



NEW ZEALAND  
THOROUGHBRED **RACING**



ANNUAL REPORT 2015-2016



[www.nzracing.co.nz](http://www.nzracing.co.nz)

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# NZTR BOARD 2015-16

*From left to right:*

*Ben Nettleton,  
Victoria Carter,  
Rick Williams,  
Alan Jackson  
& John Stace*

**BEN NETTLETON** is a Consultant Solicitor. He graduated from the University of Otago with a Bachelor of Laws and Bachelor of Commerce. Following admission to the Bar, he worked for a Queen's Counsel before joining French Burt Solicitors. He previously worked as a radio broadcaster/producer, and in television within the production team of Trackside TV. He is a chartered member of the Institute of Directors and sits on a number of commercial boards and non-profit organisations, including Invercargill City Forests Ltd and as a Ministerial appointee to the Southern Regional Health School.

**VICTORIA CARTER ONZM (DEPUTY CHAIRMAN)** 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 and founder/owner of Cityhop carshare. 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 for 11 years and served as Chairman 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.

**RICK WILLIAMS** is General Manager of The Oaks Stud in Cambridge. He has had 30 years of 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 had over 30 years of 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 was a founding Director of the New Zealand Racing Board between 2003 and 2006 and again in 2012-13 including serving as Chairman. Alan served as Managing Partner and subsequently Chairman of the Boston Consulting Group (BCG) Australasia. He has also chaired the Housing Corporation of New Zealand.

**JOHN STACE** built a career in the financial services sector in the City of London. He founded Stace Barr Ltd, which, in the 1980's and 90's 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, Deputy Chairman of 3R, a Director of Sportsground Ltd and a Trustee of The Tank Museum, Bovington, Dorset, UK.

**MATTHEW GOODSON**

*(retired November 2015, not pictured).*

**GREG MCCARTHY**

*(retired May 2016, not pictured).*

**RODGER FINLAY** *(not pictured)*

was appointed to replace Greg McCarthy. Rodger has more than 25 years' experience in the financial services sector, and is chairman of New Zealand Oil and Gas and the UK company Mundane Asset Management, deputy chairman of Rural Equities Limited, a member of the Radio New Zealand Board of Governors and a board member of Moeraki Limited.

# 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 now 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 nine times in 2015-16.

Greg McCarthy resigned from the Board in May 2016 and remains NZTR's nominee to the NZRB Board.

Rodger Finlay was appointed to the Board in August 2016.

The Company Secretary maintains a Register of Directors' Interests.

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

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

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 meeting attendance 2015-16

**Matthew Goodson** 2 (retired)

**Victoria Carter** 9

**Greg McCarthy** 8 (retired)

**John Stace** 7 (leave of absence)

**Ben Nettleton** 9

**Rick Williams** 9

**Alan Jackson** 6 (appointed 6 November 2015)

## Members' Council of New Zealand Thoroughbred Racing Incorporated 2015-2016:

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

**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

**Danny Moss** Northern Region

**Neil Oldfield** Owners

**John Wheeler** Central Region





## NZTR Committees & Trusts 2015-16

### THE AUDIT & RISK COMMITTEE

*Comprises three persons appointed by the Board.  
All Directors may attend meetings of the Committee.  
The Committee met seven times in 2015-16.*

*Victoria Carter (acting Chair),  
Greg McCarthy (retired) Chairman*

*Matthew Goodson (retired), Alan Jackson Members*

*Greg Purcell Attendee*

*Karen Larsen Secretary*

### THE INTEGRITY COMMITTEE

*Comprises three persons appointed by the Board.  
The Committee met six times in 2015-16.*

*Peter Hutt Chairman*

*John Stace, Ben Nettleton Members*

*Rick Williams, Greg Purcell, Chief Steward Attendees*

*James Dunne Secretary*

### THE APPOINTMENTS & REMUNERATION COMMITTEE

*Comprises three persons appointed by the Board.  
The Committee met three times in 2015-16.*

*John Stace Chairman*

*Matthew Goodson (retired), Rick Williams, Alan Jackson Members*

*Greg Purcell Attendee*

*James Dunne Secretary*

### GENERAL TRUST FUND

*John Rattray Chairman*

*Keith Neylon, Colin Jenkins Trustees*

*Karen Larsen Secretary*

### APPRENTICE JOCKEYS' FUND

*Alan Jackson, Greg Purcell, Matthew Goodson (retired) Trustees*

*Karen Larsen Secretary*

# 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 New Zealand Racing Board Distributions to the Thoroughbred Code;
- 2 Regulate the Conduct of Thoroughbred Racing;
- 3 Set Objectives and Demonstrate Accountability; and
- 4 Participate in the New Zealand Racing Board's Governance and Decision Making.

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**Receive and allocate  
New Zealand Racing  
Board Distributions to the  
Thoroughbred Code**

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

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**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).

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**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 New Zealand Racing Board (Section 23).
- (b) Prepare and send to the New Zealand Racing Board audited financial statements (Section 28).

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**Participate in the  
New Zealand Racing  
Board's Governance and  
Decision Making**

- (a) Directly nominate one member of the New Zealand Racing Board's governing body and participate in recommending three other members (Sections 11 and 12).
- (b) Consult with the New Zealand Racing Board 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 New Zealand Racing Board (Schedule 2).



# NZTR Operations Team

## EXECUTIVE MANAGEMENT

### Greg Purcell

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## GENERAL STAFF

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### Georg Magerl

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## RESIGNED 2015-16

**Simon Cooper** (Company Secretary)

**Matthew Corban** (Racing Assistant – National Racing Bureau)

**Stuart Duggan** (IT Manager)

**Aimee Swain** (Industry Training / Authorised Syndication)

**Dennis Quirke** (Chief Handicapper)

**EMERGENCY MOBILE  
NATIONAL RACING BUREAU  
0276 219 860**

## NZTR ADVISERS

**Dr Andrew Grierson**  
NZTR Veterinary Adviser

**Dr Phil White**  
NZTR Adviser

## NZTR LEGAL ADVISERS

**Mike Colson**  
Partner Bell Gully

**Mark Freeman**  
Partner Bell Gully

From left to right: Campbell Moncur, Greg Purcell,  
James Dunne, Karen Larsen & Martin Burns,  
Matthew Hall (not pictured).



## NZTR Operations Team Remuneration

<i>Salaried full time employees</i>	<i>31 July 2016</i>	<i>31 July 2015</i>	<i>31 July 2014</i>	<i>31 July 2013</i>	<i>31 July 2012</i>	<i>31 July 2011</i>
Internal	33	29	27	28	27	25
In the Field	3	2	6	4	4	2
<b>Total Other Related Parties</b>	<b>36</b>	<b>31</b>	<b>33</b>	<b>32</b>	<b>31</b>	<b>27</b>
<i>Total Remuneration (\$000)</i>	<i>31 July 2016</i>	<i>31 July 2015</i>	<i>31 July 2014</i>	<i>31 July 2013</i>	<i>31 July 2012</i>	<i>31 July 2011</i>
0-50	13	9	14	17	16	15
51-100	14	14	13	10	10	8
101-150	5	5	3	2	3	3
151-200	2	1	1	2	1	-
201+	2	2	2	1	1	1
<b>Total</b>	<b>36</b>	<b>31</b>	<b>33</b>	<b>32</b>	<b>31</b>	<b>27</b>





*Alan and Colleen Jackson with Decorah*

## Chairman's Statement

***My first season as Chair, 2015-16, was a year of mixed fortunes for the New Zealand Thoroughbred racing industry.***

On the track highlights included:

- ▶ Mongolian Khan's Caulfield Cup win, the first for a New Zealand-trained horse since Ethereal in 2001, while his stablemate Turn Me Loose was a Group I winner in Melbourne in both the spring and autumn.
- ▶ Rangipo's seven wins as a three-year-old, culminating in his BMW New Zealand Derby victory, with Kawi a standout among the older horses, winning Group I races at 1400m, 1600m and 2000m.
- ▶ Lisa Allpress notched 171 wins when winning a second jockeys' premiership and the new partnership of Stephen Autridge and Jamie Richards headed the trainers' premiership.

Internationally, we rank highly in terms of foals bred and race starts. Our top horses are regularly in the upper echelons of international racing and are champions in other jurisdictions. Our people, trainers, jockeys and breeders successfully compete on the world stage.

Standout performances from this year include:

- ▶ Werther, who began his career in New Zealand, was named Horse of the Year in Hong Kong and was one of three Derby winners during the 2015-16 season sired by Tavistock.
- ▶ James McDonald and Chris Waller were the leading rider and trainer respectively in a highly competitive environment in Sydney.
- ▶ Other New Zealand-bred horses to make a mark internationally included Lucia Valentina, Criterion, Preferment, Tarzino and Melbourne Cup winner Prince of Penzance.

Many of these horses, owners, and industry professionals received recognition in the Horse of the Year Awards, being either nominees or recipients. My heartiest congratulations to these individuals – it has been a fantastic result worthy of all the time, money and effort that goes into our sport.





## FINANCIAL PERFORMANCE FOR 2015-16

This year has proved challenging, as the accounts show. On the downside we slipped into a trading loss situation. This occurred for a number of reasons relating to static net income from the New Zealand Racing Board, rising costs, and a commitment to increase stakes. The only positives out of the result were that the major recipients of the budget overrun were stakes and the cash investment in infrastructure and investment in shaping our future, which is discussed below.

Looking forward, there is only so much more running to stand still the Code can sustain. We cannot have another financial result like the current one, and we cannot simply continue to reduce the number of meetings and races to raise stakes.

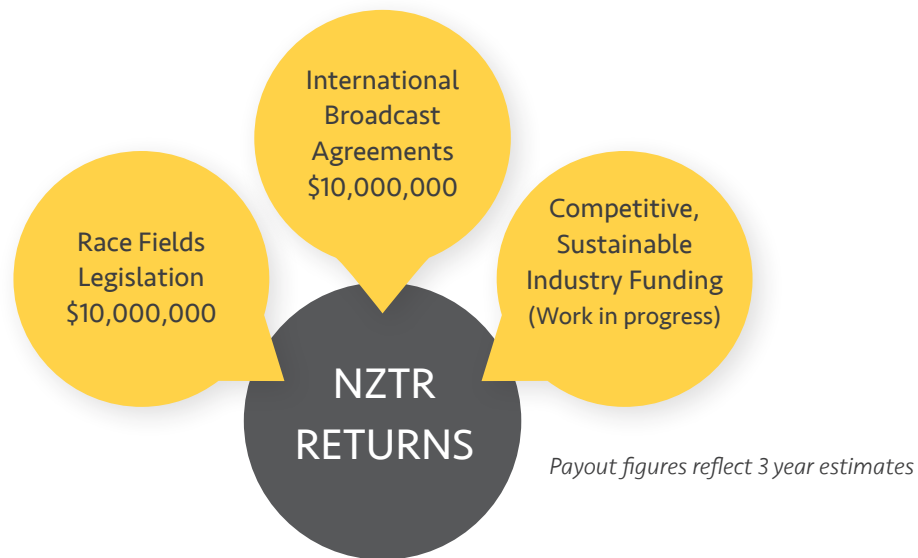
To this end, NZTR has embarked on a strategy to significantly increase the economic performance of our industry by following a similar path to our Australian counterparts. This involves three initiatives outlined below which seek to leverage the changes occurring in the wagering and broadcasting markets. These initiatives provide us with the opportunity to not only consolidate and strengthen our industry's core, but to take advantage of the new opportunities in the digital and wagering markets.

***NZTR has embarked on a strategy to significantly increase the economic performance of our industry.***

***This involves three initiatives which seek to leverage the changes occurring in the wagering and broadcasting markets.***



## Factors determining future of thoroughbred industry returns



The three main revenue generating strategies are:

1. Fully support the rapid introduction of New Zealand race fields legislation.
2. Secure significant increases in returns to all participants from NZ Racing Board distributions.
3. Increase returns from the export of New Zealand thoroughbred racing.

### **Objective one: fully support the rapid introduction of New Zealand race fields legislation**

Today the wagering environment has changed fundamentally and will continue to do so.

Internet and mobile technologies have broken down geographic boundaries, and race fields legislation has enabled the racing industry internationally to set a price for its product. Race fields ensure that both racing codes and wagering providers appreciate that the racing product has commercial value.

Meanwhile, corporate bookmakers have been 'legitimised' through the introduction of race fields fees. The best

operators have developed from niche players into strong commercial competitors that have the advantages of international scale, best-in-market information technology (customer facing and core systems), wide scope, and sometimes limited or minimal regulation.

The New Zealand racing and sports industries are simply not securing participation in this new environment and enjoying the benefits that our Australian counterparts have.

The work of the Offshore Racing and Sports Betting Working Group in 2015 identified a \$16 million untapped potential fee remittance across sports and racing. Clearly this opportunity has increased given developments in Australia. This led in early 2016 to a commitment by the Minister for Racing to lead the consultation and legislative process for enactment of legislation that will require overseas wagering operators to pay a race fields fee (calculated on bets taken on NZ racing) to NZ racing authorities.

NZTR will work closely with the New Zealand Racing Board, fellow Codes and government to support the proposed legislation and most importantly in the deliberation and setting of appropriate fee structures.

## **Objective two: increasing participant returns**

NZTR is currently working and will continue to work collaboratively and intensively with the New Zealand Racing Board and with fellow racing Codes to effect the required step-change in the levels of funding generated and distributed by the New Zealand Racing Board to the industry.

Initiatives include:

### ► **Inter-Code Funding Agreement**

NZTR will work with the Harness and Greyhound Codes and the New Zealand Racing Board to confirm a mutually beneficial Code Funding Distribution agreement for implementation in the 2017/18 season. The agreement should recognise the different competitive factors facing each Code, and focus on collaboratively maximising total New Zealand Racing Board profitability for the benefit of all three Codes.

### ► **Wagering Modernisation and Efficiency**

The New Zealand Racing Board has identified in its Statement of Intent 2017-19 that one avenue of increasing industry returns is through a more efficient wagering model. New Zealand Racing Board with close involvement of the Codes has begun analysis that seeks to measure the advantages in partnering with wagering operators who have global scale and the benefits that brings.

This work is continuing and is expected to reach agreement on a defining pathway going forward. Carefully developed strategies have the potential to realise significant potential earning for the industry, over and above anticipated race fields remittances.

**Today the Australian wagering market is a key determinant in the levels of return to New Zealand Thoroughbred Racing. At present, just three percent of Australian betting on thoroughbred racing is on New Zealand thoroughbred racing.**

## **Objective three: increasing returns from the export of thoroughbred racing**

Today the Australian wagering market is a key determinant in the levels of return to New Zealand Thoroughbred Racing. We currently have a low share of the Australian customer's mind and wallet. At present, just three percent of Australian betting on thoroughbred racing is on New Zealand thoroughbred racing.

New wagering operators, punter websites, and digital or broadcast viewing options exist and NZTR must look to position itself and take advantage of these opportunities to supplement revenues in a manner that does not undermine NZ Racing Board distributions.

Through initiatives outlined below, NZTR aims to increase New Zealand thoroughbred racing's share of Australian thoroughbred race betting from 3.2% to 6% over the coming years. Planning and agreements will be undertaken during the 2016/17 season, with expenditure and revenue returns projected in the 2017/18 season.

Strategies to increase returns from the export of New Zealand thoroughbred racing include:

### ► **International agreements**

A still very significant proportion of overseas revenues is supported by existing agreements, principally with Tabcorp. NZTR will continue to support New Zealand Racing Board negotiation of these international broadcast and wagering agreements with Tabcorp, and will engage with other potential counterparties as future opportunities arise.

### ► **Our Intellectual property**

In preparation for the continuing evolution of the industry, NZTR intends securing the intellectual property rights of thoroughbred racing audio and visual on behalf of thoroughbred racing clubs, and of racing information for NZTR. In mid-2016 racing clubs strongly endorsed this intention and have entered into Intellectual Property Licence and Relationship agreements with NZTR, which will manage these rights on behalf of the industry under the direction of an NZTR Intellectual Property Committee composed of NZTR and Club nominated representatives.



Securing ownership of these IP rights will allow the NZTR Intellectual Property Committee to assess and trade the commercial opportunities for racing vision and information rights, and maximise returns to New Zealand thoroughbred racing.

Clearly, any opportunities that would be assessed must be considered and entered into in a manner that does not undermine or compromise the abilities of the New Zealand Racing Board to monetise any exclusive or non-exclusive intellectual property rights that are provided to it by New Zealand thoroughbred racing.

► **Leveraging Australian race information websites**

NZTR will go to where the market is by engaging with leading race information websites to increase the visibility and knowledge of New Zealand thoroughbred racing in the Australian market. Increased familiarity of New Zealand racing will support increased wagering on our product.

Once progressed to a point of greater certainty, and increased industry distributions from the New Zealand Racing Board can be estimated, NZTR will work with thoroughbred sector clubs and sector groups to agree and prioritise increases to prize money, infrastructure investment, marketing, and other initiatives required to develop the industry.







Considerable other work is going towards planning future revenue streams. As outlined in our Statement of Intent, we are pursuing a number of additional initiatives, including but not limited to:

1. Creating a consistent programme of quality racing events to ensure:
  - a. Competitive racing with strong field size; and
  - b. The position of the New Zealand thoroughbred industry as a strong global participant.
2. Continuing the Racing Club Partnership Programme between NZTR and racing clubs.
3. Increasing participation and improving the customer experience for all stakeholders.

NZTR looks forward to reporting improvements on all these fronts at the next AGM.

#### HEALTH AND SAFETY

The enactment of the new health and safety legislation has posed a particular challenge for our industry and we are very proud of the work which NZTR has done to ensure that all industry participants are aware of their responsibilities. Your Board receives regular reports from NZTR Management on health and safety in the industry and is regularly conducting further inquiries and reviews to satisfy itself that we are a 'best-practice' industry when it comes to health and safety.

It has been very pleasing to see how WorkSafe, ACC, NZTR, the RIU, clubs, trainers, jockeys and others have come together to ensure that our industry is as safe as it can be. But I need to be very clear that your Board and NZTR Management will not tolerate actions of those in the industry who choose to ignore or fail to live up to their obligations. NZTR has an ongoing programme of work to ensure that those who choose to put themselves and others at risk are held accountable.



## CONCLUSION

I want to record my sincere appreciation to the Minister for Racing, Hon Nathan Guy. His support for the industry and in particular race fields legislation underpins our industry's future.

I thank my fellow Board members for 2015-16, Victoria Carter, Greg McCarthy, John Stace, Rick Williams, Rodger Finlay and Ben Nettleton for their considerable work. We were very sorry to lose Greg McCarthy in May, but very pleased to welcome Rodger Finlay to our Board.

Greg's contribution to the work of your Board was immense during his service, and we are very grateful to him for it.

Ben Nettleton will retire from your Board at the close of the 2016 AGM. On behalf of your Board, I wish to record our sincere gratitude and appreciation to Ben for his hard work as a Board member, and our gratitude that he has agreed to continue to serve on our Integrity Committee. Jason Fleming will join our Board and we look forward to his contribution.

I acknowledge the work of our committees and in particular their hard working chairs and acting chairs:

Greg McCarthy and lately Victoria Carter (Audit and Risk), John Stace (Appointments and Remuneration) and Peter Hutt (Integrity and Training & Development). Peter also sits on the Racing Integrity Unit's Board as NZTR's representative.

I thank Wayne Guppy for his chairmanship of our Members' Council and look forward to further interaction with the Council going forward.

I need to thank Greg Purcell and the entire NZTR team for all their hard work on behalf of the industry to meet the demands of your Board and our stakeholders. Our NZTR team works hard with very limited resources to meet the expectations of our passionate stakeholders and your Board is fortunate to have access to their skills, experience, judgment and sheer love for our sport.

Finally, and most importantly, this is a critical time for your Board and industry. We are moving forward, but we must continue to do so if we are to realise and lock in the gains. Your Board recognises the vital importance of success in this area, and it underpins every decision we make as governors of your industry and sport.

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



**ALAN JACKSON**  
CHAIR



*Greg Purcell with Wai Not at Castlepoint Beach Races*

## Chief Executive's Report

***I am pleased to provide my sixth Chief Executive's report, outlining the performance of New Zealand Thoroughbred Racing during the 2015-16 racing season.***

It has been another year of:

- ▶ High performance by our horses and our people on the track, nationally and internationally;
- ▶ Industry resilience off the track, with incremental improvement continuing across most areas of NZTR's operations, including aggregate and average prizemoney levels, ownership participation, average field size, with increased New Zealand Racing Board wagering turnover and gross wagering margin on New Zealand thoroughbred events.

Seventeen of NZTR's top twenty key performance indicators for 2015-16 either met targets or produced improvements on last year's performance outcomes.

However, our current incremental growth is not sufficient and we need a significant increase in the economic performance of both the New Zealand Racing Board (TAB) and our industry, if we are to deliver the growth required to ensure the sustainability of the sport of thoroughbred racing in New Zealand.



## ***New Zealand Thoroughbred Racing's horses and people continue to produce phenomenal performances on the track, nationally and internationally.***

### **RACING ACTIVITY**

New Zealand Thoroughbred Racing's horses and people continue to produce phenomenal performances on the track, nationally and internationally including:

- ▶ Mongolian Khan trained by Murray Baker and Andrew Forsman and raced by the Inner Mongolia Rider Horse Industry Ltd winning the 2015 \$3.3 million Group 1 Caulfield Cup and claiming his second successive title as New Zealand Thoroughbred Racing's Horse of the Year;
- ▶ Dual Group 1 winning 3YO Xtravagant, trained by Stephen Autridge and Jamie Richards and raced by the Te Akau 2014 Breeding Syndicate being rated Australasia's highest rating 3YO by the World Ranking Committee and claiming the title of New Zealand Three Year Old of the Year against other outstanding 3YO performers including Rangipo, Sofia Rosa, Tavago and Valley Girl;
- ▶ Sofia Rosa trained by Stephen Marsh and raced by Lib Petagna winning the \$1.0 million Group 1 Australian Oaks after being relegated on protest by Fanatic in the \$300,000 Group 1 New Zealand Oaks and claiming the New Zealand Bloodstock Filly of the Year;
- ▶ Sacred Elixir trained by Tony Pike winning the \$0.6 million Group 1 J.J. Atkins Stakes and claiming the title of New Zealand 2YO of the Year, edging out the unbeaten Group 1 winning Heroic Valour;
- ▶ The training partnership of Stephen Autridge and Jamie Richards (in his first season of training) with 104 wins claiming the New Zealand trainers' premiership and named New Zealand Trainer of the Year;
- ▶ Lisa Allpress with 171 wins claiming the New Zealand jockey's premiership for the second time and named New Zealand Jockey of the Year;
- ▶ Waikato Stud's Savabeel claiming all three major stallion awards, namely the Grosvenor, Dewar and Centaine awards.

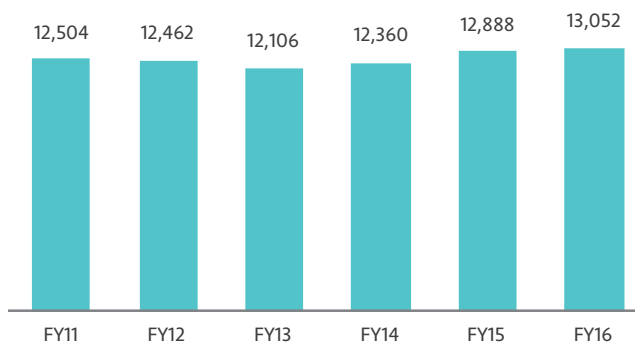
### **KEY PERFORMANCE INDICATORS**

The vast majority of the thoroughbred industry's key performance indicators produced continued improvements, emphasising the appeal of our sport and the passion, commitment and resilience of our participants.

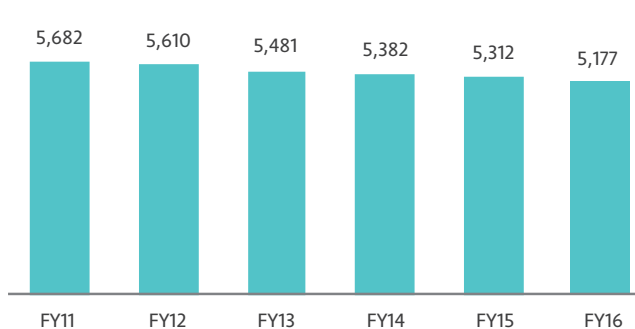
One in every 271 New Zealand citizens over the age of eighteen, held a participatory interest in a thoroughbred race horse that started in New Zealand in the 2015-16 racing season, with 13,052 individual owners, 164 (or +1.3%) more than the previous season. This is the third successive annual increase in ownership participation at a five year compound average growth rate of +0.9%.

5,177 individual horses started in a race in 2015-16, a decrease of 135 (or -2.5%) on the previous season. This fifth successive annual decrease in individual starters, with the five year compound average growth rate of -1.8%, in line with NZTR long-term forecasts.

**Individual Owners with a Starter in a Season**



**Individual NZ Thoroughbred Starters**



Aggregate prizemoney paid to owners in 2015-16 was \$53.9 million, an increase of \$1.1 million (or +2.1%) on the previous season. This is the fourth successive annual increase in NZTR aggregate funded prizemoney at a five year compound average growth rate of +2.4%.

NZTR aggregate funded prizemoney accounted for \$51.3 million of this amount, an increase of \$1.0 million (or +2.0%) on the previous season. This is the fifth successive annual increase in NZTR aggregate funded prizemoney at a five year compound average growth rate of +4.7%.

NZTR average funded prizemoney in 2015-16 was \$18,391 per race an increase of \$733 per race (or +4.2%) on the previous season. This is the fifth successive annual increase in NZTR average funded prizemoney at a five year compound average growth rate of +6.6%.

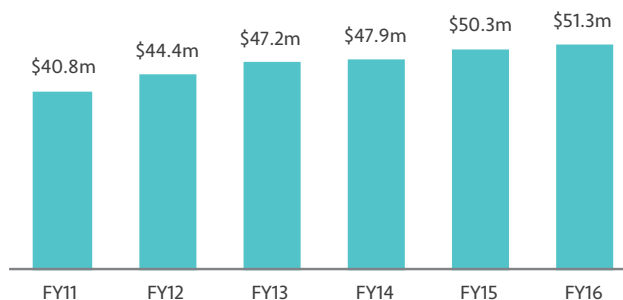
2,790 races were conducted in 2015-16, a reduction of 58 races (or -2.0%) on the previous season. In line with the NZTR strategic plan, this is the fourth successive annual decrease in races conducted at a five year compound average growth rate of -1.8%.

The average number of starters per race in 2015-16 was 10.6, an increase of 0.2 starters per race on the previous season. This is the third successive annual increase in average field sizes with a five year compound average growth rate of -0.1%.

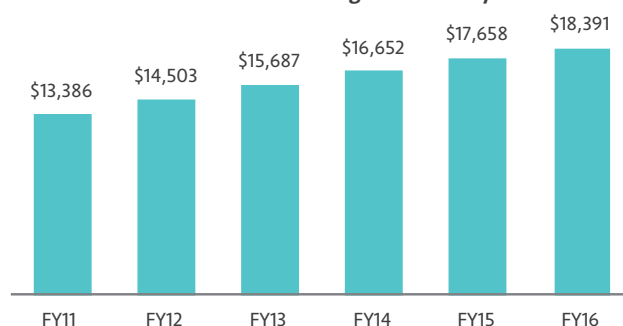
New Zealand Racing Board wagering turnover on New Zealand thoroughbred racing in 2015-16 was \$437.5 million, an increase of \$5.2 million (or +1.2%) on the previous season. This is the second successive annual increase in wagering turnover on New Zealand at a five year compound average growth rate of +1.0%.

New Zealand Racing Board gross betting revenue on New Zealand thoroughbred racing in 2015-16 was \$78.1 million, an increase of \$3.5 million (or +4.7%) on the previous season.

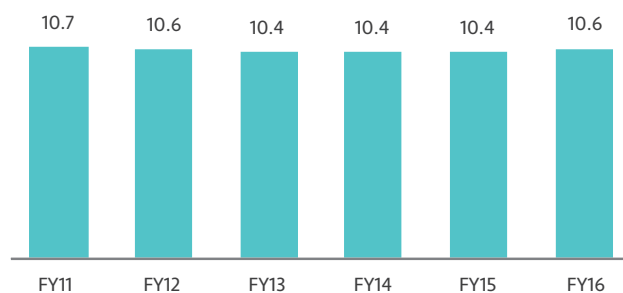
**NZTR Funded Aggregate Prizemoney**



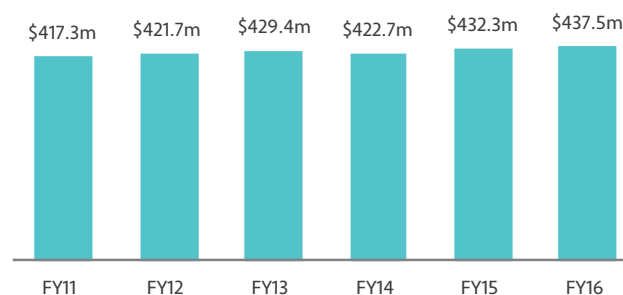
**NZTR Funded Average Prizemoney**



**Average Field Size**



**NZRB New Zealand Thoroughbred Turnover (Totalisator & Fixed Odds)**





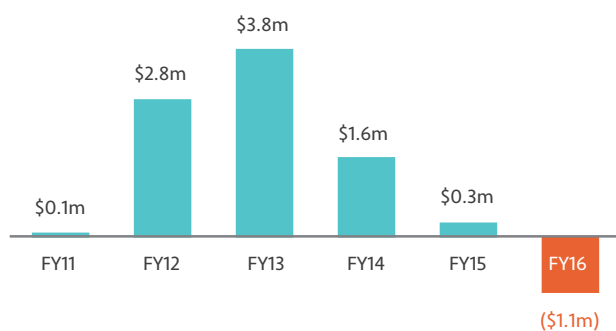
## FINANCIAL PERFORMANCE

In 2015-16 NZTR recorded a loss of \$1,116,550 before infrastructure projects, its first trading loss in six years. This was primarily due to:

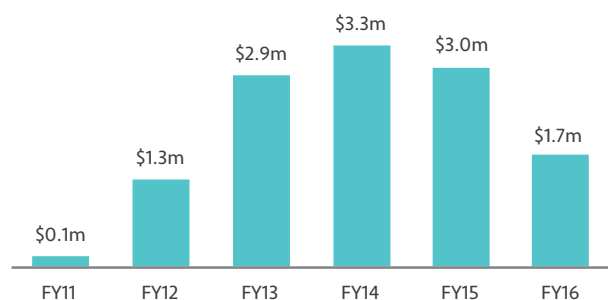
- ▶ Prizemoney funding exceeding budget by \$962,000 due to 73 more races being conducted than budgeted, impacted by the lowest number of weather related abandonments in the past four seasons;
- ▶ New Zealand Racing Board venue service charges exceeding budget by \$334,000;
- ▶ Legal costs exceeding budget by \$123,655 due to NZTR being required to defend a judicial review relating to the naming of horses (\$52,972) and a formal detailed review of the Hawke's Bay abandonment (\$51,362);
- ▶ Unbudgeted activity to support strategic projects of \$169,000, which included costs associated with intellectual property, which was undertaken with the agreement of the chairs and chief executives of the five major race clubs.

NZTR remains committed to operating within our means and ensuring prizemoney increases are fully funded from earnings and not reserves. NZTR is budgeting to return to a trading profit in 2016-17.

**NZTR Profit & Loss (Before Infrastructure)**



**NZTR Net Current Assets (Exc Infrastructure)**



## STRATEGIC IMPERATIVES

The future of New Zealand thoroughbred racing will be determined, to a large part by:

- ▶ The long-term financial performance of the New Zealand Racing Board; and
- ▶ The ability of New Zealand thoroughbred racing to grow broadcast and wagering revenues in Australia and across other international jurisdictions.

During the past twelve months, much of the focus of the NZTR board and management has been directed at how NZTR can support these outcomes, with significant focus on intellectual property, international broadcast opportunities, voluntary race field legislation, voluntary race field payment strategies and working with New Zealand Racing Board and the other codes to explore operational efficiencies within the New Zealand Racing Board wagering business.



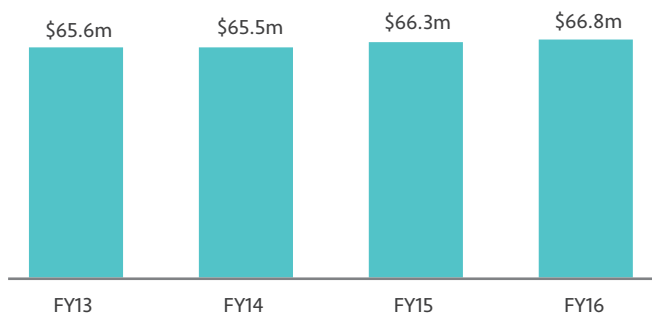
## NEW ZEALAND RACING BOARD PERFORMANCE

Despite the best efforts of current (and previous) New Zealand Racing Board management, distributions to the Codes remain relatively flat, despite outstanding performance growth, with:

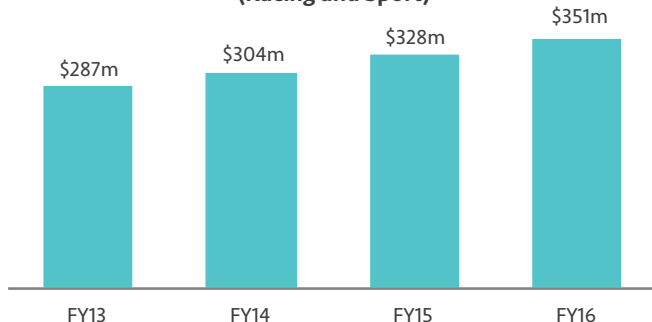
- ▶ New Zealand Racing Board gross betting margin of \$351 million increasing by \$22 million or 6.8% on the prior year, with a compound average growth rate of +6.9% over the last three years;
- ▶ Export revenue from Australian totalisator wagering operators of \$19.2 million increasing by \$541,000 or 2.8% on the prior year, with a compound average growth rate of +0.5% over the last three years;
- ▶ Gaming profit growing to \$15.4 million, increasing by \$2.9 million or 23.2% on the prior year, with a compound average growth rate of +20.5% over the last three years.

Unfortunately this remarkable revenue growth performance has been substantially offset increased costs within the New Zealand Racing Board wagering operations, resulting in New Zealand Racing Board's level of net funding to the thoroughbred racing remaining flat.

**Net NZRB Funding to NZTR After Venue Service Charges (\$m)**



**NZRB Gross Betting Margin (Racing and Sport)**



In the 2015-16 season, NZTR received net funding after venue services charges of \$66.8 million, an increase of \$554,000 or 0.8% on the prior year, slightly higher than the compound average growth rate of New Zealand Racing Board's net funding to NZTR of +0.6% over the last three years.

NZTR is heartened by the New Zealand Racing Board Chair Glenda Hughes' comments in the New Zealand Racing Board Statement of Intent published in August 2016 which stated that "New Zealand Racing Board will also continue to work with the Codes to explore broader strategic options that may provide improved returns to the industry."

## INTELLECTUAL PROPERTY

The ability of New Zealand thoroughbred racing to grow broadcast and wagering revenues in Australia is dependent upon two main factors:

- ▶ The implementation of Race Field Legislation through the New Zealand Parliament; and
- ▶ New Zealand thoroughbred racing's level of broadcast and market penetration in the Australian wagering market.

The management, protection and exploitation of New Zealand Thoroughbred's intellectual property (including form, fields, audio visual) is of critical long-term strategic importance for our sport.

NZTR (or the New Zealand Racing Board on our behalf) must be able to negotiate with potential broadcasting or wagering providers. The 'intellectual property' of our audio-visual (television, internet, radio) and of our racing information will provide the foundation of our future sustainability.

Over the past twelve months, NZTR in consultation with Chairs and Chief Executives of the Auckland Racing Club, Waikato Racing Club, Hawke's Bay Racing Inc, the RACE Group and the Canterbury Jockey Club have developed a strategy whereby the intellectual property of thoroughbred racing would be aggregated and vested to NZTR for a period of time, with future commercial decisions relating to this property being recommended to the NZTR Board by a special Committee consisting of NZTR and club representatives.





NZTR has now entered into Relationship and Licensing Agreements with 60 of 62 thoroughbred race clubs, which between them conduct 94% of race meetings in New Zealand. NZTR remains confident that it will finalise arrangements with the two remaining clubs over the upcoming weeks.

NZTR is appreciative of the efforts of the New Zealand Racing Board and Racing Minister Nathan Guy in progressing the Race Field Legislation which is critical to our industry's future.

## MARKETING

The Love Racing brand was launched at last year's Ellerslie Christmas carnival and has maintained a high digital media presence. The use of social media has become a key marketing tool and the Love Racing Facebook page has attracted a growing number of followers.

Significant improvements have been made to the nzs racing mobile site and there has been a good response

to the NZTR app which was introduced in time for the Auckland Cup carnival. An updated version of the app was scheduled for release early in the new season.

The NZTR-funded NZ Racing Desk continues to provide a vital agency role for mainstream media and websites and has helped maintain a profile for New Zealand racing, both at home and overseas.

The FastTrack insurance scheme, which has the potential to provide substantial rewards, was also launched in the 2015-16 season.

## INFRASTRUCTURE

Our industry continues to suffer from the legacy of underinvestment in infrastructure spending over several decades.

NZTR provided \$770,477 of grant funding to race clubs for a number of important infrastructure projects in 2015-16, including a trials track at Te Rapa, a second home turn at Awapuni, drainage works at Wingatui and design work

at the Cambridge training track, in addition to plastic running rails, drainage projects, judicial towers and new overhead starting gates at other clubs.

Pukekohe Park reopened for racing in April, with the Counties Racing Club holding its first home meeting since August 2014. Pukekohe is an important cog in the northern racing wheel and the initial responses from stakeholders to the renovated course have been encouraging.

## CONCLUSION

Whilst New Zealand thoroughbred racing is continuing to make incremental progress, the current level of New Zealand Racing Board earnings is not sufficient to deliver a growth pathway for the thoroughbred racing industry.

I have appreciated working with Dr Alan Jackson since his appointment to the NZTR Board and election as Chairman in November 2015. Since his appointment Alan has worked tirelessly on forging unity between NZTR, the clubs and the codes to support the development of strategic pathways that would provide the potential for industry changing outcomes for our sport.

Thank you to all the other NZTR Board members for your guidance, encouragement and support, it has greatly appreciated.

My thanks also goes to the hard working committees and staff of our race clubs, and to the executive 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 and support in 2015-16.

To my counterparts Edward Rennell from Harness Racing New Zealand and Phil Holden from Greyhound Racing New Zealand, I am appreciative of your efforts to substantially strengthen the relationships between our codes and I look forward to working with you further in the upcoming season.

NZTR is grateful for the work undertaken by the New Zealand Racing Board Board led by Glenda Hughes, the management team led by John Allen and the New Zealand Racing Board staff.

I would like to acknowledge my former Chairman Matthew Goodson and board member Greg McCarthy who both retired from the NZTR Board during the season, your advice and tireless efforts were greatly appreciated by the NZTR executive and the staff.

Our long-term company secretary Simon Cooper left NZTR to take up a senior role at the Weatherbys Stud Book. I wish Simon and his family all the best in their return to England.

Finally, I owe particular thanks to Campbell Moncur, Karen Larsen, Matthew Hall, Martin Burns, James Dunne and the entire NZTR team for their often thankless hard work and commitment to New Zealand thoroughbred racing in 2015-16.



**GREG PURCELL**  
**CHIEF EXECUTIVE**





# NZTR Club Turnover, Stakes & Funding Statistics 2015/2016 Season

THOROUGHBRED CLUBS	MTGS	RACES	STARTS	OFF-COURSE TOTALISATOR TURNOVER	ON-COURSE TOTALISATOR TURNOVER	TOTAL FOB (OFF & ON-COURSE)	EXPORT TURNOVER (\$NZD)	TOTAL STAKES PAID	CLUB NOMS & ACCEPTS & OTHER CHARGES/ PAYMENTS	TOTAL CLUB, MEETING & STAKES FUNDING	NET STAKES TO FUNDING RATIO
Ashburton RC	8	66	693	4,141,252	218,952	2,144,382	6,636,403	819,300	5,625	1,065,550	76.36%
Auckland RC	22	192	2,176	30,537,886	5,391,434	18,839,018	31,954,591	9,895,525	1,036,453	10,463,639	84.67%
Avondale JC	15	123	1,339	10,402,560	599,292	5,673,541	16,813,370	1,478,000	52,000	1,979,578	72.04%
Banks Peninsula RC	1	10	112	523,063	52,062	236,162	915,533	81,000	0	131,500	61.60%
Beaumont RC	1	7	77	290,767	44,691	144,579	555,011	77,000	0	113,970	67.56%
Cambridge JC	2	17	181	1,885,270	205,223	1,169,427	2,226,475	393,000	26,000	496,776	73.88%
Canterbury Racing	23	210	2,442	23,226,827	2,991,490	11,702,204	29,050,978	6,093,900	524,404	7,096,414	78.48%
Central Otago RC	2	16	152	1,128,706	128,016	560,223	1,541,866	146,000	0	223,040	65.46%
Counties RC	2	18	196	1,270,755	136,363	721,656	1,811,957	130,000	0	307,000	42.35%
Dargaville RC	2	15	121	811,108	179,521	586,017	1,361,149	117,825	0	196,850	59.86%
Egmont RC	5	45	474	3,011,282	276,050	1,417,969	3,834,450	595,000	10,950	788,403	74.08%
Feilding JC	3	24	276	2,605,975	234,367	1,161,094	3,918,564	345,000	17,125	483,672	67.79%
Gore RC	4	27	280	1,716,462	94,761	824,480	3,549,778	376,500	7,000	519,962	71.06%
Greyhound JC	1	9	90	665,711	80,105	390,261	876,139	96,000	0	132,742	72.32%
Hawke's Bay RI	13	107	1,171	11,919,891	1,715,883	6,764,687	14,141,594	2,506,500	190,028	3,391,503	68.32%
Kumara RC	1	10	93	922,346	324,357	472,882	861,293	115,000	0	197,272	58.30%
Kurow JC	1	8	76	535,860	106,779	375,519	752,216	94,500	0	131,957	71.61%
Levin RC	3	24	268	2,224,422	201,552	1,378,886	3,001,638	495,000	20,900	633,778	74.81%
Manawatu RC	9	73	797	8,189,547	1,027,074	4,647,305	9,783,885	2,046,500	118,850	2,554,234	75.47%
Marlborough RC	2	16	157	955,302	119,418	569,370	1,314,770	159,000	0	220,130	72.23%
Marton JC	4	32	355	3,758,529	311,611	1,781,165	4,073,297	662,000	17,600	849,126	75.89%
Masterton RC	1	8	67	510,413	46,888	269,912	717,386	71,625	0	113,913	62.88%
Matamata RC	13	113	1,233	9,201,702	687,568	5,079,296	14,315,121	1,417,800	27,675	2,094,515	66.37%
Oamaru JC	4	32	344	2,199,105	63,190	1,052,170	3,291,992	370,600	0	407,381	90.97%
Otago RC	13	111	1,162	8,017,011	713,243	4,621,476	12,536,364	1,674,500	35,550	2,352,407	69.67%
Otaki-Maori RC	10	85	846	6,473,508	474,638	3,915,098	9,459,535	1,102,000	22,500	1,523,623	70.85%
Pakuranga HC	1	9	87	907,786	90,649	423,660	1,585,829	221,000	11,025	277,638	75.63%
Poverty Bay TFC	1	8	97	588,485	127,594	325,071	790,942	106,000	0	118,044	89.80%
Rangitikei RC	2	17	179	1,926,539	162,205	879,178	2,110,546	342,000	6,750	427,900	78.35%
Reefton JC	1	8	73	460,942	77,120	277,912	706,896	84,500	0	121,464	69.57%
Riverton RC	4	37	352	2,112,841	281,762	1,018,995	2,668,954	529,000	7,600	676,583	77.06%
Rotorua, Racing	8	69	745	6,411,295	577,449	3,334,782	7,697,546	908,000	35,948	1,249,488	69.79%
Rotorua-BoP HC	1	8	71	432,688	46,612	209,693	634,904	86,000	0	126,000	68.25%



South Canterbury RC	8	72	758	4,268,016	184,913	2,230,917	6,942,042	675,000	7,438	979,635	68.14%
South Waikato RC	1	8	84	593,078	73,632	379,340	1,177,505	75,000	0	114,000	65.79%
Southland RC	5	49	498	2,807,324	145,034	1,512,212	4,636,070	718,000	6,369	916,423	77.65%
Stratford RC	2	9	102	702,902	38,567	264,421	825,527	69,000	0	48,188	143.19%
Tapanui RC	1	9	107	706,453	75,359	620,746	1,092,771	102,000	0	122,196	83.47%
Taranaki TRI	14	109	1,114	10,188,410	1,153,963	5,363,506	15,742,475	1,612,025	31,488	2,254,251	70.11%
Taumarunui RC	1	10	90	912,592	131,593	386,967	1,329,332	255,000	5,340	309,329	80.71%
Taupo, Racing	4	37	359	2,602,314	269,353	1,776,064	6,019,870	301,000	0	452,460	66.53%
Tauranga, Racing	14	119	1,113	10,287,105	1,243,896	6,205,819	13,813,389	1,837,125	25,670	2,418,152	74.91%
Te Aroha, Racing	12	105	1,131	7,680,304	561,247	4,174,781	10,349,717	1,309,000	31,590	1,807,141	70.69%
Thames, Racing	0	0	0	0	0	0	0	0	0	0	0.00%
Waikato RC	17	151	1,681	19,001,120	1,530,463	9,797,553	21,932,392	3,869,500	164,713	4,699,068	578.84%
Waikouaiti RC	1	8	67	718,284	153,737	532,730	519,846	89,000	0	136,169	65.36%
Waimate RC	1	7	81	474,259	13,594	209,118	594,618	80,000	0	108,847	73.50%
Waipa RC	8	66	668	4,320,881	230,319	2,387,526	6,422,275	528,800	0	832,414	63.53%
Waipukurau JC	2	16	136	893,771	132,307	640,593	933,342	134,000	0	208,307	64.33%
Wairarapa RC	4	29	301	2,252,884	305,760	1,327,231	2,732,399	268,000	4,750	447,196	58.87%
Wairoa JC	1	10	106	537,121	28,159	256,743	794,442	105,000	0	137,790	76.20%
Wairoa RC	2	16	152	1,011,650	153,248	600,032	1,319,408	197,000	0	214,349	91.91%
Wanganui JC	11	94	1,033	7,664,424	566,766	3,764,714	10,949,949	1,238,000	31,813	1,689,404	71.40%
Waverley RC	3	25	247	1,581,256	104,650	1,056,502	2,816,724	245,500	0	335,775	73.11%
Wellington RC	11	96	1,067	15,317,593	2,417,682	8,312,132	16,635,889	4,314,500	571,834	5,118,115	73.13%
Westland RC	1	9	87	683,257	118,375	394,830	1,242,168	131,000	0	138,499	94.59%
Whakatane RC	2	17	200	1,395,913	166,926	761,475	1,835,680	145,000	0	224,571	64.57%
Whangarei RC	11	92	918	8,627,373	765,275	5,231,311	12,106,385	1,333,500	4,750	1,834,881	72.42%
Winton JC	2	16	165	890,846	51,621	423,757	1,695,777	147,000	0	212,929	69.04%
Woodville-Pahiatua RC	6	49	557	3,329,636	226,919	1,610,898	5,316,887	375,475	0	591,198	63.51%
Wynndham RC	1	8	83	460,083	37,275	235,008	666,738	92,000	0	123,415	74.55%
<b>Grand Total</b>	<b>329</b>	<b>2,790</b>	<b>29,687</b>	<b>259,874,686</b>	<b>28,668,553</b>	<b>143,424,997</b>	<b>345,934,589</b>	<b>53,882,000</b>	<b>3,059,734</b>	<b>67,940,752</b>	<b>74.80%</b>

## NOTES

- Off-course totalisator turnover does not include Pick 6 or Turbo Quaddies.
- On-course totalisator turnover excludes on-course FOB (included in Total FOB number).
- 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.
- 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. Note that this figure has not been able to be reconciled against the club settlement statements so there may be some small discrepancies between funding recorded and total funding received by clubs.
- 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**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of New Zealand Thoroughbred Racing Incorporated on pages 28 to 51, which comprise the statement of financial position as at 31 July 2016, and the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

### **Directors' Responsibility for the Financial Statements**

The Directors are responsible on behalf of New Zealand Thoroughbred Racing Incorporated for the preparation and fair presentation of these 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.

### **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 New Zealand Thoroughbred Racing Incorporated'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 New Zealand Thoroughbred Racing Incorporated'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 and the provision of advisory services, we have no relationship with or interests in New Zealand Thoroughbred Racing Incorporated. These services have not impaired our independence as auditor of New Zealand Thoroughbred Racing Incorporated.

### **Opinion**

In our opinion, the financial statements on pages 28 to 51 present fairly, in all material respects, the financial position of New Zealand Thoroughbred Racing Incorporated as at 31 July 2016, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards.

*Deloitte Limited*

**Chartered Accountants**  
11 October 2016  
Wellington, New Zealand

# Financial Statements

## NEW ZEALAND THOROUGHBRED RACING INCORPORATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 31 JULY 2016

	NOTES	ACTUAL 31 JULY 2016 \$	ACTUAL 31 JULY 2015 \$
<b>REVENUE</b>			
New Zealand Racing Board Code Distribution	3.1.3	74,008,313	73,212,139
Race Day Fees		3,071,926	3,205,814
Thoroughbred Racing Magazine and Publications	3.1.1	182,593	201,105
Stud Book	3.1.1	1,441,683	1,429,930
Licence fees	3.1.1	208,727	217,775
Registrations	3.1.1	546,292	582,427
Interest	3.1.2	228,074	333,750
Sundry Revenue		643,712	571,932
<b>TOTAL REVENUE</b>		<b>80,331,320</b>	<b>79,754,872</b>
<b>LESS EXPENSES</b>			
Club payments (subsidies and prizemoney)		73,201,370	71,582,270
TRM and Publications Expenses		296,415	295,642
Ownership and Industry Initiatives		73,260	76,770
Industry Training and Development		139,266	162,076
Property and Central Overheads	4.1	498,431	451,249
IT Infrastructure and Network Costs	4.2	789,535	597,073
Special Projects	4.3	255,975	30,506
Salaries and Other Staff Costs		3,583,663	3,740,183
Other Department Costs	4.4	1,223,304	1,214,791
Sundry Costs	4.5	1,386,651	1,288,881
<b>TOTAL EXPENSES</b>		<b>81,447,870</b>	<b>79,439,442</b>
<b>(DEFICIT)/SURPLUS BEFORE INFRASTRUCTURE PROJECTS</b>		<b>(1,116,550)</b>	<b>315,430</b>
<b>INFRASTRUCTURE REVENUE AND EXPENSES</b>			
Racing Safety Development Fund (RSDF) – Grants Received	4.6	48,964	216,243
Infrastructure Expenditure	4.6	(770,477)	(1,638,848)
<b>NZTR INFRASTRUCTURE EXPENDITURE NET OF FUNDING</b>		<b>(721,513)</b>	<b>(1,422,605)</b>
<b>TOTAL (DEFICIT) ATTRIBUTABLE TO NZTR</b>		<b>(1,838,063)</b>	<b>(1,107,175)</b>
Other Comprehensive Revenue		-	-
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>		<b>(1,838,063)</b>	<b>(1,107,175)</b>

The total Comprehensive Revenue and Expense is attributable to NZTR.

*These financial statements are to be read in conjunction with the notes on pages 33 to 51*



NEW ZEALAND THOROUGHBRED RACING INCORPORATED  
**STATEMENT OF CHANGES IN EQUITY**  
 FOR THE YEAR ENDED 31 JULY 2016

	NOTES	ACCUMULATED SURPLUS \$	INFRASTRUCTURE RESERVE \$	TOTAL ACCUMULATED SURPLUS \$
<b>Accumulated Surplus as at 1 August 2014</b>		5,291,691	2,421,827	7,713,518
(Deficit) for the year ended 31 July 2015		(1,107,175)	-	(1,107,175)
Transfer of Infrastructure Reserve to Accumulated Surplus	4.6	1,107,175	(1,107,175)	-
<b>Accumulated Surplus as at 31 July 2015</b>		5,291,691	1,314,652	6,606,343

	NOTES	ACCUMULATED SURPLUS \$	INFRASTRUCTURE RESERVE \$	TOTAL ACCUMULATED SURPLUS \$
<b>Accumulated Surplus as at 1 August 2015</b>		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)	-
<b>Accumulated Surplus as at 31 July 2016</b>		4,175,141	593,139	4,768,280

*These financial statements are to be read in conjunction with the notes on pages 33 to 51*

NEW ZEALAND THOROUGHBRED RACING INCORPORATED  
**STATEMENT OF FINANCIAL POSITION**  
AS AT 31 JULY 2016

	NOTES	ACTUAL 31 JULY 2016 \$	ACTUAL 31 JULY 2015 \$
<b>Total Accumulated Surplus Attributable to NZTR</b>		<b>4,768,280</b>	<b>6,606,343</b>
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents	2.1	3,706,250	2,237,300
Short Term Deposits	2.1	948,926	3,909,251
Trade and Sundry Debtors from Exchange Transactions	2.2	711,212	772,046
Trade and Sundry Debtors from Non-Exchange Transactions	2.2	41,704	60,595
Prepayments		50,479	194,732
Other Revenue Receivable from Exchange Transactions	2.2	33,479	373,512
Short Term Loans and Advances	2.3	131,346	-
Code Distribution Account	2.2	1,258,779	503,489
<b>TOTAL CURRENT ASSETS</b>		<b>6,882,175</b>	<b>8,050,925</b>
<b>LESS CURRENT LIABILITIES</b>			
Trade and Sundry Creditors from Exchange Transactions	2.4	3,668,033	2,893,770
Trade and Sundry Creditors from Non-Exchange Transactions	2.4	70,002	127,033
Employee Benefits	2.4	303,645	346,770
Provision for Thoroughbred Bonus Scheme		120,000	-
Fees and Subscriptions in Advance		471,732	371,653
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,633,412</b>	<b>3,739,227</b>
<b>NET CURRENT ASSETS</b>		<b>2,248,763</b>	<b>4,311,698</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	6.0	203,272	197,798
Intangibles	7.0	616,155	337,886
Work in Progress		26,248	370,395
Loans and Advances	2.3	1,673,842	1,388,566
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,519,517</b>	<b>2,294,645</b>
<b>NET ASSETS</b>		<b>4,768,280</b>	<b>6,606,343</b>

The Financial Statements of New Zealand Thoroughbred Racing Incorporated are accepted on behalf of the Board of Directors on 07 October 2016.



**ALAN JACKSON**  
CHAIR OF NZTR



**VICTORIA CARTER**  
AUDIT AND RISK CHAIR (ACTING)

*These financial statements are to be read in conjunction with the notes on pages 33 to 51*



NEW ZEALAND THOROUGHBRED RACING INCORPORATED  
**STATEMENT OF CASHFLOWS**  
 FOR THE YEAR ENDED 31 JULY 2016

	31 JULY 2016 \$	31 JULY 2015 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Fees, Services and Subscriptions from Exchange Transactions	3,555,657	3,593,798
Receipts from the Code Distribution and Other Income	76,324,949	76,241,492
Interest Income	264,225	301,897
	<b>80,144,831</b>	<b>80,137,187</b>
<i>Cash was applied to:</i>		
Payment to Suppliers and Employees	(8,598,745)	(8,988,337)
Payments to Clubs	(72,364,138)	(72,040,702)
	<b>(80,962,883)</b>	<b>(81,029,039)</b>
<b>Net Cash Flow from Operating Activities</b>	<b>(818,052)</b>	<b>(891,852)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Maturity in Term Deposits	2,960,325	2,479,264
Repayment of Loans	81,552	41,181
	<b>3,041,877</b>	<b>2,520,445</b>
<i>Cash was applied to:</i>		
Purchase of Property, Plant and Equipment	(100,464)	(93,554)
Purchase of Intangibles	(500,382)	(90,562)
Work in Progress	344,147	(187,197)
Advance of Loans	(498,174)	(225,242)
	<b>(754,873)</b>	<b>(596,555)</b>
<b>Net Cash Flow from Investing Activities</b>	<b>2,287,004</b>	<b>1,923,890</b>
Net Increase in Cash held	1,468,951	1,032,037
Add Opening Cash	2,237,300	1,205,263
<b>Total Cash and Cash Equivalents</b>	<b>3,706,252</b>	<b>2,237,300</b>

*These financial statements are to be read in conjunction with the notes on pages 33 to 51*

NEW ZEALAND THOROUGHBRED RACING INCORPORATED  
**STATEMENT OF CASHFLOWS** CONTINUED  
 FOR THE YEAR ENDED 31 JULY 2016

	31 JULY 2016 \$	31 JULY 2015 \$
<b>Reconciliation of Operating Cash Flow to Net (Deficit)</b>		
Total Deficit for the Year	<b>(1,838,063)</b>	<b>(1,107,175)</b>
<b>Add Non-Cash Items</b>		
Depreciation	94,990	119,249
Amortisation	222,114	146,372
	<b>317,104</b>	<b>265,621</b>
<b>Add Movement in Other Working Capital Items</b>		
Accrued Income	340,033	180,858
Sundry Debtors	(675,565)	(52,785)
Prepayments	144,253	10,355
Sundry Creditors	674,107	(226,725)
Fees in Advance	100,079	37,999
Provision for NZTR Bonus Scheme	120,000	-
	<b>702,907</b>	<b>(50,298)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(818,052)</b>	<b>(891,852)</b>

*These financial statements are to be read in conjunction with the notes on pages 33 to 51*



# Notes to Financial Statements

NEW ZEALAND THOROUGHBRED RACING INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 JULY 2016

## 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 to 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

During the year the activities of the Racing Club Partnership Programme and the Health and Safety Programme become core to NZTR's general operating activities. Prior period disclosure of costs incurred by these programmes were reported under Special Projects. The costs for the year ended 31 July 2016 and prior period comparatives have been reallocated to Salaries and Contractors and Other Department Costs.

There were no other changes in accounting policies.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2016

### NEW STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE

In 2015 the External Reporting Board issued *Disclosure Initiative (Amendments to PBE IPSAS 1), 2015 Omnibus Amendments to PBE Standards, and Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments*. These amendments apply to PBEs with reporting periods beginning on or after 1 January 2016. NZTR will apply these amendments in preparing its 31 July 2017 financial statements. NZTR expects there will be no material effect in applying these amendments.

### 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, 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, with the exception of the Statement of Financial Position balances of receivables and payables, which are GST inclusive.

### SPECIFIC DEFINITIONS

Throughout this report specific language is used to refer to industry activity. To assist the reader of this report, 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 make distributions of funds to Thoroughbred Clubs for prize money and other racing activities.

**TRM:** TRM is the abbreviation of Thoroughbred Racing Magazine.



## 2. FINANCIAL INSTRUMENTS

NZTR's financial instruments are principally debtors, cash and cash equivalents, short term bank investments, loans 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 2016 \$	31 JULY 2015 \$
Cash and Cash Equivalents	2.1	4,655,176	6,146,551
Trade and Sundry Debtors, and Revenue Receivable	2.2	786,395	1,206,153
Code Distribution (NZRB)	2.2	1,258,779	503,489
Club Loans and Advances	2.3	1,805,188	1,388,566
<b>Total Loans and Receivables</b>		<b>8,505,538</b>	<b>9,244,759</b>

At the end of each reporting period and whenever circumstances warrant, Loans and Receivables are assessed for objective evidence of impairment. Impairment has occurred 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 so 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.

NEW ZEALAND THOROUGHBRED RACING INC.

**NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDING 31 JULY 2016

	31 JULY 2016 \$	31 JULY 2015 \$
Operational bank account and cash on hand	268,555	344,478
On Call Accounts	3,437,695	1,892,822
Investments – Term deposits	948,926	3,909,251
<b>Total Cash and cash equivalents</b>	<b>4,655,176</b>	<b>6,146,551</b>

**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 2016 \$	31 JULY 2015 \$
<i>Trade and Sundry Debtors</i>		
Trade Debtors from exchange transactions	177,394	243,918
Trade Debtors from non-exchange transactions	41,704	60,595
Racing Activity Debtors	533,818	528,128
Code Distribution (NZRB)	1,258,779	503,489
<i>Total Trade and Sundry Debtors</i>	<i>2,011,695</i>	<i>1,336,130</i>
<i>Other Revenue Receivable from Exchange Transactions</i>		
Interest Receivable	33,479	69,630
Other Revenue receivable	-	303,882
<i>Total Revenue Receivable from Exchange Transactions</i>	<i>33,479</i>	<i>373,512</i>
<b>Total Trade and Sundry Debtors, and Other Revenue Receivable</b>	<b>2,045,174</b>	<b>1,709,642</b>

**Due date profile**

Not past due	1,870,864	1,350,978
Past due 1 – 30 days	51,855	124,041
Past due 31 – 60 days	27,691	59,527
past due 61	94,764	175,096
	<b>2,045,174</b>	<b>1,709,642</b>

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 2016 of \$19,936 (2015: \$15,040). 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.

**NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDING 31 JULY 2016

**2.3 CLUB LOANS AND ADVANCES**

NZTR has advanced loans as per the table below, 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 2016.

		31 JULY 2016 \$	31 JULY 2015 \$
<i>Short Term Loans and Advances</i>			
	Interest Rate		
Otago Racing Club	OCR + 1%	131,346	-
<b>Total Short Term Loans and Advances</b>		<b>131,346</b>	<b>0</b>
<i>Non-Current Loans and Advances</i>			
RACE INC	BBR + 1%	737,399	622,635
Hawke's Bay Racing Incorporate	OCR + 1%	474,514	465,757
Whangarei Racing Club	OCR + 1%	194,663	186,355
Taupo Racing Club	OCR + 1%	25,000	30,000
Northern Race Day Services	OCR + 1%	162,266	83,819
Central District Starting Gates	OCR + 1%	80,000	-
<b>Total Non-Current Loans and Advances</b>		<b>1,673,842</b>	<b>1,388,566</b>
<b>Total Loans</b>		<b>1,805,188</b>	<b>1,388,566</b>

**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.



## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2016

	31 JULY 2016 \$	31 JULY 2015 \$
<i>Trade and Sundry Payables</i>		
Trade Creditors from Exchange Transactions	3,668,033	2,893,771
Taxes and transfers payable	70,002	127,033
	<u>3,738,035</u>	<u>3,020,804</u>
<i>Other provisions</i>		
NZTR Thoroughbred Bonus Scheme	120,000	-
<i>Employee Entitlements</i>		
Provision for Annual Leave	198,559	264,368
Salaries Payable	105,086	82,402
Total Employee Entitlements	<u>303,645</u>	<u>346,770</u>
<b>Total Other Financial Liabilities</b>	<b><u>4,161,680</u></b>	<b><u>3,367,574</u></b>

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 managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that NZTR effectively achieves its objectives and purpose whilst 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 which 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.

**NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDING 31 JULY 2016

**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**

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 2016 the balances of the loans from the Bank of New Zealand and the NZRB were \$4,776,000 and \$2,614,688 respectively (2015: \$5,286,000, \$2,609,400).

**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 new 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 and TRM subscriptions and other publications are disclosed separately.

**NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDING 31 JULY 2016

**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 supply 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 2016 \$	31 JULY 2015 \$
<b>Revenue from Non-Exchange Transactions</b>		
Fines	138,660	42,717
<b>Total Revenue from Non Exchange Transactions</b>	<b>138,660</b>	<b>42,717</b>

Revenue from fines is recognised when the fine is imposed. This revenue is recorded under Sundry Revenue in the Statement of Comprehensive Revenue and Expense. At NZTR's discretion, fines are applied to the General Trust Fund (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. Personnel 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.



NEW ZEALAND THOROUGHBRED RACING INC.  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDING 31 JULY 2016

**4.1 PROPERTY AND CENTRAL OVERHEADS**

	31 JULY 2016 \$	31 JULY 2015 \$
The expenses included in Property and Central Overheads are:		
ACC Levy	29,456	36,654
Bank Fees	36,494	49,262
Insurance	60,515	36,381
Lease Expenses	7,215	16,552
Printing and Postage	69,346	67,935
Rent and Property Expenses	143,445	87,461
Depreciation	35,491	33,940
Telephone	58,977	42,084
General Expenses	57,492	80,980
<b>Total Property and Central Overheads</b>	<b>498,431</b>	<b>451,249</b>

**4.2 IT INFRASTRUCTURE AND NETWORK COSTS**

	31 JULY 2016 \$	31 JULY 2015 \$
The expenses included in IT Infrastructure and Network Costs are:		
Amortisation	222,113	160,684
Depreciation	35,367	47,928
Maintenance and Network Costs	532,055	388,461
<b>Total IT Infrastructure and Network Costs</b>	<b>789,535</b>	<b>597,073</b>

**4.3 SPECIAL PROJECTS**

	31 JULY 2016 \$	31 JULY 2015 \$
The expenses included in the Board Approved Special Projects are:		
Stakes Payment Alignment	-	30,506
NZTR Strategic Programme	255,975	-
<b>Total Special Projects</b>	<b>255,975</b>	<b>30,506</b>

During the year the Racing Club Partnership Programme and the Health and Safety Programme were moved from special projects into NZTR's core business. The costs associated with these programmes are personnel costs, contractors and travel. Both programmes utilise NZTR employed staff members.

NEW ZEALAND THOROUGHBRED RACING INC.  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDING 31 JULY 2016

**4.4 OTHER DEPARTMENT COSTS**

	31 JULY 2016 \$	31 JULY 2015 \$
The expenses included in Other Department Costs are:		
Animal Welfare	6,921	30,896
DNA Typing and Microchipping	231,354	171,558
Travel including Motor Vehicle Expenses	271,415	228,361
Mobile telephones	39,952	20,033
Freephone Number	8,394	9,808
Appeals and Enquiries	-	2,500
Accommodation	89,117	82,289
Subscriptions	5,715	9,442
Marketing	390,911	529,265
Conferences and Committees	104,151	104,119
Stud Book	4,112	1,458
Depreciation	3,196	21,209
General Expenses	68,066	3,852
<b>Total Other Department Costs</b>	<b>1,223,304</b>	<b>1,214,791</b>

**4.5 SUNDRY COSTS**

	31 JULY 2016 \$	31 JULY 2015 \$
The expenses included in Sundry Costs are:		
Board and Members Council Expenses	103,547	87,970
Board Fees	171,433	172,278
Legal and Professional Fees	275,817	248,842
Audit Fees	28,592	30,159
Bad Debts Expense	19,247	15,040
Raceday Services and Initiatives	530,791	497,534
Raceday Depreciation	20,935	16,173
Annual General Meeting & Club Conference	13,706	22,036
Industry Grants	198,128	173,635
Medical Advisor	21,600	19,200
General Expenses	2,855	6,014
<b>Total Sundry Costs</b>	<b>1,386,651</b>	<b>1,288,881</b>

Audit fees of \$26,500 have been recognised for the audit by Deloitte of NZTR's annual financial statements (2014/15 \$28,659).

Other services performed by Deloitte during the period included the vote verification for the Horse of the Year Awards (2015/16 \$2,500: 2014/15 \$1,500), and advisory services (2015/16 \$7,475: 2014/15 \$3,750).

**NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDING 31 JULY 2016

**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. To share the costs of infrastructure projects, clubs, communities and frequently the Racing Safety Development Fund ("RSDF") co-invest in the supported initiatives.

Approved investment from the RSDF is recognised by the stage of completion of the project. Funding by the RSDF is usually 50% at the commencement of the project and 50% at completion of the project. As at 31 July 2016, 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 from the RSDF and the investment made by NZTR to various venues.

	31 JULY 2016 \$	31 JULY 2015 \$
External funding for Infrastructure Projects was received from the following sources:		
Racing Safety Development Fund	48,964	216,243
	<b>48,964</b>	<b>216,243</b>
Infrastructure costs were incurred on the following projects:		
Earthquake Assessments and Venue Surveys	84,940	26,369
Judicial Towers	165,494	237,218
Overhead Gates & Storage	146,866	71,000
Running Rails	104,519	252,334
Matamata Irrigation System	-	256,000
Otaki Drainage	-	32,883
Otago Drainage	38,873	56,162
Riccarton Drainage	-	98,824
Ascot Park Drainage	6,800	-
Avondale Racecourse Development	1,450	85,894
Awapuni Racecourse Development	34,737	98,555
Pukekohe Racecourse Development	10,860	216,556
Ruakaka Racecourse Development	-	173,127
Te Rapa Racecourse Development	150,000	-
Cambridge Racecourse Development	21,305	-
Synthetic Tracks	-	9,795
Club Loan Agreements (Legal fees)	4,633	24,131
<b>Total Infrastructure Projects</b>	<b>770,477</b>	<b>1,638,848</b>
<b>NET EXPENDITURE TO INFRASTRUCTURE PROJECTS</b>	<b>721,513</b>	<b>1,422,605</b>



## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2016

## 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 2016 \$	31 JULY 2015 \$
Allocation to Infrastructure Projects Reserve	-	315,430
Less Investment expenditure	(721,513)	(1,422,605)
<b>Transfer of Infrastructure Projects Reserve</b>	<b>(721,513)</b>	<b>(1,107,175)</b>

	31 JULY 2016 \$	31 JULY 2015 \$
<b>INFRASTRUCTURE PROJECTS RESERVE</b>		
<b>Opening balance</b>	<b>1,314,652</b>	<b>2,421,827</b>
Transfer of Infrastructure Projects Reserve	(721,513)	(1,107,175)
<b>Closing balance of Infrastructure Projects Reserve</b>	<b>593,139</b>	<b>1,314,652</b>

## 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 31 January 2017.

The following commitments are based on the current lease terms.

	31 JULY 2016 \$	31 JULY 2015 \$
<b>Lease on Premises</b>		
Up to 1 year	120,979	43,840
1 to 5 years	452,200	175,360
5+ years	227,958	147,975
<b>Total Minimum Lease Payments</b>	<b>801,137</b>	<b>367,175</b>

## 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is 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, if any, is recognised in the Statement of Comprehensive Revenue and Expense.

NEW ZEALAND THOROUGHBRED RACING INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2016

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
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
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
<b>Accumulated Depreciation</b>								
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	-	-	-	(4,967)	-	-	-	(4,967)
Balance at 31 July 2016	18,000	457,695	82,756	762,654	126,709	-	3,709,413	5,157,227
<b>Net Book Value</b>								
Balance at 31 July 2015	36,000	56,585	3,195	46,066	55,952	370,395	337,886	906,080
Balance at 31 July 2016	27,000	47,315	-	58,247	70,721	26,248	616,155	845,686

PROPERTY, PLANT AND EQUIPMENT AS AT 31 JULY 2015	BUILDINGS	OFFICE EQUIPMENT	MOTOR VEHICLES	COMPUTER HARDWARE	RACECOURSE EQUIPMENT	WORK IN PROGRESS	INTANGIBLES	31 JULY 2015 TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
Balance at 1 August 2014	-	460,372	82,756	752,179	161,726	183,198	3,733,038	5,373,269
Additions	45,000	26,866	-	21,688	-	-	110,972	204,526
Adjustments (WIP)	-	-	-	-	-	187,197	-	187,197
Disposals	-	-	-	-	-	-	(20,410)	(20,410)
Balance at 31 July 2015	45,000	487,238	82,756	773,867	161,726	370,395	3,823,600	5,744,582
<b>Accumulated Depreciation</b>								
Balance at 1 August 2014	-	406,134	58,352	679,453	89,601	-	3,339,343	4,572,883
Depreciation expense for the year	9,000	24,519	21,209	48,348	16,173	-	160,684	279,933
Disposals	-	-	-	-	-	-	(14,313)	(14,313)
Balance at 31 July 2015	9,000	430,653	79,561	727,801	105,774	-	3,485,714	4,838,503
<b>Net Book Value</b>								
Balance at 1 August 2014	-	54,238	24,404	72,726	72,125	183,198	393,695	800,385
Balance at 31 July 2015	36,000	56,585	3,195	46,066	55,952	370,395	337,886	906,080



## 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 ownerships, breeding or training. All members of the NZTR 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, and
- General Manager, Finance and IT.

The positions held by the Company Secretary / General Counsel, and General Manager Finance and IT are additional members of the Executive team commencing in their positions part way through the financial year.

The salaries and other short-term employee benefits include the salaries received and accrued for all employees of the Executive Team.

As at 31 July 2016, the NZTR Board comprised of five members (2015: 6 members).

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

	31 JULY 2016 \$	31 JULY 2015 \$
Board Member's fees	171,433	172,278
Salaries and other short-term employee benefits	912,205	790,164
<b>Total Board Members and Key Management Personnel</b>	<b>1,083,638</b>	<b>962,442</b>

### 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 operating expenses of the RIU 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 entities:

#### 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 Jockey's 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 the 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 also 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

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 also charges to NZTR associated industry operating costs such as: telephone, IT, property costs, broadcast services and venue services. The NZRB calculates interest on the Distribution Account, which is either payable to or receivable by NZTR on a monthly basis.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2016

## SUMMARY OF RELATED PARTY TRANSACTIONS

	31 JULY 2016 \$	31 JULY 2015 \$
General Trust Fund Contribution	35,825	(5,336)
NZRB Code Distributions less Club Product Payments and Subsidies	806,943	2,486,549
NZ Equine Education Trust	12,027	-
<b>Related parties revenue or expense</b>	<b>854,795</b>	<b>2,481,213</b>
NZTR Loans and Advances to Thoroughbred Racing Clubs	1,805,188	1,388,566
<b>Total Other Related Parties</b>	<b>2,659,983</b>	<b>3,869,779</b>

## 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, Employer's Liability and Association's 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 2016 \$	31 JULY 2015 \$
Annual leave	198,559	264,368
Accrued remuneration and entitlements	105,086	82,402
<b>Total Other Related Parties</b>	<b>303,645</b>	<b>346,770</b>

**NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDING 31 JULY 2016

**11. CONTINGENT LIABILITIES****11.1 INFRASTRUCTURE RESERVE CONTRACTUAL AGREEMENTS**

Further contractual agreements have been entered into during the financial year, which will be funded from the Infrastructure Projects Reserve.

	OPENING COMMITMENTS 31 JULY 2015 \$	COMPLETED WORK OR CANCELLED PROJECTS 31 JULY 2015 \$	CLOSING COMMITMENTS 31 JULY 2016 \$
Auckland Racing Club – Ellerslie Irrigation System	110,260	-	110,260
Avondale Jockey Club Redevelopment	50,000	(50,000)	-
Awapuni Alternate Bend and Drainage	105,138	(105,138)	-
Judicial Towers at various venues	97,250	(97,250)	-
Northern Race Day Services Bay Tow Truck	93,000	(93,000)	-
Overhead Starting Gates and Storage Sheds at various venues	347,730	(347,730)	-
Plastic Running Rails	51,400	(51,400)	-
Training & Trial Track Redevelopment at various venues	280,746	(280,746)	-
Vertidrain Machine – Otago/Southland	10,000	(10,000)	-
<b>Total Committed Expenditure</b>	<b>1,145,524</b>	<b>(1,035,264)</b>	<b>110,260</b>

The contractual agreements entered into with committed undistributed funding in 2015/16 is \$110,260 (2014/15 \$1,145,524).

The drawdown from the Infrastructure Reserve arising from these contractual agreements are dependent on the completion of specified conditions included in the grant/loan agreements and may vary depending on satisfaction of such conditions.

Whilst at balance date only one contractual agreement was in place a number of projects were being scoped.

**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. NZTR assesses at the end of each reporting period 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 2016 the balances of the two loans were \$4,776,000 and \$2,614,688 respectively (2015: \$5,286,000, \$2,609,400). 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.



NEW ZEALAND THOROUGHBRED RACING INC.

**NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDING 31 JULY 2016

**12. CAPITAL COMMITMENTS**

There are no capital commitments that will materially affect the Financial Statements (2015: NIL)

**13. SUBSEQUENT EVENTS**

Subsequent to reporting date, the NZRB acknowledged an above base code distribution of \$801,118.00. This amount has been recognised through the Statement of Comprehensive Revenue and Expense and included in the in the line NZRB Code Distribution.

# Acknowledgements

***The Board and Management wish to record their appreciation of the co-operation and assistance they have received during the 2015-16 season from the following people and organisations:***

The Honourable Nathan Guy MP, Minister for Racing

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The office of The Minister for Racing

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The New Zealand Racing Board

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Harness Racing New Zealand

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Greyhound Racing New Zealand

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Department of Internal Affairs

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The Judicial Control Authority

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Accident Compensation Corporation

---

Equine Branch, New Zealand Veterinary Association

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Environmental Science and Research Ltd

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Massey Foundation

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Massey University

---

New Zealand Breeders' Association

---

New Zealand Equine Health Association

---

New Zealand Equine Research Foundation

---

New Zealand Jockeys' Association

---

New Zealand Jumps Inc.

---

New Zealand Police

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New Zealand Qualifications Authority

---

New Zealand Racing Laboratory Services Ltd

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New Zealand Salvation Army

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New Zealand Thoroughbred Breeders' Association

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New Zealand Thoroughbred Marketing Ltd

---

New Zealand Thoroughbred Racehorse Owners' Federation

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New Zealand Trainers' Association

---

Primary Industry Training Organisation

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Racing Club Committees, Managers and Staff

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Racing Integrity Unit

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Racing Journalists and Broadcasters

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Tertiary Education Commission

---

WorkSafe New Zealand

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***NZTR Annual Report photos:***

***NZTR, Race Images (PN) Ltd, Sprout Media Ltd***

[www.nzracing.co.nz](http://www.nzracing.co.nz)

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NEW ZEALAND  
THOROUGHBRED **RACING**



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