



**NEW ZEALAND
THOROUGHBRED
RACING
2010-11
ANNUAL REPORT**

2010-11 GROUP 1 WINNERS

Two-Year-Olds

1. 12/03/11 Auckland RC **AUCKLAND DIAMOND STAKES ANABANDANA**
2. 02/04/11 Manawatu RC **THE OAKS STUD STALLIONS MANAWATU SIRES PRODUCE STAKES ANABANDANA**

Three Year Old Colts

1. 06/11/10 Canterbury Racing – Canterbury JC **NEW ZEALAND 2000 GUINEAS JIMMY CHOUX**
2. 26/11/10 Levin RC **LEVIN CLASSIC WE CAN SAY IT NOW**
3. 05/03/11 Auckland RC **TELECOM NEW ZEALAND DERBY JIMMY CHOUX**

Three Year Old Fillies

1. 13/11/10 Canterbury Racing – Canterbury JC **NEW ZEALAND BLOODSTOCK 1000 GUINEAS KING'S ROSE**
2. 19/03/11 Wellington RC **WELLFIELD NEW ZEALAND OAKS GROUP 1 MIDNIGHT OIL**

Weight-For-Age (WFA)

1. 28/08/10 Hawke's Bay RI **MUDGWAY PARTSWORLD STAKES KEEP THE PEACE**
2. 18/09/10 Hawke's Bay RI **WINDSOR PARK PLATE WALL STREET**
3. 02/10/10 Hawke's Bay RI **KIT ORMOND MEMORIAL SPRING CLASSIC WALL STREET**
4. 04/12/10 Wellington RC **DEAN HAWTHORNE BLOODSTOCK CAPTAIN COOK STAKES WE CAN SAY IT NOW**
5. 26/12/10 Auckland RC **ZABEEL CLASSIC BOOMING**
6. 12/02/11 Waikato RC **DARCI BRAHMA INTERNATIONAL STAKES RED RULER**
7. 12/02/11 Waikato RC **WAIKATO DRAUGHT SPRINT MUFHASA**
8. 26/02/11 Otaki-Maori RC **HAUNUI FARM GROUP ONE WFA CLASSIC KEEP THE PEACE**
9. 12/03/11 Auckland RC **NICOLAS FEUILLATTE NEW ZEALAND STAKES THE PARTY STAND**

Handicaps

1. 01/01/11 Auckland RC **BLANDFORD LODGE RAILWAY STAKES MISS RAGGEDY ANN**
2. 22/01/11 Wellington RC **JR & N BERKETT TELEGRAPH HANDICAP MUFHASA**
3. 29/01/11 Wellington RC **HARCOURTS THORNDON MILE BOOMING**
4. 09/03/11 Auckland RC **STELLA ARTOIS AUCKLAND CUP TITCH**
5. 16/04/11 Auckland RC **LAND PRIDE EASTER HANDICAP VEYRON**

Fillies and Mares (WFA & HCP)

1. 09/04/11 Racing Te Aroha **STEWART BROWNE GROUP NZ THOROUGHBRED BREEDERS STAKES BARINKA**



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BOARD OF DIRECTORS OF NEW ZEALAND THOROUGHBRED RACING INCORPORATED

Matthew Goodson (Chairman), from Auckland, is Equities Portfolio Manager at BT Asset Management. He has 18 years of investment experience in New Zealand and New York at firms such as First NZ Capital and Goldman Sachs JB Were. He is a Director of Goodson & Perron Bloodstock Ltd, an operation involved in breeding and racing thoroughbreds. Matthew has a Masters of Commerce & Administration (Economics, First Class Honours), a BA in Economics and is a Chartered Financial Analyst.

Dean McKenzie (Deputy Chairman), from Christchurch, has been CEO of Jade Stadium, Racing Wellington and was Special Projects Manager to the Racing Industry Board. Currently he is a Director of sports management firm Esportif International. Dean has a BA in Economics, BCom and MSA (Master of Sports Administration). He is also a Chartered Accountant.

Con Anastasiou, from Wellington, is a lawyer specialising in corporate law, commercial law, intellectual property law and resource management law. He is the former Chairman of Airways Corporation of New Zealand Limited and the former Chairman of the Institute of Geological & Nuclear Sciences Limited. He is a member of the New Zealand Law Society, a Fellow of the New Zealand Institute of Management, a member of the Institute of Directors and an Associate of the Arbitrators & Mediators Institute of New Zealand.

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

John Stace, from Hawke's Bay, built a career in the financial services sector in London. He founded Stace Barr Ltd which in the 1990's was one of Lloyd's of London's largest capital providers. He was Deputy Chairman of Lloyd's during its near demise and reconstruction. Since arriving back in NZ in 2005 he has served on various Boards including Genesis Energy and Equestrian Sports of New Zealand.

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



Standing from left to right: Con Anastasiou, Matthew Goodson, Dean McKenzie and Joe Walls

Sitting from left to right: John Stace and Greg McCarthy

NZTR BOARD COMMITTEES

Audit & Risk

(formerly Funding and Finance) ¹

Chairman: Greg McCarthy

Members: Dean McKenzie, Con Anastasiou

Attendee: Greg Purcell

Resigned 2010-11: George Ritchie,

Murray Acklin, Peter Francis

Appointments & Remuneration (formerly Staffing)

Chairman: John Stace

Members: Matthew Goodson, Joe Walls

Attendee: Greg Purcell

Resigned 2010-11: Guy Sargent, Bill Gianotti, David Smith

Integrity

Chairman: Con Anastasiou

Members: Peter Hutt, Greg Purcell

Attendee: Cameron George

Resigned 2010-11: Dennis Ryan, Bill Gianotti

NOTES:

1. NZTR Board Charter: *All Directors may attend meetings of the Audit & Risk Committee.*
2. The Racing Committee, Executive Committee, Special Projects Committees and Retirement Committee were disbanded and the following resigned from these committees: Murray Acklin, Peter Francis, Bill Gianotti, Mike McCurdy, John McGifford, Neil Oldfield, George Ritchie, Dennis Ryan, Guy Sargent, David Smith and Malcolm Holmes.

OTHER BOARDS, COMMITTEES AND TRUSTS WITH NZTR APPOINTEES

Training and Development

Chairman: Peter Hutt

Members: Ross Neal, Tommy Hazlett, Deborah Bragger

Attendee: Greg Purcell

Resigned 2010-11: Darren Jones, Liz Luck,

Matthew Williamson

Graded Stakes Committee

(appointed jointly by NZTR & the NZTBA)

Chairman: Chas Amon

Members: Russell Warwick (NZTR), Jeff McCall (NZTR), Tom Jamison (NZTR), Steve Till, Michael Martin, Nick Wigley, Andrew Seabrook

Resigned 2010-11: Bruce Perry

General Trust Fund ¹

Chairman: Keith Neylon

Trustees: John Rattray, Colin Jenkins

Attendee: Greg Binning

Racing Integrity Unit

Chairman: Michael Stiasny (NZRB)

Directors: Peter Hutt (appointed by NZTR) Pat O'Brien (HRNZ), Mauro Barsi (NZGRA)

Resigned 2010-11: Guy Sargent, John MacArthur

Apprentice Jockeys' Fund ²

Trustees: Matthew Goodson, Greg Purcell

Judicial Control Authority

Chairperson: Kristy McDonald QC

Directors: Neville Harris (appointed by NZTR) Tim Slack (appointed by NZTR), Garry Thompson (HRNZ), Peter Smith (HRNZ), Rob Robinson (NZGRA), Kevin Brady (NZGRA)

NOTES:

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



OUR GOVERNANCE

NZTR is governed by a Board of six Directors.

At the NZTR AGM on 15 December 2010, Thoroughbred Racing Clubs throughout New Zealand agreed to support the process of selection of a new independent Board to run NZTR. A Members' Council was elected and charged with responsibility for all aspects of the appointment of six independent Directors.

Representatives from the three regions (Northern, Central and Southern) along with a representative from each of the Trainers, Owners and Breeders sectors were then elected.

The Members' Council comprises: Victoria Carter (Northern Region), Danny Moss (Northern Region), David Smith (Northern Region), Wayne Guppy (Central Region), Bruce Perry (Central Region), John Wheeler (Central Region), Murray Acklin (Southern Region), Bill Cotton (Southern Region), John Wood (Southern Region), Peter Francis (NZ Thoroughbred Breeders), David Haworth (NZ Thoroughbred Trainers) and Neil Oldfield (NZ Thoroughbred Owners).

Appointments to the Members' Council are for three year terms and for a maximum of three terms, that is, an initial term and two further terms of three years each.

A Board of ten Directors, elected on a regional and sector basis, was replaced by six appointed, independent directors.

The new Board held its first meeting on 25 May 2011.

Appointments to the Board are for three year terms and for a maximum of three terms, that is, an initial term and two further terms of three years each.

Board Meeting Attendance 1 Aug 2010-25 May 2011	Total
Guy Sargent	7
Murray Acklin	7
Peter Francis	5
John Fokerd ¹	2
Bill Gianotti	6
Mike McCurdy ²	3
John McGifford	7
Neil Oldfield	7
George Ritchie	7
Dennis Ryan	7
David Smith	6
John Wood ³	3
Board Meeting Attendance 25 May 2011 – 31 July 2011	Total
Matthew Goodson	4
Dean McKenzie	4
Con Anastasiou	3
Greg McCarthy	4
John Stace	3
Joe Walls	4

NOTES:

1. Co-opted by the Board for Peter Francis
2. Resigned from the Board on 15/12/10
3. Elected to the Board on 15/12/10
4. Resigned from NZTR Board 2010-11: Guy Sargent (Chairman), Murray Acklin, Peter Francis, Bill Gianotti, Mike McCurdy, John McGifford, Neil Oldfield, George Ritchie, Dennis Ryan, David Smith and John Wood.

OUR STATUTORY ROLE

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

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

- (a) Receive distributions paid to the code by the NZRB under Section 16 (Section 17).
- (b) Determine how much of those distributions must be distributed among registered racing clubs, and apportion and pay those amounts (Section 25).

2. Regulate the Conduct of Thoroughbred Racing

- (a) Make, maintain and publicise racing rules for the thoroughbred code. Those rules may, subject to the general law, provide for any matter relating to the conduct of races and racing that the racing code thinks fit (Sections 29 and 32).
- (b) Amend those racing rules, subject to consultation, approval and notification requirements (Sections 30 and 31).
- (c) Enforce those racing rules (Sections 33-35).
- (d) Participate in making appointments to the Judicial Control Authority that oversees adjudication and enforcement of those rules (Sections 36-38).

3. Set Objectives and Demonstrate Accountability

- (a) Prepare a 3-year statement of intent and business plan, including the thoroughbred code's policy for distributing funds received from the Board, and deliver those documents to the NZRB (Section 23).
- (b) Prepare and send to the NZRB audited financial statements (Section 28).

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

- (a) Directly nominate one member of the NZRB's governing body and participate in recommending three other members (Sections 11 and 12).
- (b) Consult with the NZRB about:
 - (i) the Board's business plan (Section 20)
 - (ii) the determination of racing dates (Section 42)
 - (iii) the terms of reference for performance and efficiency audits of the NZRB (Schedule 2)

NZTR TEAM

Board Of Directors

Matthew Goodson (Chairman)
 Dean McKenzie (Deputy Chairman)
 Con Anastasiou
 Greg McCarthy
 John Stace
 Joe Walls

Chief Executive

Greg Purcell

Senior Managers

Simon Cooper – Company Secretary
 David Jewell – Racing and Operations
 Greg Binning – Finance and IT
 Deb Bragger – Human Resources

Racing Services Manager

Ross Gove

National Racing Bureau

Cheryle Barnsley
 Donna Cameron
 Rachel Dalley
 Tim Lambert
 George Strickland
 Aimee Swain

Handicapping

Dean Nowell
 Brett Scelly (contracted)

IT

Stuart Duggan
 Georg Magerl

Website Administrator

James Preston

Thoroughbred Racing Monthly & Publications

Allan Child

Licensing

Matthew Barnsley

Apprentice Jockey Mentor

Tommy Hazlett

Finance

Simon Lang
 Tony Severinsen (contracted)
 Lucky Bryce

Finance & Administration Assistant

Amanda Fensom

Owners Settlement Account

Christine Young

Operations (Stud Book & Registrations)

Julie Walker
 Natasha Freeman
 Gemma Fauvel
 Vaine Strickland

National Venue inspector

Garry Foskett

EMPLOYEES AND REMUNERATION

Salaried Full time staff	07/2007	07/2008	07/2009	07/2010	07/2011
Internal	26	27	25	24	25
Field	16	14	14	12	2
Total	42	41	39	36	27
Total Remuneration (\$'000)	07/2007	07/2008	07/2009	07/2010	07/2011
0 - 50	20	17	14	13	15
51 - 100	17	18	20	18	8
101 - 150	4	4	4	4	3
151 - 200	0	1	1	0	0
201+	1	1	0	1	1
Total	42	41	39	36	27

CHAIRMAN'S STATEMENT



Any report on the performance of New Zealand Thoroughbred Racing (NZTR) over the 2010-11 season must be presented in two parts – the first part covering the period between 1 August 2010 and the retirement of the previous NZTR Board on 25 May 2011, and the second part covering a period of only nine weeks from the first meeting of the current Board, on 25 May 2011, until the end of the season on 31 July 2011.

I start my report with the second of these two periods – from 25 May 2011 until the end of the 2010-11 season.

The current Board immediately faced a number of significant challenges. We considered three of these both critical and urgent:

1. Fully understanding, as a unified Board, the key issues facing our industry and considering a long-term strategic plan for thoroughbred racing;
2. Establishing a robust funding policy for the 2011-12 season and a calendar for the last five months of 2011-12 (race dates for the first seven months of 2011-12 (to 29 February 2012) were released prior to the establishment of the current Board to ensure maximum advantage over the Rugby World Cup and for reasons of continuity); and
3. Reaching interim agreement with the Asian Racing Federation member countries on proposed Asian Pattern Committee (APC) Ground Rules which, as presented to us in June 2011, had the potential to effect downgrading of a majority of New Zealand Group One races within the next five years.

The current Board met fortnightly in that nine-week window, as well as holding teleconferences, to ensure we captured every bit of information necessary to fully understand and form positions on our role, our priorities and our initial short-term strategy.

I was elected to the chair by the Board on 9 June 2011. The Board immediately revised NZTR Board committees, reducing these from eight to three, established Board practices and procedures, and approved an NZTR Board Charter, in keeping with best Board practice. You will see details of NZTR Board Committees on page four of this report. We now have what we consider a clear and concise structure and modus operandi to support our governance responsibilities.

2011-12 Funding and Race Calendar

The current Board then initiated funding and calendar discussions with the New Zealand Racing Board (NZRB), Harness Racing New Zealand (HRNZ) and Greyhound Racing New Zealand (GRNZ).

Within eight weeks we achieved exactly what we had set out to do – to reach agreement between all four parties on an inter-code funding model for the next four years and a substantially revised calendar from 1 March 2012.

All through this process we ensured we consulted extensively with you, our stakeholders, and kept your views within all our decision-making.

The critical position the Board faced had come about because the structure of race meetings and prizemoney required significant future growth in New Zealand Racing Board (NZRB) performance in order to succeed. This growth did not materialise, in fact, as we all now know, the opposite occurred.

This resulted in NZTR incurring operating losses of \$3.15m in 2007-08, \$0.57m in 2008-09, \$3.95m in 2009-10 and, in January 2011, forecasting a loss of \$0.49m for 2010-11.

During this same period, NZTR's cash reserves had been reduced from \$8.45m (on 1 August 2007) to a forecast (in January 2011) \$57,000 by 31 July 2011.

As a consequence NZTR was forced to implement a series of cutbacks to prizemoney levels through 2010-11. This was necessary, despite a \$2.40m increase in funding to the three codes by the NZRB in 2010-11, because NZTR's share of this funding fell by more than \$2.18m (before NZRB cost recoveries) from \$67.72m in 2009-10 to \$65.54m in 2010-11.

In December 2010 the previous NZTR Board announced the cessation of Free Racing from 31 January 2011 and, in March 2011, a reduction in winter stakes funding during the months of May, June and July of 2011.

Given this context, funding stability and medium-term certainty was a first and immediate step prior to providing a long-term plan.

Under the agreement NZTR reached with the NZRB and the other codes, the thoroughbred code receives base funding of \$69.47m in gross funding (+\$5.3 m after RIU costs) for 2011-12 and each subsequent year to 2014-2015.

It also has the effect of nullifying the counter-productive elements of Section 16 of the Racing Act (2003), namely 'Amounts of distributions to codes.'

We are very appreciative of support for our proposals from the NZRB, HRNZ and GRNZ. It has allowed us to increase minimum stakes from 1 March 2012, in aggregate and average terms.

From that date minimum prizemoney at all categories of meetings, regardless of time of year or location will be consistent. Previously thoroughbred racing has operated separate prizemoney structures for the same category of races across the regions and the seasons, and two-tier handicapping for the North and South Islands.

I consider that NZTR bringing together all four principal racing organisations and reaching agreement between us, a very significant step in the Board's new way forward. It not only provides a foundation for future negotiations but also establishes a clear and common understanding that the success of one part of the industry can benefit all others if we approach industry growth the correct way.

Asian Pattern Committee (APC) Ground Rules

The third significant risk to our industry presented to the new Board in its nine weeks in office in 2010-11, was the proposed Asian Pattern Committee (APC) Ground Rules. There was neither much time nor room to manoeuvre. We responded immediately and robustly in writing and in person at the crucial APC meeting in Paris.

I have established clear understanding with Mr Bill Nader, Chairman of the APC and the other six member countries of the APC (Australia, Hong Kong, Japan, Singapore, South Africa and the United Arab Emirates) of New Zealand's concerns, particularly around assessment of New Zealand-trained horses on their relative merits. In addition we have agreed that Hong Kong and Australia will work with the New Zealand Handicapping Panel with the aim of presenting recommendations to the APC on a fair and equitable assessment method for consideration by the APC.

In short, these Ground Rules had the potential to cause the downgrading of a majority of New Zealand Group One races within the next five years.

New Zealand horses are disadvantaged because they have infrequent and inadequate international comparison and ANZ ratings do not always assess New Zealand-trained horses on their relative merits, based on the New Zealand Pattern Committee's (NZPC) review of the ANZ race ratings allocated for a number of New Zealand's black type races in recent years.

The proposed APC Ground Rules seek to adopt the discretionary 'World Thoroughbred Ranking' benchmarks as the principal methodology for upgrades, downgrades and deletions of pattern races, again potentially placing New Zealand at a significant disadvantage.

It cannot be ignored that New Zealand Derby winner, Jimmy Choux, and VRC Derby winner, Lion Tamer, gave New Zealand a one-two finish at the top of the three-year-old 2010-11 ANZ Classification schedule.

Other significant issues

Other significant matters tackled in the last few weeks of the 2010-11 season included the Audit and Risk Committee seeking from the Inland Revenue Department a binding ruling on treatment of GST for prizemoney and potential amendments to the Rules of Racing; a proposed pan-industry insurance agreement while being mindful of individual club insurance agreements; approval of a robust system for application and approval of gaming grants; and an initial template for a fillies and mares incentive scheme.

1 August 2010 – 25 May 2011

As stated above, I am compelled to present this report in two parts. I set out below the first part covering the period between 1 August 2010 and the first meeting of the new NZTR Board on 25 May 2011.

The significant items for NZTR in this period were:

1. February's Earthquake
2. Reduced Funding
3. Governance Review
4. Establishment of the Racing Integrity Unit
5. Handicapping Review



Thoroughbred Racing was very fortunate to escape most of the devastation of February's tragic earthquake in Christchurch. Harness and Thoroughbred race meetings at Addington Raceway and Riccarton Park Racecourse were cancelled immediately following the Christchurch earthquake. Both venues underwent building inspections prior to racing recommencing.

The immediate priority was ensuring people's welfare and that basic systems were operational.

Both Harness and Thoroughbred racing codes offered their condolences and support to those affected by the earthquake and provided immediate emergency financial help to industry stakeholders requiring assistance.

Reduced Funding

The background to the funding crisis has already been covered above under the challenges we faced in setting a funding policy for 2011-12. Gross funding from the NZRB to the three codes for the season was set in September 2010 at \$132.9 million. The NZRB announced at NZTR's Annual General Meeting on 15 December 2010, midway through the season, a funding shortfall of \$5m for the remainder of the season, of which thoroughbred racing's share was \$2.71m.

*Middle Distance
Champion Wall Street*



*Jockey of the Year and
Champion Apprentice
James McDonald*

Thoroughbred Racing was faced with either reducing minimum prizemoney levels for a defined period or making up the shortfall from reserves. Over the last four years NZTR has paid \$275.2 million of the \$279.8 million (98.4%) of funding received from the Racing Board.

In doing so it has used all of its financial reserves to support stakes in advance of anticipated wagering growth. Thoroughbred Racing no longer had any capacity to fund shortfalls from reserves.

Accordingly, the NZTR Board announced a cessation of its Riders' fees' policy from 1 February 2011. The Riders fees' policy had been introduced on 1 February 2008 for Maiden flat races up to and including Rating 80 and all Maiden jumping races. This measure reduced the shortfall by \$1.2m between 1 February and the end of the season.

NZTR worked with Racing Clubs to minimise the impact on industry participants and to enable the code to function for the remainder of the season without major disruption.

It was agreed to reduce minimum prizemoney levels across selected races on Premier and Feature race days from 1 May to 31 July 2011. Minimum prizemoney levels were retained across 75% of races programmed in this three-month period. There was no change to Group and Listed races, Jump races or races conducted at Industry race meetings during this period. Prizemoney levels set at the start of the 2010-11 season were reinstated on 1 August 2011.

Governance Review

Thoroughbred racing clubs agreed major amendments to the Constitution of NZTR at its Annual General Meeting in Wellington on 15 December 2010. The vote was carried by 324 votes to 1.

These amendments centred around changes to the election and composition of the NZTR Board of ten directors, who had been elected on a regional or sector basis. Under these changes they were to be replaced by six appointed, independent directors.

The key determinants in arriving at these radical changes were to ensure a strong and effective Board for the industry, made up of appropriately skilled independent directors.

Directors would now be selected by a 12-person Members' Council, comprising racing clubs and sector organisations (industry associations for Owners, Breeders, and jointly Trainers and Jockeys). This would free directors from representation issues and enable them to concentrate on the industry's direction and performance.

The Members' Council was established to not only select and appoint Directors, but also to recommend the level of directors' fees and appraise the performance of all directors annually.

Appointments to both the Board and the Members' Council are for three year terms and for a maximum of three terms, that is, an initial term and two further terms of three years each.

In compliance with the timetable set out in December 2010, the Members' Council was in place by March 2011, the call for Director nominations occurred on 1 March 2011, the deadline for receipt of these nominations set for 1 April 2011, and the new Board appointed in mid-May 2011.

The Members' Council received over 60 nominations for the Board and met three times to select a shortlist of candidates and then interview and appoint the six NZTR Directors.

Racing Integrity Unit

The new tri-code Racing Integrity Unit (RIU) took over the integrity functions of the three Codes on 1 February 2011.

Over the previous 12 months, the three Codes and the NZRB had been exploring options to establish a combined industry integrity unit. Instead of one separate integrity department for each of the three codes, agreement was reached to form one independent Racing Integrity Unit.

The aims of the RIU are to provide enhanced protection for racing punters and all who invest in the industry.

The RIU is independent of the governing bodies of the three Codes and will be responsible for enforcing each Code's Rules of Racing. The three Codes, however, maintain ownership of setting and administering their respective Rules of Racing.

It is governed by a Board of four comprising appointees by the Boards of the four shareholders. NZTR's appointee is Mr Peter Hutt, who also sits on our Integrity Committee.

New Zealand would be one of the few jurisdictions in the racing world with a tri-code integrity unit.

Appreciation

I take this opportunity to thank the previous Board for all their work on behalf of the thoroughbred code over a number of years and NZTR Management for adjusting throughout the season to a number of demands, not least a completely new Board of Directors.

We are fortunate to have Greg Purcell, who stepped into the Chief Executive's seat in mid-January.

I pay particular tribute to my fellow Board members for their enormous commitment at a critical time for our industry and for their continued commitment.

I also wish to thank Dr Alan Jackson, NZTR's appointee on the NZRB Board, for his support; Mr Peter Hutt for his work on the RIU Board on behalf of the thoroughbred code, the Integrity Committee and the industry Training and Development Committee, of which he is Chairman; our trustees on the General Trust Fund, Keith Neylon (Chairman), John Rattray and Colin Jenkins; NZTR appointees on the Graded Stakes Committee, Chas Amon (jointly with the NZTBA), Russell Warwick, Jeff McCall and Tom Jamison; and NZTR-appointed Directors on the Judicial Control Authority Board, Neville Harris and Tim Slack.

There are considerable challenges ahead of us and we will continue to work as resolutely and effectively as possible, on behalf of all stakeholders, in the coming months to do everything we possibly can to achieve our goals.

Yours in racing,

Matthew Goodson



Dual Group One winning mare Keep The Peace wins the Mudgway PartsWorld Stakes, beating Wall Street and Fritzy Boy

CHIEF EXECUTIVE'S REPORT



Despite challenging economic circumstances, it has been a year of fantastic performance for the New Zealand thoroughbred racing and breeding industry domestically and internationally.

Congratulations to Canterbury trainer Michael Pitman on a dominating win in the New Zealand trainers' premiership, holding off Matamata trainer John Sargent and Awapuni trainer Lisa Latta.

Congratulations to champion apprentice James McDonald, who established a new record in winning the New Zealand jockey's premiership.

We have seen some very special performances in the 2010-2011 season, with Jimmy Choux's dominance of the three year old classics, including the \$2.2 million Group 1 Telecom New Zealand Derby, Mufhasa's victory in the \$1.0 million Group 1 Telegraph Handicap and Anabandana's 2YO dominance winning both the \$200,000 Group 1 Oaks Stud Stallions Manawatu Sires Produce Stakes and the Group 1 \$200,000 Auckland Diamond Stakes.

New Zealand trainers have registered some big wins in Australia including Lion Tamer with Bjorn and Murray Baker from Cambridge taking out the AU\$1.5 million Group 1 VRC Victorian Derby, Wall Street trained by Jeff Lynds at Awapuni taking out the AU\$1.0 million Group 1 VRC Emirates Stakes, Scarlett Lady trained by Graeme and Debbie Rogerson at Dinsdale taking out the AU\$400,000 Group 1 Queensland Oaks and Jimmy Choux trained by John Bary at Hawkes Bay taking out the Group 1 AU\$500,000 ATC Rosehill Guineas.

New Zealand bred horses won 47 Group 1 races this season, including 17 in New Zealand, 21 in Australia, 6 in Hong Kong and one in each of Great Britain, Ireland and Singapore, including the wins of Shamrock in the ATC Australian Derby, Lion Tamer, Shootoff in the BRC Queensland Derby, Ambitious Dragon in the HKJC Mercedes-Benz Hong Kong Derby, So You Think in the MVRC Cox Plate, Descarado in the Caulfield Cup, Herculan Prince in the AJC Metropolitan Hcp, Zavite in the ATC Ranvet Stakes, Rangirangdoo in the ATC George Ryder Stakes and Beauty Flash in the HKJC Hong Kong Mile.

New Zealand's reputation for world quality horses, horsemen and horsewomen has been maintained and enhanced.

Immediate Challenges

I took up my position at NZTR at the half-way mark of the season, on 17 January 2011.

At that time I said that I was excited by the opportunity of becoming involved in New Zealand racing and the growth prospects for this industry. I resolutely maintain that view and remain committed to building on NZTR's leadership role and delivering on the thoroughbred racing's significant opportunities for the benefit of industry participants and stakeholders.

During my first six months at NZTR (the second half of the 2010-11 season) I met and listened to many industry stakeholders, to try to understand your priorities, hearing from you what you considered were the industry's successes and failures, and modelling an optimum funding structure for 2011-12.

Based upon that feedback, the current NZTR Board and Management team have begun to systematically develop our 2012-2014 business plan.

Thoroughbred racing is economically dependent on the New Zealand Racing Board (NZRB). As such, our success will, in large part, be determined by NZTR's ability to positively influence and support NZRB's performance.

Unfortunately, my arrival coincided with the NZRB's announcement of a reduction in distributions to the codes, from its previously advised level of \$132.9m, by \$5.0 million to \$127.9 million. The Chairman's Statement in the previous pages has covered this in detail. However, it highlights a significant and central issue, the shortcomings of the underlying inter-code funding distribution methodology.

It is abundantly clear, after seven years of operation that the current inter-code funding model does not provide the codes with the economic incentives required to support NZRB's objectives of maximising wagering earnings and stimulating public interest and investing in the racing industry.

In 2010-11 thoroughbred racing received just 53.81% of Racing Board funding despite generating more than 70% of the New Zealand racing industry's economic activity and over 60% of industry employment and participation.

Thoroughbred racing and harness racing are at a comparative disadvantage to greyhound racing, given the cost of putting on racing (rearing and training racing of animals and capital requirements) relative to proportional wagering sales.

This reduction in funding was further impacted by current inter-code funding distribution, which, by way of illustration, saw thoroughbred racing receive \$2.3m less (-3.4%), compared to greyhound racing, which received \$4.1m more (+26.5%) before NZRB venue services charges.

The current NZTR Board immediately focussed on negotiations with the NZRB and the harness and greyhound codes with the aim of securing a four-year period of sustainability for the thoroughbred racing industry, during which time a series of broader industry initiatives and reforms could be undertaken.

Under our proposal (and as detailed in the Chairman's Statement) the thoroughbred code receives base funding of \$69.475 million in gross funding (+\$5.3m after RIU costs) for 2011-12 and each subsequent year to 2014-2015.

The basis for the other codes supporting this new funding arrangement was NZTR's commitment to schedule no less than 353 meetings in the 2011-2012 season (23 meetings more than 2010-2011) including 20 Monday and 10 Tuesday meetings and 3,079 races (zero additional races) and no less than 369 meetings in



Connections of Horse of the Year Jimmy Choux at the annual NZTR Awards Dinner

the 2012-2014 racing seasons (39 additional meetings) including 52 Monday and 26 Tuesday meetings and 3,079 races (zero additional races).

Our share of code funding of 54.86% is a significant step forward from the 53.41% of domestic market share and the 53.81% of funding received in 2010-11.

These changes to the race meeting and prizemoney structure will be implemented from 1 March 2011.

Any resulting NZRB funding uplift, from NZTR initiatives around the thoroughbred meeting structure, prizemoney and race programming will be additional to the four-year \$135m minimum annual funding commitment from NZRB.

New Minimum Prizemoney Levels From 1 March 2012

From 1 March 2012, NZTR will introduce a new nationally consistent minimum prizemoney structure across all categories of race meetings.

All Premier meetings will be a minimum of \$40K for all Open races, \$30k for R85 races, \$25k for R75 races and a minimum of \$20k for all other races.

Prizemoney at all Feature meetings will be a minimum of \$25K for all Open races, \$15k for R85 and R75 races and \$12.5k for all other races.

A new category of 'Tier Two' Feature meetings, run generally on days other than Saturdays to provide Feature level opportunities and at times when there is already a Feature or Premier meeting, will replace a number of

***Dunstan Trainer of the Year
Michael Pitman receives his
award from David Smith of
Dunstan Feeds***

Central Region and some Northern Feature meetings. Prizemoney for these meetings will be a minimum of \$15K for all Open races, \$12k for R85 races, \$10k for R75 races and \$8k for all other races except Maiden races at \$7k.

All Listed race stakes will also increase from \$45k to \$50K.

From 1 March 2012, a \$50 nomination fee will be applicable for all non-black type races, with acceptance fees applicable to races conducted over R75 races.

NZTR are considering further sustainable minimum stakes increases from 1 August 2012. We will determine in advance of the 2012-13 race date allocation process, an equitable funding mix to ensure the benefits of additional race meetings and minimum prizemoney between the regions in that year.

Alongside this new funding formula, we negotiated changes to the last five months of the 2011-12 calendar.

We looked in detail at our race and meeting structures, optimal times of the day racing should be conducted, where racing is conducted, consistency of racing product, a meeting-by-meeting evaluation, our handicapping system, our rating system and optimising field sizes including enhancing opportunities for fillies and mares.

The new race meeting structure will see at least seven thoroughbred meetings per week, six days per week. The major change will be the addition of meetings on Mondays and Tuesdays.

Each week will incorporate a Monday-Wednesday-Thursday-Friday pattern of meetings and, for six months of the year, the addition of Tuesdays from September to November and March to May. Racing will be programmed on Sundays from December to February, and there will be two Saturday meetings per week.

NZTR will schedule 3,079 races (358 race meetings) in 2011-2012 and the same number of races in both 2012-2013 and 2013-2014 across 374 meetings, by transferring those races historically run on weekdays and weekends prior to 12.30pm to support the additional new Monday and Tuesday race meetings that have been scheduled.

Race Programming and Handicapping

During the 2010-11 season, NZTR undertook a detailed review of handicapping and race programming.

The three-month review was undertaken by Mark Webbey and included an extensive consultation process with industry stakeholders. This identified a number of issues including:

1. Bottlenecks of horses around the 65-70-75 rating bands
2. Restrictions within the current ratings platform
3. Constriction of the minimum weight and 5kg weight spread
4. A lack of options for one and two-win horses
5. Mares' allowance
6. Mares not progressing through the grades
7. Opportunities for three year olds in the early (Spring) period
8. Transparency within the rating based platform, particularly around balloting conditions
9. Horses not being promoted through the grades
10. Rating 70 races not working

A series of handicapping and programming recommendations were approved by the current NZTR Board for implementation from 14 November 2011.

As part of these programming and handicapping initiatives NZTR believes that the support of fillies and mares racing is critical to the long term success of the domestic thoroughbred racing and breeding industry.

NZTR is looking at options to improve opportunities for fillies and mares in 2011-2012.

Pattern (Black Type) Racing

The current NZTR Board has acted quickly and decisively to avoid long-term damage to our black-type races through the introduction of Asian Pattern Committee Ground Rules without appropriate transitional provisions. The Chairman has worked with the Asian Racing Federation's Pattern Committee and other member counties in reconsidering these proposed rules. These negotiations are ongoing and are covered in more detail in the Chairman's Statement.

NZTR Management has also taken steps to properly resource the handicapping department to improve the compilation and review of the ANZ ratings for all New Zealand black type races for the ANZ Classification Committee and our Group One races provided to the international handicappers that review the World Thoroughbred Ratings. This will ensure there is a more complete understanding of the quality of New Zealand's Pattern.

Racing Infrastructure

Maintaining and developing racing infrastructure continues to be one of our industry's biggest challenges.

We are currently faced with inadequate and failing racing infrastructure.

New Zealand thoroughbred racing will never have the financial strength to fully develop all of the country's 51 racecourses.

Our investment in infrastructure has to be timely, considered and well-placed. The development of a robust infrastructure strategy is one of the current NZTR Board's most important roles.

Internationalisation of New Zealand Racing

As a trading nation of horses, and with population of just 4.4 million people, many New Zealand thoroughbred racing participants are economically dependent on international revenue from both bloodstock and wagering.

At this year's Karaka yearling sales, international buyers spent \$63.3 million (72%) of the \$88.1million aggregate expenditure, purchasing 485 (46%) of the horses sold.

The sale of tried horses, and the rearing and preparation of horses for the Asian market has become a foundation stone for the commercial viability of many industry stakeholders. In 2010-11, New Zealand exported 1596 thoroughbred horses with 1140 (or 71%) exported to Australia, 218 (or 14%) to Singapore and 127 (or 8%) to Hong Kong, comprising a total of 93% of horses exported.

International wagering revenues are also becoming extremely important. Totalisator wagering turnover in Australia on the three codes of New Zealand racing has grown by a compound average growth rate of 42.7% per annum over the past five years, growing from \$124.1 million in 2005-06 to \$736.6 million in 2010-11.

This impressive growth rate was achieved despite New Zealand racing broadcast being relegated to the Sky2 and Sky World premium pay-for-view pay television channels, without a presence on Australia's two main racing channels Sky1 or TVN, without the provision of appropriate racing information, without mainstream media exposure, with minimal promotion and with sub-optimal time slots. Trying to find a television broadcasting a New Zealand race at Flemington, Randwick or Eagle Farm is virtually impossible.

Despite the limitations, in 2010-11 the NZRB received more than \$19.8 million in wagering revenue from Australian totalisator operators betting on New Zealand racing. This accounted for more than 15% of the total profit of the NZRB.

Given international racing and wagering will be continue to be of increasing importance to the future growth and sustainability of the New Zealand racing industry, understanding New Zealand's opportunities, threats and comparative advantages in an increasingly globalising environment has never been so important.

At a time when the New Zealand thoroughbred racing industry (in its long-term interest) needs to be investing, building and leveraging its international relationships, a small but vocal minority of passionate, ill-informed racing enthusiasts have called into question New Zealand's limited scale of participation and influence at the annual International Horse Racing Federation Conference. In my opinion this is inappropriate as it would be detrimental to both the short-term and long-term interests of New Zealand thoroughbred racing.

NZTR remains unashamedly committed to both:

- Maintaining an appropriate, fiscally responsible and credible international presence; and
- Building on our three most economically important international bi-lateral relationships, namely with Australia, Hong Kong and Singapore to the benefit of all stakeholders.

New Zealand holds significant international comparative advantage in the breeding, rearing and training of thoroughbred racehorses, a unique international time zone and a stable regulatory environment.

Integrity

The Racing Integrity Unit (RIU) was set up to take over the integrity functions and responsibilities of the three codes and came into existence on 1 February 2011. The company was formed by the three codes and the NZRB and each holds a 25% shareholding in the RIU.

Planning for the formation of the RIU occupied much of NZTR's time through the first half of the 2010-11 season. This included amendments to the Rules of Racing, arrangements around the transfer of NZTR employees to the RIU, and setting out the RIU Constitution and Service Level Agreements between the codes and the RIU.

There were a number of challenges that faced us and the RIU. These included the geographic spread of Investigators, the transfer of existing staff and assets to the new organisation. A total of 16 NZTR Staff (11 full time and 5 part time) were transferred.

The Team at NZTR

In 2010-11 we saw a number of changes to our team of 27 with the appointments of David Jewell as Racing and Operations Manager and Ross Gove as Racing Services Manager.

Craig Baker, Darren Jones and Matthew Hall left our racing operations and, prior to the transfer of our integrity team to the RIU, John McKenzie and Bryan McKenzie, who jointly gave nearly 70 years of service in helping to maintain integrity in thoroughbred racing, left us. Thank you all for your contribution.

I would also like to acknowledge my predecessor Malcolm Holmes and wish him well in his new role as Chief Executive of the Brisbane Lions Australian Football League Club.

To the NZTR Staff who have worked extremely hard since my commencement in January, I very much appreciate their commitment and performance.

To the NZRB Board and management and my counterparts at harness and greyhound racing, thank you for your co-operation and support of thoroughbred racing.

Finally, to the previous NZTR Board led by Guy Sargent, I would like to thank each of you for your significant and thankless contributions.

Greg Purcell

FINANCIAL STATEMENTS

NEW ZEALAND THOROUGHBRED RACING INCORPORATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE 12 MONTHS ENDED 31 JULY 2011

	NOTES	31 July 2011 \$	31 July 2010 \$
INCOME			
NZRB Code Distributions		65,669,069	68,033,509
Nomination and Acceptance Fees		2,030,117	815,009
TRM and Publications		254,631	294,848
Registrations		657,116	670,572
Levies		-	2,711,799
Licence Fees		256,800	235,547
Stud Book		1,512,484	1,717,464
Interest		159,969	101,690
Sundry Income		782,768	483,498
TOTAL INCOME		71,322,954	75,063,938
LESS EXPENSES			
Club Product Payments and Subsidies		63,446,814	71,070,486
TRM and Publications		272,859	331,768
Ownership and Industry Initiatives		4,503	27,704
Training and Development		80,104	15,522
Property and Central Overheads	2	434,082	581,311
IT Infrastructure and Network Costs	3	757,452	783,118
Special Projects	4	108,023	118,604
Salaries and Other Staff Costs		2,814,065	3,225,026
Other Department Costs	5	766,652	1,008,800
Sundry Costs	6	1,776,576	1,573,843
Restructuring Costs		-	125,000
Provision for Diminution of Loans	9	-	150,000
Racing Integrity Unit Costs	12	760,039	-
TOTAL EXPENSES		71,221,169	79,011,182
TOTAL PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		101,785	(3,947,244)

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
STATEMENT OF CHANGES IN EQUITY
FOR THE 12 MONTHS ENDED 31 JULY 2011

	31 July 2011	31 July 2010
	\$	\$
EQUITY – START OF PERIOD	1,317,763	5,265,007
Total Profit/(Loss) and Total Comprehensive Income for the Year	101,785	(3,947,244)
EQUITY – END OF PERIOD	<u>1,419,548</u>	<u>1,317,763</u>

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2011

	NOTES	31 July 2011 \$	31 July 2010 \$
TOTAL EQUITY		<u>1,419,548</u>	<u>1,317,763</u>
CURRENT ASSETS			
Cash		1,973,836	471,171
Short Term Deposits		1,180,245	1,131,945
Trade and Sundry Debtors		224,591	390,551
Income Receivable		118,566	171,317
Short Term Loans and Advances	9	119,000	368,672
TOTAL CURRENT ASSETS		<u>3,616,238</u>	<u>2,533,656</u>
LESS CURRENT LIABILITIES			
Trade and Sundry Creditors		1,006,597	1,145,881
Grants in Advance		500,000	-
Provision for Annual Leave		145,221	270,370
Fees and Subscriptions in Advance		432,459	475,047
Code Distribution Account		1,297,466	986,206
TOTAL CURRENT LIABILITIES		<u>3,381,743</u>	<u>2,877,504</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>234,495</u>	<u>(343,848)</u>
NON-CURRENT ASSETS			
Property, Plant and Equipment	7	248,962	421,329
Intangibles	8	144,549	329,740
Loans and Advances	9	791,542	910,542
TOTAL NON-CURRENT ASSETS		<u>1,185,053</u>	<u>1,661,611</u>
NET ASSETS		<u>1,419,548</u>	<u>1,317,763</u>

The Financial Statements of New Zealand Thoroughbred Racing
are accepted on behalf of the Board of Directors on 03 November 2011.



MATTHEW GOODSON
BOARD CHAIRMAN



GREGORY MCCARTHY
AUDIT AND RISK COMMITTEE CHAIRMAN

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE 12 MONTHS ENDED 31 JULY 2011

	31 JULY 2011	31 JULY 2010
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Fees, Services and Subscriptions	3,566,209	3,864,680
Levies	104,629	2,679,682
Receipts from the NZRB and Other Income	67,699,186	68,848,518
Interest Income	129,057	64,318
	71,499,081	75,457,198
<i>Cash was applied to:</i>		
Payment to Suppliers and Employees	(7,139,695)	(7,371,708)
Payments to Clubs and Other Initiatives	(63,446,814)	(71,070,486)
	(70,586,509)	(78,442,194)
Net Cash Flow from Operating Activities	912,572	(2,984,996)
CASH FLOW FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of Property, Plant and Equipment	44,386	9,779
Sale of Term Deposits	-	1,100,952
Repayment of Loans	368,672	42,636
Distribution Account	311,260	4,209,953
	724,318	5,363,320
<i>Cash was applied to:</i>		
Purchase of Property, Plant and Equipment	(46,339)	(161,992)
Purchase of Intangibles	(39,586)	(127,368)
Investment in Term Deposits	(48,300)	(1,140,702)
Advance of Loans	-	(840,758)
	(134,225)	(2,270,820)
Net Cash Flow from Investing Activities	590,093	3,092,500
Net Increase in Cash held	1,502,665	107,504
Add Opening Cash	471,171	363,667
CLOSING CASH	1,973,836	471,171
RECONCILIATION OF OPERATING CASH FLOWS WITH NET PROFIT/(LOSS)		
Total Profit/(Loss) and Total Comprehensive Income for the Year	101,785	(3,947,244)
Add Non-Cash Items:		
Profit on Sale of Property, Plant and Equipment	21,309	(7,435)
Depreciation	158,126	261,853
Amortisation	219,662	346,413
Provision for Diminution of Loans	-	150,000
	399,097	750,831
Add Movement in Other Working Capital Items		
Accrued Income	(20,964)	(71,877)
Sundry Debtors	239,681	314,773
Sundry Creditors	235,561	(181,842)
Fees in Advance	(42,588)	150,363
	411,690	211,417
NET CASH FLOWS FROM OPERATING ACTIVITIES	912,572	(2,984,996)

NOTES TO THE FINANCIAL STATEMENTS

NEW ZEALAND THOROUGHBRED RACING INCORPORATED NOTES TO THE FINANCIAL STATEMENTS FOR THE 12 MONTHS ENDED 31 JULY 2011

1. STATEMENT OF ACCOUNTING POLICIES

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

Statement of Compliance

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

NZTR's primary objectives are to:

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

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

Functional and Presentation

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

Basis for Preparation

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

NZTR qualifies for differential reporting as it is not publicly accountable and it is not large. NZTR has applied all relevant differential reporting exemptions except for: NZ IAS 7: Cash Flow Statements.

Specific Accounting Policies

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

a) Cash and Cash Equivalents

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

b) Employee Benefits

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

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

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2011

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

c) **Financial Instruments**

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

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

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

d) **Goods and Services Tax**

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

e) **Income Tax**

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

f) **Property, Plant and Equipment**

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

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

The useful lives and residual values are reviewed annually.

g) **Intangible Assets**

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

h) **Grants in Advance**

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

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2011

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

i) Impairment

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

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

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

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

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

j) Operating Leases

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

k) Investments

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

l) Cash Flow

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

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

m) Revenue

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

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

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

Levies

Pursuant to the Rules of Racing, and the NZTR Constitution, levies are charged to Clubs and are set annually in relation to each financial year. Levies revenue is recognised when invoiced. In the year ended 31 July 2011 levies were charged

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2011

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

at Zero. As levies are charged to industry participants and not to the wider public, NZTR continues to adopt differential reporting as NZTR does not have the power to levy to obtain public funds.

Fines

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

Interest

Interest revenue is recognised using the effective interest rate method.

Code Distribution

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

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

Fees and Subscriptions in Advance

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

n) Comparative Information

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

o) Changes in Accounting Policies

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

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

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2011

2. PROPERTY AND CENTRAL OVERHEADS

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

	12 Months Ended 31 July 2011	12 Months Ended 31 July 2010
	\$	\$
Rent and Property Expenses	64,191	64,812
Insurance	88,382	88,695
Printing and Postage	73,124	78,710
Telephone	44,603	64,821
Lease Expenses	19,811	21,900
Depreciation	31,687	49,046
Loss/(Profit) on Disposal of Property, Plant and Equipment	21,309	(7,436)

3. IT INFRASTRUCTURE AND NETWORK COSTS

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

Depreciation	68,238	93,535
Amortisation	219,662	346,413
Maintenance and Network Costs	460,752	312,306

4. SPECIAL PROJECTS

The key projects included in Special Projects are:

Rules of Racing	-	42,344
Jumps Initiatives	30,085	21,039
Industry Funding Liason Group	-	639
Governance Review	-	3,750
Strategic Plan Development	19,727	-
Industry Publication Support	37,000	-

5. OTHER DEPARTMENT COSTS

The key expenses included in Other Department Costs are:

Drug Detection	21,098	30,564
DNA Typing	219,225	236,295
Travel including Motor Vehicle Expenses and Depreciation	308,335	493,598
Telephone	27,759	44,475
Microchipping	55,316	95,742
Appeals and Inquiries	3,100	8,418

6. SUNDRY COSTS

The key expenses included in Sundry Costs are:

Board Expenses	178,192	135,313
Board Fees	156,929	155,906
Legal and Professional Fees	167,730	165,328
Audit Fees	23,765	22,500
Taxation fees	-	4,900
Bad Debts Expense	10,157	-
Raceday Services and Initiatives	808,380	749,972

NEW ZEALAND THOROUGHBRED RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 JULY 2011

7. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Motor Vehicles	Computer Hardware	Racecourse Equipment	Total
	\$	\$	\$	\$	\$
Cost					
Balance at 31 July 2010	413,771	389,865	789,522	161,726	1,754,884
Additions	24,500	19,130	2,709	-	46,339
Disposals	(63,545)	(336,413)	(180,793)	-	(580,751)
Balance at 31 July 2011	374,726	72,582	611,438	161,726	1,220,472
Accumulated Depreciation					
Balance at 31 July 2010	345,963	308,770	653,911	24,911	1,333,555
Depreciation expense for the year	31,414	41,756	67,431	16,172	156,773
Disposals	54,820	293,159	170,839	-	518,818
Balance at 31 July 2011	322,557	57,367	550,503	41,083	971,510
Net Book Value					
Balance at 31 July 2010	67,808	81,095	135,611	136,815	421,329
Balance at 31 July 2011	52,169	15,215	60,935	120,643	248,962

8. INTANGIBLES

	Computer Software and Web Development
	\$
Cost	
Balance at 31 July 2010	3,053,525
Additions	39,586
Disposals	(7,169)
Balance at 31 July 2011	3,085,942
Accumulated Amortisation	
Balance at 31 July 2010	2,723,785
Amortisation expense for the year	221,014
Disposals	(3,406)
Balance at 31 July 2011	2,941,393
Net Book Value	
Balance at 31 July 2010	329,740
Balance at 31 July 2011	144,549

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9. LOANS

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

		31 July 2011	31 July 2010
		\$	\$
Current			
Otago Racing Club		-	18,672
NZTR Owners Settlement Account	Interest Free	-	350,000
New Zealand Equine Education Trust	Interest Free	119,000	-
Total Current		119,000	368,672
Non-Current			
RACE Inc		321,879	321,879
Otaki-Maori Racing Club		128,905	128,905
New Zealand Equine Education Trust	Interest Free	-	119,000
HBRI		490,758	490,758
		941,542	1,060,542
Provision for Diminution of Loans		(150,000)	(150,000)
Total Non-Current		791,542	910,542

10. FINANCIAL INSTRUMENTS

Nature and Extent of Activities

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

Fair Value

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

Credit Risk

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

NZTR places its cash and short term deposits with quality financial institutions, such as the ANZ Bank. NZTR only deals with counterparties with appropriate credit worthiness and where the risk of default is considered low.

For loans advanced to Racing Clubs, adequate security over assets is always sought to support the loan as part of the credit risk management strategy.

11. LEASE COMMITMENTS

There are no lease commitments as at 31 July 2011 (2010:\$nil).

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12. RELATED PARTY TRANSACTIONS

12.1 Compensation of Key Management

	12 Months Ended 31 July 2011	12 Months Ended 31 July 2010
	\$	\$
Salaried and Short-term benefits	476,729	496,205
Long-term benefits	6,210	6,210
Total	482,939	502,415

12.2 Loans to related parties

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

	31 July 2011	31 July 2010
	\$	\$
New Zealand Equine Education Trust	119,000	119,000
NZTR Trainers and Owners Settlement Account	–	350,000

12.3 Transactions involving related parties

Board

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

In the financial year the following services were purchased by NZTR from businesses operated by NZTR Board Members:

Thoroughbred Publications Ltd	Industry Publication Support	37,000
Evergreen Lodge	Accommodation	417
Aberdeen Steakhouse	Meals	166

Racing Integrity Unit

The Racing Integrity Unit ("RIU") was incorporated on 5 November 2010. Effective 1 February 2011 the RIU took over the functions of all integrity services on behalf of NZTR. In the year ended 31 July 2011 NZTR funded the RIU directly based on a contracted schedule. The total cost of the RIU for the period 1 February to 31 July 2011 was \$760,039 (2010: NIL). As the RIU is operated on a cost recovery basis there is no impact on the operations of NZTR apart from meeting the agreed funding obligations.

NZTR owns a 25% share of the RIU.

Other Related Entities

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

- NZTR Owners Settlement. The NZTR Owners Settlement manages all stake settlements in regards to thoroughbred racing. NZTR charge a management fee to NZTR Owners Settlement to manage this function.

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

	12 Months Ended 31 July 2011	12 Months Ended 31 July 2010
	\$	\$
NZTR Owners Settlement management fee	–	45,945
Apprentice Jockeys Fund management fee	6,667	20,000
General Trust Fund net of funding over management fee	(42,700)	(42,700)
Apprenticeship Board net of funding over expenses	(56,000)	(55,580)
NZRB: operating fees less operating expenses	311,260	(4,209,953)
NZRB: funding revenue less funding expenses	2,222,255	(3,036,977)

13. CAPITAL COMMITMENTS

There are no capital commitments as at 31 July 2011 (2010:\$nil).

14. LOAN GUARANTEE

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

As RACE Inc are servicing and reducing the debt subject to this guarantee, NZTR do not believe that this guarantee will be invoked. As such no value has been ascribed to this guarantee.

On the 5th of January 2009, the New Zealand Racing Board provided loan of \$300,000 to Whangarei Racing Club. NZTR has provided a guarantee to the New Zealand Racing Board covering the amounts outstanding to the NZRB. As Whangarei Racing Club are making regular payments NZTR do not believe that this guarantee will be invoked.

15. CONTINGENT LIABILITIES

We are not aware of any contingent liabilities that will materially affect the Financial Statements (2010: Nil).

16. SUBSEQUENT EVENTS

We are not aware of any subsequent events that will materially affect the Financial Statements (2010: Nil).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW ZEALAND THOROUGHBRED RACING INCORPORATED

Report on the Financial Statements

We have audited the financial statements of New Zealand Thoroughbred Racing Incorporated on pages 22 to 34, which comprise the statement of financial position as at 31 July 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibilities

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

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

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

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

Opinion

In our opinion, the financial statements on pages 22 to 34 present fairly, in all material respects, the financial position of New Zealand Thoroughbred Racing Incorporated as at 31 July 2011 and its financial performance and cash flows for the year ended on that date in accordance with generally accepted accounting practice in New Zealand.



Chartered Accountants
3 November 2011
Wellington, New Zealand

ACKNOWLEDGEMENTS

The Board and Management wish to record their appreciation of the co-operation and assistance they have received during the 2010-11 season from the following people and organisations:

The Honourable John Carter, Minister for Racing (until July 2011)

The Office of The Minister for Racing

The New Zealand Racing Board

Harness Racing New Zealand

Greyhound Racing New Zealand

Department of Internal Affairs

Judicial Control Authority

Equine Branch, New Zealand Veterinary Association

Environmental Science and Research Ltd

Massey Foundation

Massey University

New Zealand Racing Laboratory Services Ltd

New Zealand Equine Health Association

New Zealand Equine Industry Training Organisation

New Zealand Equine Research Foundation

New Zealand Jockeys' Association

New Zealand Jumps Inc.

New Zealand Police Department

New Zealand Qualifications Authority

New Zealand Thoroughbred Breeders' Association

New Zealand Thoroughbred Marketing Ltd

New Zealand Thoroughbred Racehorse Owners' Federation

New Zealand Trainers' Association

Racing Club Managers' and Staff

Racing Integrity Unit

Racing Journalists and Broadcasters

Tertiary Education Commission

2010-11 NZTR Annual Report

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