



INSIDE RUNNING

APRIL 2014

MESSAGE FROM CHRIS



Chris Bayliss, Chief Executive

Welcome to the New Zealand Racing Board's second quarterly newsletter.

What an excellent summer of racing it has been. The past few months have been extremely active for all involved in the racing industry and I've been lucky enough to experience the best of premium summer racing, most recently at Auckland

Cup Week. I've enjoyed meeting and speaking with a number of industry participants at race meetings and yearling sales as I'm always interested in hearing your perspectives on industry strategy and the operations of the New Zealand Racing Board.

In my last column I outlined the New Zealand Racing Board's strategic goals and in that vein I hope you saw some of the media coverage of our interim result, which we announced last week. Overall we reported a solid performance, with half yearly results showing turnover of \$1,054.0 million, up 2 per cent from last year. A first-half highlight for me has been our domestic growth, with turnover from New Zealand based customers up by over 4% in the last six months. It's encouraging to see our messages and products are reaching more Kiwis with growth at its highest point in the last six years.

Anchoring this recent growth is our enhanced digital offering, which I hope you've seen on tab.co.nz. As part of our strategy to digitise the business, we introduced Watch&Bet Racing in December to great fanfare. Last week we added a second channel to this service, being TAB TV, and the ability for our customers to place multiple leg bet types while viewing Watch&Bet Racing. These developments are coming at time when broadband uptake is soaring across New Zealand, and we're very pleased to be able to take advantage of that. I'm also excited to advise that we will be launching a mobile app this year – a much overdue channel for our customers.

Although our underlying business is performing well, the first six months of this year have been challenging. As a business that relies on export of our racing product, we have felt the impact of the Kiwi dollar appreciating against the Aussie dollar by up to 17%. We also continue to feel the impact of the closure of our prime gaming site in Courtenay Place, Wellington. As these headwinds are expected to continue in the second half of the year, we are preparing ourselves for an equally challenging six months ahead. I felt that the recent Dominion Post article 'TAB core numbers display promise' gave an excellent summary of our current position. If you missed it you can [read it here](#).

We will continue to lay the foundations for the transformation of our industry, and results from key initiatives launched over the past year are already proving that they will help build a sustainable future and reverse the trends we are all feeling.

I regularly receive comment that the racing industry is not well-represented through the general media, so it was refreshing to see a number of 'good news' stories circulating over the summer, not just around Triple Trio and our interim result, but in regards to some special people. Congratulations to Sir Peter Vela, Karyn Fenton-Ellis MNZM and Donald McLaren CNZM for receiving citations in the New Year's honours' lists. The industry abounds with unsung heroes so it is pleasing when our members receive public recognition. It's the dedication of these people that make the racing industry strong.

I would also like to acknowledge the retirement of an equine hero. The announcement by Sir Patrick Hogan of Zabeel's retirement from stud duties, and the sale of the last Zabeel yearling at auction, marked milestones not only for Cambridge Stud but also the immensely successful Sir Tristram bloodline.

All the best for a great Autumn 2014 calendar. I welcome any feedback, further thoughts or questions. Please speak to me in person if you see me at an industry event or contact me via insiderunning@nzracingboard.co.nz.

Regards,

Chris

BROADCASTING FOR THE FUTURE

As part of the NZ Racing Board's broadcasting strategy, we will be introducing exciting changes to Trackside and TAB TV throughout this year. The changes will reduce duplication across the channels and allow us to broadcast new and improved racing content including magazine-style features, extended pre and post-race coverage for feature events and additional races which are not currently shown on television.



To enable these changes, Trackside will be moved off Freeview broadcast and be exclusively on SKY from 14 April 2014. TAB customers have been advised of the change and those who are not already SKY subscribers are being offered a special package with SKY which will provide them with free-to-air channels and both TAB channels, with no installation fee or monthly fees for the remainder of 2014.

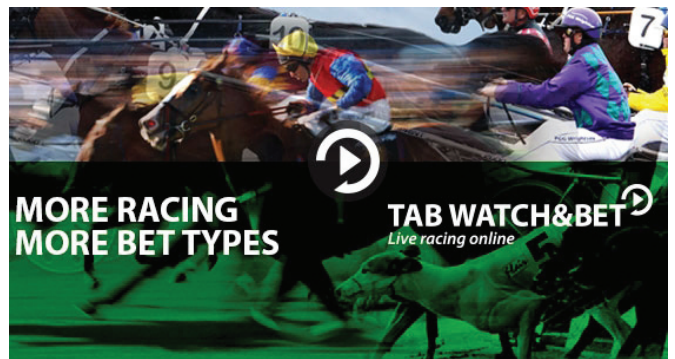
Since January, over 4,500 TAB customers have already taken up this offer, which is available until 30 November 2014.

With the improved dual channel content on the way, we need to ensure our customers can view both channels while they are in a TAB retail site or on-course. A new fit-out is currently being rolled out which will mean all retail and on-course sites will have at least two flat screens, providing coverage of both channels. The cost of the screens and their installation is being covered by the NZ Racing Board, as part of our investment in the retail and on-course environment. As at the end of March, approximately 60 retail sites will have already been fitted out, with the remainder due to be completed by August 2014.

WATCH&BET RACING HUGELY POPULAR

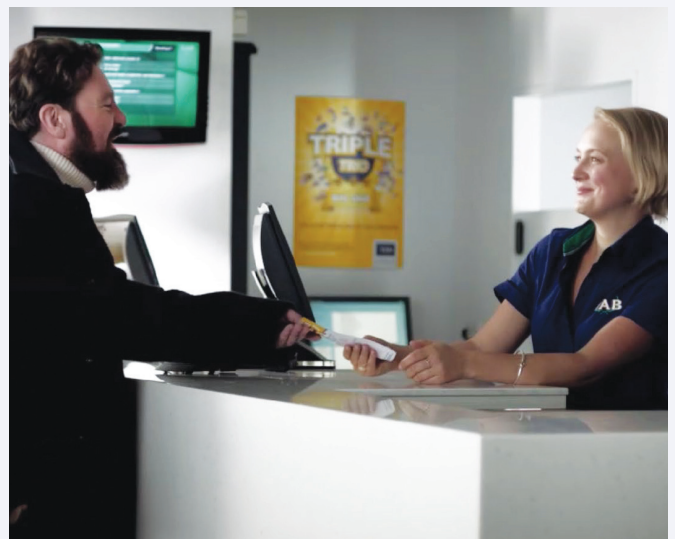
As part of the wider broadcasting plans we're also expanding our online Watch&Bet Racing service.

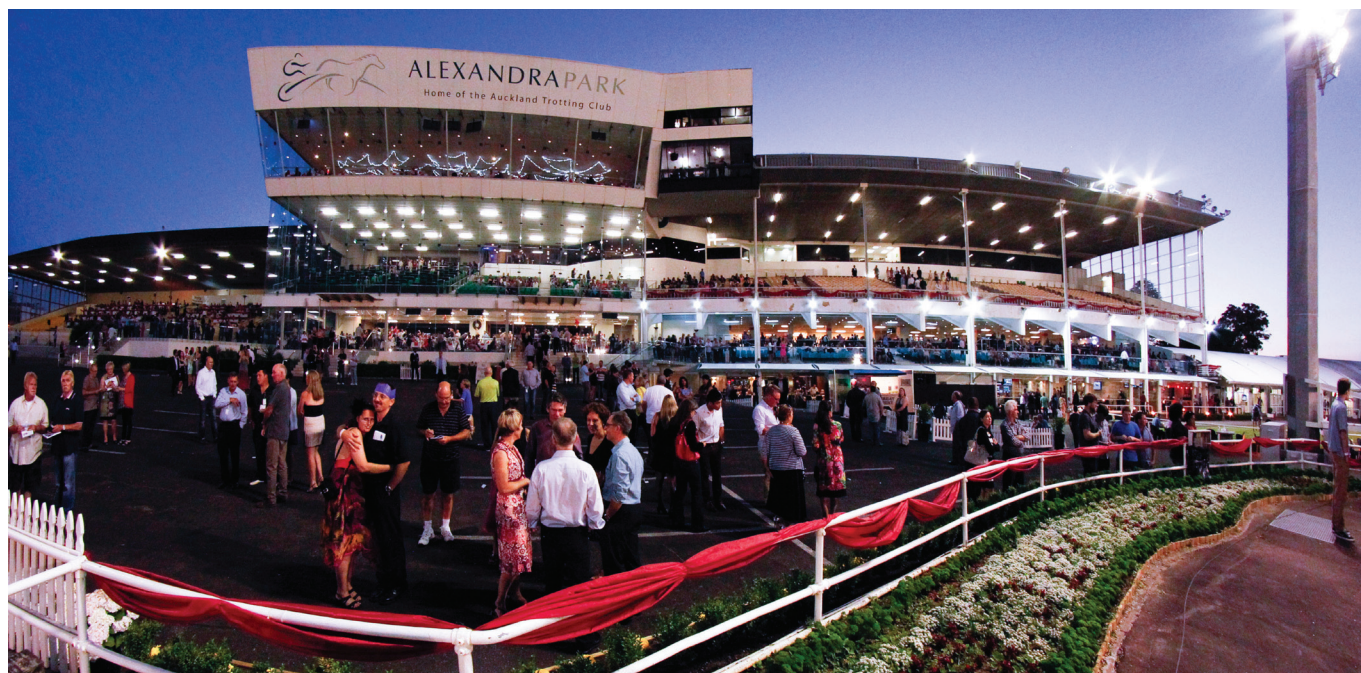
By 14 April we'll be live streaming both Trackside and TAB TV online at tab.co.nz, as well as offering betting on multi leg products on Watch&Bet Racing. Since we launched Watch&Bet Racing just before Christmas, we've seen a positive uptake in usage and have received some fantastic feedback. Keep an eye on this space as we'll be rolling out more features and improvements throughout the year.



TRIPLE TRIO HALO EFFECT

Triple Trio has been an exciting addition as our premium Summer racing product; we've grabbed the attention of the New Zealand public and had excellent media coverage through stories like the Len Glassford win. One of the additional benefits of Triple Trio has been the 'halo effect' that having an exciting new product in the market has brought to our brand. More people than ever are talking about the TAB and we've noticed increased sales in our other products.





EVENT MARKETING AND LOGISTICS

In February the NZ Racing Board's Events Marketing and Logistics team drew the curtains on their biggest summer racing season yet. Headed by Janice Hill, the team assisted Clubs managing and implementing nearly 100 franchise events around the country, across all three codes.

Partnered with a tremendous effort from participating Clubs, progress is being made towards growing market share, increasing attendance, pre-sales and Club profitability.

Christmas at the Races (November – 24 December)

- Over 116,000 people attended 54 events nationwide
- Over 17,000 (15%) had never attended a race meeting before in their life
- Over 42,000 people were booked into hospitality packages, a near 20% increase

With an increase in the number of events, on-course turnover for CATR events reached \$5,883,901 in 2013 compared with \$5,390,953 in 2012, an almost 10% increase which is a great result.

Interislander Summer Festival (Boxing Day – 8 February)

- Over 100,000 people attended 39 events nationwide
- Over 80% of ISF race-goers say they will definitely attend again
- The Kids Go Racing area entertained over 10,000 kids this season

On-course turnover for the ISF events reached \$5,007,965 a slight downturn on \$5,278,614 from 2012/13, due to a large number of weather-affected events.

Having completed the 2013/14 season debrief, the team are now undergoing extensive planning for the upcoming year. This has kicked off with a Christmas at the Races workshop which was attended by over 45 Club and Code representatives at Te Papa Museum. The theme for the workshop was 'Transformation through Innovation and Customer Focus' and covered topics such as food, customer service and event development.

The workshops, which are held for both CATR and ISF, are an important touch point and help to foster collaboration and drive innovation for the brands.

Many of the topics and skills covered at workshops are also transferable across the Club's non-branded events.

The EML team are willing to help with marketing or event planning that Clubs may be considering. If interested, please make contact with:

North Island Clubs: Eve Whyte
027 839 6618 or Eve.Whyte@nzhorse.com

South Island Clubs: Tony Russell
027 432 6522 or Tony.Russell@nzhorse.com

National: Janice Hill
027 272 4734 or Janice.Hill@nzhorse.com

AUDIT REQUIREMENT UPDATE

As described in the Racing Act, racing clubs are required to provide to the NZ Racing Board audited financial statements. A number of clubs have made enquiry to the NZ Racing Board as to whether an Annual Financial Review of their club's annual financial statements could be provided rather than the club needing to commission a full audit. The NZ Racing Board recognises that for smaller racing clubs the cost of a full audit comprises a relatively large expense.

We made enquiry to the Department of Internal Affairs (DIA) to ascertain whether an Annual Financial Review might suffice under a limited set of circumstances. The Department advised that the Racing Act 2003 is clear on the need for club financials to be audited, therefore precluding any leeway for undertaking of Reviews.

The NZ Racing Board acknowledges this advice and therefore advises Clubs, that all Club Annual Financial Statements are required to be audited as stipulated in the Racing Act.

LEGISLATION CHANGES TO KEEP AN EYE ON

The racing industry is large with diverse cultural, commercial and community activities – therefore it often falls within the scope of legislative change. In collaboration with the racing Codes, the NZ Racing Board maintains a watching brief and will make submissions to the Government on behalf of the racing industry where appropriate and necessary. When legislation is due to be enacted, we also aim to advise to ensure awareness of any changes that impact on industry activities or participants. The racing Codes will provide more detailed advice to respective participants when there is greater certainty of detail, but at this stage it may be helpful that Clubs and industry bodies are aware of the following developments in legislation change:

Building (Earthquake-prone Buildings) Amendment Bill (Ministry of Business, Innovation, and Employment). This Bill is intended to introduce a revised system for managing earthquake-prone buildings that strikes a balance between protecting people from harm in an earthquake and managing the costs of strengthening or removing buildings. This legislation is likely to have implications for racing Clubs that have grandstands or other buildings that are assessed as earthquake prone, and therefore requiring strengthening to meet proposed requirements.

Health and Safety Reform Bill (Ministry of Business, Innovation, and Employment). This Bill is the first major upgrade to Health & Safety legislation in NZ over the past 20 years and is likely to include provisions that increase enforceability and penalties on individuals (including managers and racing Club Committee members) who are found to have failed to comply with a duty of care to maintain safe environments for staff, contractors or public.

Incorporated Societies Act. The Law Commission is leading a review of the Incorporated Societies Act 1908 and has recommended to the Government a number of recommendations that will modernise legislation, ensure good governance principles and better manage disputes. Once this updated legislation is eventually passed into law it is anticipated that all racing Clubs would need to review their Constitution and practices to ensure compliance.

Animal Welfare Amendment Bill (Ministry for Primary Industries). This Bill passed its first reading in Parliament last August. The Government states that this Bill also aims to further strengthen New Zealand's animal welfare system. The intended animal welfare legislation will enable more enforceable, clear and transparent regulations. These new regulations will be developed after the Bill has been passed, and will be publicly consulted on.

DIARY REMINDERS

The Draft 2014/15 Racing Calendar was distributed to racing clubs and recognised industry organisations on 17 March for review and comment. If your club or organisation wishes to comment on the draft calendar, please forward a written submission by 4pm on Thursday 17 April 2014.

INSIDE RUNNING DISTRIBUTION

- Inside Running is emailed to Codes, Clubs, and other recognised industry bodies, along with other industry partners.
- This may be freely circulated to respective committees, members or other interested persons.
- A copy will also be placed on the NZ Racing Board website (www.nzrb.co.nz).
- If you wish to be added to the initial circulation list, please provide your email address to insiderunning@nzsrb.co.nz

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