gaming grant	20,000	-
Racing Safety Development Fund	-	48,964
Total infrastructure funding	20,000	48,964
Infrastructure costs were incurred on the following projects:		
Earthquake assessments and venue surveys	85,134	84,940
Judicial towers	18,598	165,494
Overhead gates and storage	14,825	146,866
Running rails and hurdles	212,893	104,519
Southland racecourse development	26,100	-
Otago drainage	-	38,873
Te Aroha alternative jumps bend	5,000	-
Ascot park drainage	-	6,800
Avondale racecourse development	-	1,450
Awapuni racecourse development	72,724	34,737
Pukekohe racecourse development	-	10,860
Te Rapa racecourse development	-	150,000
Cambridge racecourse development	-	21,305
Oamaru racecourse development	25,000	-
Club loan agreements (legal fees)	-	4,633
Total infrastructure costs	460,274	770,477
Net expenditure to infrastructure projects	440,274	721,513

Allocation of the infrastructure projects reserve

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

	31 JULY 2017 \$	31 JULY 2016 \$
Allocation to infrastructure projects reserve	-	-
Less net investment expenditure	(440,274)	(721,513)
Transfer of infrastructure projects reserve	(440,274)	(721,513)
	31 JULY 2017 \$	31 JULY 2016 \$
Infrastructure projects reserve		
Opening balance	593,139	1,314,652
Transfer of infrastructure projects reserve	(440,274)	(721,513)
Closing balance of infrastructure projects reserve	152,865	593,139

5. OPERATING LEASES

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

NZTR has two office leases:

- 106-110 Jackson Street, Petone, Wellington

Commencing 1 August 2015 with three years right of renewal and a final expiry date of 6 August 2023.

- 77 Duke Street, Cambridge

Commencing 7 March 2016 with a termination date of 7 March 2018.

The following commitments are based on the current lease terms.

	31 JULY 2017 \$	31 JULY 2016 \$
Lease on premises		
Up to 1 year	120,979	120,979
1 to 5 years	452,200	452,200
5+ years	114,599	227,958
Total minimum lease payments	687,778	801,137

6. PROPERTY, PLANT AND EQUIPMENT

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

- Buildings 20.00%
- Office equipment 20.00%
- Motor vehicles 33.33%
- Computer hardware 33.33%
- Racecourse equipment 10.00%

Any gain or loss on disposal, which is calculated as the difference between the net proceeds from disposal and the carrying amount of the item, is recognised in the statement of comprehensive revenue and expense within the function holding the asset being disposed of.

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

7. INTANGIBLE ASSETS

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

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

Any gains or losses on disposal, which is calculated as the difference between the net proceeds from disposal and the carrying amount of the item, is recognised in the statement of comprehensive revenue and expense within IT infrastructure and network costs.

The carrying amounts of intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication of impairment exists, then the asset's recoverable amount is estimated to determine the extent of recognition in the statement of comprehensive revenue and expense.

PROPERTY, PLANT AND EQUIPMENT AS AT 31 JULY 2017	BUILDINGS \$	OFFICE EQUIPMENT \$	MOTOR VEHICLES \$	COMPUTER HARDWARE \$	RACECOURSE EQUIPMENT \$	WORK IN PROGRESS \$	INTANGIBLES \$	31 JULY 2017 TOTAL \$
Cost								
Balance at 1 August 2016	45,000	505,010	82,756	820,901	197,430	26,248	4,325,568	6,002,913
Additions	-	105,944	90,521	82,509	-	80,240	35,200	394,414
Adjustments (WIP)	-	-	-	-	-	(40,936)	-	(40,936)
Disposals	-	-	-	-	-	-	-	-
Balance at 31 July 2017	45,000	610,954	173,277	903,410	197,430	65,552	4,360,768	6,356,391
Accumulated depreciation								
Balance at 1 August 2016	18,000	457,695	82,756	762,654	126,709	-	3,709,413	5,157,227
Depreciation expense for the year	9,000	35,768	4,740	39,855	26,433	-	272,485	388,281
Asset reclassification	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Balance at 31 July 2017	27,000	493,463	87,496	802,509	153,142	-	3,981,898	5,545,508
Net book value								
Balance at 31 July 2017	18,000	117,491	85,781	100,901	44,288	65,552	378,870	810,883

PROPERTY, PLANT AND EQUIPMENT AS AT 31 JULY 2016	BUILDINGS \$	OFFICE EQUIPMENT \$	MOTOR VEHICLES \$	COMPUTER HARDWARE \$	RACECOURSE EQUIPMENT \$	WORK IN PROGRESS \$	INTANGIBLES \$	31 JULY 2016 TOTAL \$
Cost								
Balance at 1 August 2015	45,000	487,238	82,756	773,867	161,726	370,395	3,823,600	5,744,582
Additions	-	23,008	-	76,519	35,704	-	498,350	633,581
Adjustments (WIP)	-	(5,236)	-	1,050	-	(344,147)	4,184	(344,149)
Disposals	-	-	-	(30,535)	-	-	(566)	(31,101)
Balance at 31 July 2016	45,000	505,010	82,756	820,901	197,430	26,248	4,325,568	6,002,913
Accumulated depreciation								
Balance at 1 August 2015	9,000	430,653	79,561	727,801	105,774	-	3,485,714	4,838,503
Depreciation expense for the year	9,000	26,491	3,195	40,336	20,935	-	222,113	322,070
Asset reclassification	-	551	-	(516)	-	-	1,586	1,621
Disposals	-	-	-	(4,957)	-	-	-	(4,967)
Balance at 31 July 2016	18,000	457,695	82,756	762,664	126,709	-	3,709,413	5,157,227
Net book value								
Balance at 31 July 2016	27,000	47,315	-	58,237	70,721	26,248	616,155	845,686

8. RELATED PARTY TRANSACTIONS

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

8.1 Board

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

In accordance with NZTR's Constitution a person is not eligible for appointment to the NZTR's Board if they are a licensee as per the NZTR Rules of Racing, or a member of the Members' Council, or a trustee of a gaming trust, or a member of a committee or an employee of a club, racing association or any of the racing codes.

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

8.2 Board members and key management personnel

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of NZTR. In addition to the members of the NZTR Board, the following employed positions are considered key management personnel and form the executive team:

- Chief Executive
- Deputy Chief Executive
- Company Secretary and General Counsel
- General Manager, Commercial Strategy
- General Manager, Racing
- General Manager, Finance and IT.

The salaries and other short-term employee entitlements include the salaries received and accrued for all employees of the executive team.

As at 31 July 2017, the NZTR Board comprised six members (2016: 5 members).

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

	31 JULY 2017 \$	31 JULY 2016 \$
Board members' fees	174,063	171,433
Salaries and other short-term employee benefits	1,370,526	912,205
Total Board members and key management personnel	1,544,589	1,083,638

8.3 Racing Integrity Unit

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

8.4 Other related parties

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

8.4.1 Apprentice Jockeys' Fund

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

8.4.2 General Trust Fund

The General Trust Fund (GTF) was established under Rule 1301 of the Rules of Racing to financially support licensees when they become injured as a result of an accident while carrying out duties in their capacity as a licensee or, in some instances, where serious illness prevents their ability to carry out duties in their capacity as a licensee. NZTR provides funding to support the GTF, including a pass through of all fines paid to NZTR.

8.4.3 New Zealand Equine Education Trust (NZEET)

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

8.4.4 New Zealand thoroughbred racing clubs

While thoroughbred racing clubs are not related parties by interpretation of accounting standards, it is acknowledged that NZTR has provided loans and advances to thoroughbred racing clubs. Details relating to the terms and outstanding balances of club loans are disclosed in note 2.3.

8.4.5 The New Zealand Racing Board (NZRB)

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

8.4.6 The Races Limited Partnership (TRLP)

During the financial year ended 31 July 2017 NZTR, in partnership with Harness Racing New Zealand, established a 50/50 partnership named The Races Limited Partnership, for the acquisition of the Event Management Logistic business unit of the NZRB. Acquisition and operational activity under TRLP commences 1 August 2017. TRLP's operational activity will continue to deliver services to racing clubs to support the marketing and management of events on course for the improvement of customer experience. Funding for the activities of TRLP has been secured through a three year agreement with the NZRB, partial cost recovery from racing clubs and application of gaming funds as appropriate to the gaming fund policy.

Summary of related party transactions

	31 JULY 2017 \$	31 JULY 2016 \$
General Trust Fund contribution	-	35,825
NZRB code distributions less club product payments and subsidies	2,780,188	806,943
NZ Equine Education Trust	8,006	12,027
Related parties revenue or expense	2,788,194	854,795
NZTR loans and advances to thoroughbred racing clubs	1,688,049	1,805,188
Total other related parties	4,476,243	2,659,983

9. INSURANCE AND INDEMNITIES

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

NZTR holds a suite of liability insurance products on behalf of racing clubs. These include professional indemnity, internet liability, crime liability, employment disputes, legal prosecution defence, general liability, statutory liability, employers' liability and associations' liability insurances. Clubs are advised to maintain their own insurance over property, plant and equipment.

10. EMPLOYEE REMUNERATION AND ENTITLEMENTS

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

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

	31 JULY 2017 \$	31 JULY 2016 \$
Annual leave	173,948	198,559
Accrued remuneration and entitlements	151,141	105,086
Total employee entitlements	325,089	303,645

As at balance date there were 41 fulltime equivalent staff members employed by NZTR. This total includes one employee who retired and one employee who resigned as at 31 July 2017.

There were four employees engaged on fixed term contracts due to expire during the 2017/18 season and one employee on a maternity leave contract.

Since 31 July 2017 there has been one further resignation and one redundancy, both effective in August 2017. These positions will not be replaced within the current organisational structure.

FULL TIME EQUIVALENT SALARIED EMPLOYEES	31 JULY 2017	31 JULY 2016
Internal	37	33
In the field	4	3
Total employees	41	36

TOTAL REMUNERATION (\$0,000)	31 JULY 2017 \$	31 JULY 2016 \$
0-50	11	13
51-100	20	15
101-150	7	5
151-200	1	1
201+	2	2
Total employees	41	36

As at 31 July 2017 there were no unfilled positions (2015/2016: 2)

11. CONTINGENT LIABILITIES

11.1 Infrastructure reserve contractual agreements

There were no contractual agreements entered into with committed undistributed funding in 2016/17 (2015/16 \$110,260).

11.2 Loan guarantees

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

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

At 31 July 2017 the balances of the two loans were \$3,621,500 and \$2,927,712 respectively (2016: \$4,776,000, \$2,614,688). NZTR has provided a back-to-back guarantee to the NZRB to cover the amounts guaranteed to the Bank of New Zealand and amounts loaned by the NZRB.

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

12. CAPITAL COMMITMENTS

There are no capital commitments that will materially affect the financial statements (2016: Nil)

13. SUBSEQUENT EVENTS

There have been no material events subsequent to reporting date.

NOTES



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ACKNOWLEDGEMENTS

The Board and Management wish to record their appreciation of the co-operation and assistance they have received during the 2016-17 season from the following people and organisations:

The Honourable David Bennett MP, Minister for Racing, and Honourable Nathan Guy, the former 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

Accident Compensation Corporation

Equine Branch, New Zealand Veterinary Association

Environmental Science and Research Ltd

Massey Foundation

Massey University

New Zealand Equine Health Association

New Zealand Equine Research Foundation

New Zealand Jockeys' Association

New Zealand Jumps Inc.

New Zealand Police

New Zealand Qualifications Authority

New Zealand Racing Laboratory Services Ltd

New Zealand Salvation Army

New Zealand Thoroughbred Breeders' Association

New Zealand Thoroughbred Marketing Ltd

New Zealand Thoroughbred Racehorse Owners' Federation

New Zealand Trainers' Association

Primary Industry Training Organisation

Racing Club Committees, Managers and Staff

Racing Integrity Unit

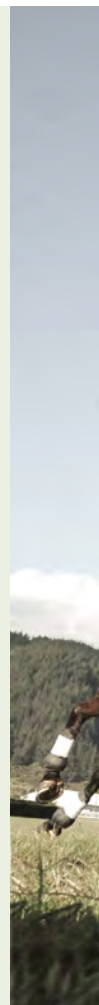
Racing Journalists and Broadcasters

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