



ANNUAL REPORT **2018-19**

“Harnessing excitement, service, integrity and prosperity for our stakeholders and customers





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CHAIR AND CHIEF EXECUTIVE'S

REPORT

INTRODUCTION

The three racing codes in New Zealand continue to face headwinds as competition for consumers' discretionary spend both increases and evolves. Punters have endless options available to them in an environment where borders have become meaningless and as a result the TAB is no longer their sole option.

The Messara report was released in August 2018 and while focussed on improving returns to the thoroughbred code, the recommendations and underlying message have far-reaching implications for harness racing in New Zealand. We all agree that sustainably increasing returns to all sectors of the industry is vital if we are to give our participants the confidence to continue to invest in key areas such as breeding, owning and upgrading facilities. We know that racing struggles to be as relevant in society as it once was and this is true for most sports where participation rates are falling, and there is a common lament about the inability to attract younger people both as participants and supporters.

There is no escaping from the fact that we must be prepared to grasp the nettle and in some cases move away from our traditional approach if we are to deliver the meaningful change that is required to improve turnover and gross betting revenue. This will no doubt result in some angst for some in our industry, however we must have the courage to show the leadership required, and importantly not take the path of least resistance in an effort to appease the small, but vocal, sectors of our sport who are resistant to change.

2018/19 KEY INDUSTRY RESULTS

On pages 24 and 25 are the key industry statistics for the 2018/19 year. While there are a number of positives, we cannot escape from the fact that the industry continues to face challenges in terms of turnover and gross betting revenue. It is difficult to understand this continuing trend, particularly given that some of the statistics that are usually related to these metrics are trending in the right direction.

There were 261 race meetings run in 2018/19, compared to 257 and 258 in the 2017/18 and 2016/17 seasons respectively. In terms of totalisator races there were 2,469 run vs 2,481 in the prior year. Pleasingly, average field size increased slightly to 10.8 – this was the highest average field size since 2010/11.

In 2018/19 we achieved the highest ever average starts per horse at 9.5. This compares with 9.2 in the three prior seasons. With breeding numbers continuing to decline we will need to improve the utilisation of the horse pool and move closer to the Australian average of 12.5.

Total stakes paid were up to \$34.14m against \$33.55m in 2017/18 and \$30.3m in 2016/17. Average net stakes increased 2.85% to \$13,528, which compares more than favourably with Australia, where our local industry is so often compared against. While it is pleasing to see an increase in races starting on time from 66% to 69% this statistic must continue to improve to ensure our racing gets coverage on the Sky Channels in Australia. With the amount of racing they are broadcasting, they are ruthless in moving on if we are not starting on time.



2,811 horses started in New Zealand last season. Of these, 49% won at least one race, up from 41.3% in the 2011/12 season. In terms of stake money won, 36.6% won \$10,000 or more; just three seasons ago this figure was 25.5%.

While we don't maintain statistics related to coverage in mainstream media, it has been very pleasing to see the amount of articles that have appeared on the main television channels. This activity has been driven by the HRNZ marketing and communications team and I congratulate them for their proactive approach in gaining this all important positive exposure for our sport.

INDUSTRY FUNDING

Section 16(3) of the Racing Act requires industry funding to be distributed to the racing codes by the Racing Industry Transition Agency (RITA), formerly the New Zealand Racing Board (NZRB), in the same proportions to which the codes contributed to the New Zealand turnover of RITA for that racing season. To summarise, funding should be distributed based on each code's domestic turnover market share, unless two of the three codes agree otherwise. Since 2003, this model has not been strictly adhered to with variations agreed amongst the codes each year. These variations have not materially detracted from the general principles of section 16.

As a result of the Messara report, RITA has commissioned a report from Grant Thornton to review Section 16 and

recommend options for a new distribution model. HRNZ has made our position clear in terms of fairness of any new model and the need to ensure the flexibility our code has shown in opening up the calendar for the introduction of racing from other jurisdictions (particularly Australia) is taken into account. Our focus has been and continues to be on overall industry profitability, which is in the interest of all three codes.

There is an expectation that new funding will be available to the codes at some stage during the 2019/20 season through the reduction (and eventual abolition) of the totalisator betting levy, the introduction of a Betting Information Use Charge (formerly known as Race Fields) and a Point of Consumption Charge. These are welcome initiatives and we acknowledge the role that the Minister for Racing, Winston Peters, has played in creating a more even playing field for the codes in New Zealand.

A key principle the codes have agreed on in recent years in funding allocations, is that no code should receive less than the amount they received in the previous period. HRNZ is supportive of this principle, as any reduction is a negative factor that would severely compromise industry confidence within that code. HRNZ is supportive of locking in funding at existing levels to give certainty to each code going forward. Any increases in funding could then be distributed based on a new model that is agreed by RITA and the codes.



CLUB FUNDING & DISTRIBUTION ACCOUNT

For the first time all clubs were bulk funded for the 2018/19 season. This funding was largely premised on turnover performance in the prior two seasons. Looking forward the intent is to take a similar approach on 2019/20, and then look to create a new funding philosophy and distribution formula from 2020/21 onwards. Clubs will be invited to have input into this process.

The distribution account was projected to be at \$553,000 at season's end however due to a number of factors the actual number was \$195,368. When the board has set club funding over the past few seasons, they have done so with an expectation of increased distributions becoming available from RITA (based on their projections in the Statement of Intent). With these forecast increases looking unlikely to be realised, and the distribution account reserves largely exhausted, the board will take a cautious and prudent approach to club funding until the new revenue streams that are on the horizon are actually realised.

2019/20 DATES CALENDAR

The dates calendar for 2019/20 has been developed on a consistent basis with the previous year. Refinements have been made, where considered appropriate, consistent with RITA's principles of optimising the calendar and

overall industry profitability. The calendar has 260 licences, compared to the 261 which actually ran in 2018/19. In determining the dates for the season, the Dates Sub-Committee reviews the calendar on a regional basis – aiming to get the best mix and maximum racing possible within a region. It was pleasing to be able to maintain field sizes last year and this will again be a focus as we look to balance maximising the opportunity for racing and market share against an overall decline in horse numbers.

As we look towards framing dates in the future we need to take into account the reduction in availability of OB vans, which has had an unfavourable impact on the cost of servicing some regional venues. This will inevitably result in some changes of venue that some clubs will be uncomfortable with, however for the good of the industry we must take cost into account when allocating dates and venues.

HRNZ BUSINESS PLAN

A copy of HRNZ's draft business plan for 2019/20 is available on www.hrnz.co.nz. The key focus of the plan is to improve returns to industry stakeholders on a sustainable basis. The six strategic imperatives outlined in the plan are:

- Industry Development (Maximise profitability and sustainable distributions to the industry)

- Racing (Provide a competitive and appealing wagering product that drives improved gross betting revenue)
- Animal Welfare (Our health and animal welfare programme encourages practices that reflect that care of the horse is paramount)
- Funding (The club funding policy encourages growth and rewards performance)
- Clubs and Venues (Promote increased regional collaboration and develop a long term vision for a future harness venue footprint in New Zealand)
- Promotion of Racing (Create a new audience for harness racing - relevance, reach and resonance)

ANIMAL WELFARE

The health and welfare of our Standardbred horses is an important area of focus for HRNZ, and good progress has been made over the last 12 months in a number of areas. The ability to maintain our social licence in the eyes of the public, and to align with international requirements is paramount. The Messara report requires robust processes to establish traceability from birth and rehoming of the herd, as the foundation stone of the industry's ongoing animal welfare programme. HRNZ is in the process of introducing improvements regarding both traceability and retirement options for our horses when they leave the industry, along with reviewing international requirements relating to a number of areas including breeding and use of the whip.

New horse registration and naming regulations will be introduced shortly after the 2019 AGM, which require horses to be registered (allowing un-named horses) earlier; from 1 March in the season in which the foal is born, starting in 2020. In addition, these regulations tighten up notification requirements when a horse is no longer racing or breeding. Our IT processes are being developed to allow the update of horse movements and racing, breeding or retirement status by owners and trainers to be easier. In addition, microchipping will be introduced from 1 August 2020, with freeze branding being phased out by 31 July 2022. HRNZ considers that the replacement of freeze branding by microchipping, is a positive step in both horse identification and the desirability of our horses when they retire from racing.

FUTURE VENUE PLAN

The Messara report identified the need to consolidate the number of venues where racing is held. This is in the interests of reducing cost and the amount of investment that is required in infrastructure. In 2018/19, 40 clubs raced at 34 venues. Few would argue that 34 venues are required for harness racing in New Zealand, however we are conscious that a transparent process is required as we work with clubs

to rationalise venues over time. A key determinant of this must be based on where the horse population is situated. HRNZ has no desire to see less clubs racing; this issue is related to venues. While we have seen NZTR take an assertive approach to venue consolidation, we are happy to take a consultative approach with clubs before determining our position.

GOVERNANCE

At the annual conference in 2018 it was proposed that HRNZ should move to a new governance model. This coincided with recommendation 3 of the Messara report, which advocates for best practice governance at both code and club level.

At a Special General Meeting in June, the clubs and kindred bodies voted overwhelmingly in favour of moving to a model that reduced the number of directors from 11 to 8. The make-up of the new board will be four directors elected by the clubs, one direct appointment each from the New Zealand Metropolitan Trotting Club and the Auckland Trotting Club, and two independent directors (to be appointed by a sub-committee of a representative each from RITA and HRNZ, along with a specialist governance recruiter).

The current directors will all step down at the Annual General Meeting, with the new board in place immediately after this.

We thank the current directors for their service to HRNZ and for having the foresight and vision to embrace the changes outlined above.

HANDICAPPING

2018/19 was the second full season with the points-based rating system in place. The rating system did what it is designed to do in maintaining field sizes and providing for even and competitive racing. We have also continued to see a decline in under \$2.00 and \$1.50 favourites.

There is a wide range of views regarding the handicapping/rating system and we understand that whatever system we have in place will have its critics. The Handicapping Sub-Committee, chaired by Rob Lawson, continues to work with industry stakeholders to refine and improve the system. Changes to the rating system during the past season based on feedback from licence holders and other industry stakeholders include: a flattening of the points matrix; a trial to remove discretion from the handicappers and enhanced concessions for age group horses.

It is interesting to note that Australia has moved to a points-based rating system that has many similarities to the New Zealand system. The rationale for this change was similar to ours in the sense of creating more even betting races and an overall more competitive racing environment.

HRNZ TEAM

We thank all of the hard working team at HRNZ, many of whom have given many years of loyal service to the organisation. A core belief at HRNZ is that 'we are there for the industry' and the team exemplify this approach every day with their attitude and willingness to be flexible and adaptable. In a small organisation, with limited resources, it is imperative that the team are resourceful and outcome-focussed and this is exactly what they are.

A special thanks to Liz Bishop who led the business so ably between Edward Rennell completing his term as Chief Executive in December and Peter Jensen starting in mid-February.

OBITUARIES

Our thoughts are with the families and friends of those harness participants who we lost during the season. Those people all made a significant contribution, in their own way, to the sport we love and we acknowledge and thank them for what they have given to harness racing.

ACKNOWLEDGEMENTS

After giving more than 21 years service as Chief Executive, Edward Rennell resigned and completed his time with HRNZ in December 2018. Edward can look back with pride on the contribution he has made to harness racing and we thank him for all he has done for the sport. We wish him well in his future endeavours and know that his many friends in the industry will do the same.

We would also like to acknowledge the contribution to HRNZ of Victor Rolton, who retired at the end of the season. Victor spent more than 37 years with HRNZ, making a significant contribution to the industry-leading IT services we now offer. In recent years Victor's focus has been on digitising historical records, to which he has brought the same level of commitment and attention to detail that has marked his contribution to the industry.

Without the many people who make their living from our industry and the many more volunteers who give so much service to our clubs we would not have an industry. Thank you to everyone for your long hours and your commitment to harness racing. We appreciate the support and co-operation received from the large majority of those in the industry over the past 12 months. We all share a passion for the industry and want to see the industry progress; we do of course sometimes differ on the right mechanisms for achieving this, however by working together in a positive and collaborative way we give ourselves a better chance of succeeding.

The relationships with our tri-code partners are on a sound footing and we thank them for the many constructive conversations held over the past year, particularly in regard to the Messara report.

Thanks to John Allen and his team at RITA. They continue to be supportive of all codes as we work together to improve results and to grow distributions to the industry.

The Minister for Racing is determined to deliver a better future for the racing codes and we acknowledge his efforts in looking to bring sustainable systemic changes to an industry that so desperately needs it. We are confident that under his stewardship, growing returns to industry stakeholders is an achievable goal.

HRNZ has a very close relationship with our friends at Harness Racing Australia and over time we are becoming more aligned with rules and regulations, which can only be beneficial for both jurisdictions. We thank the team at HRA for the open way in which they share ideas and information.

We believe there can be a positive future for harness racing in New Zealand; to achieve this we all need to be prepared to embrace change and to see the bigger picture beyond our horses, stables, club or region. It has never been more important for the industry to work collaboratively in the interests of creating the sort of returns that will see harness racing remain viable and relevant for; 4,000 people employed in the industry, 9,000 owners, 5,000 volunteers, 750 trainers and 2,100 breeders.



Chairman
Ken Spicer



Chief Executive
Peter Jensen

BOARD MEMBERS



KEN SPICER (CHAIRMAN)

Ken Spicer (South Island Club nominee), is the South Island Regional Manager for timber manufacturing company Nelson Pine Industries Ltd.

He was appointed to the HRNZ Board in 2010. Ken and his wife Anne-Marie race horses and operate Rosedale Farm, an agistment and breeding farm at Ladbroke on the outskirts of Christchurch.

Ken has had more than 30 years involvement in racing administration and is a Past President of the Banks Peninsula Trotting Club and is still an active committee member of that club. Ken is also a member of the Canterbury Branch of New Zealand Standardbred Breeders Association.

He was elected Chairman by the Board for the 2017/18 season after completing his first term as Chairman the previous season. Ken is on the Awards Sub-Committee.



BRIAN WASTNEY (VICE-CHAIRMAN)

Brian has been involved in the industry since the mid 1970s, as owner, breeder and licenced trainer. Brian, originally from Nelson, served there as both a Committee member and Chairman. Having shifted to Marlborough, he has been involved with the Marlborough Harness Racing Club for the past ten years and is currently Chairman. Brian's business background is in the concrete industry, having formed and built up a successful company in Nelson, expanding in 2001 with a precast business in Marlborough, the two companies employing 38 staff.

Having sold both businesses he is now managing the precast company for the new owners. Brian chairs the Group Races and Health and Animal Welfare Sub-Committees, and sits on the IP & Strategy Sub-Committee.



COLIN HAIR (FINANCE CHAIR)

Colin came onto HRNZ's Board in 2008 as the New Zealand Standardbred Breeders nominee. He has been a breeder and owner for the past 25 years focusing on trotters.

Colin has held senior financial positions in a number of large public companies. He is currently a Director of a number of private companies, and is treasurer of New Zealand Standardbred Breeders and Canterbury Standardbred Breeders.

Colin remains Finance Chair and Chair of the Audit and Finance Sub-Committee. He also sits on the Group Races and Breeders' Liaison Sub-Committees.



TREVOR BEATON QSM

Trevor Beaton QSM was appointed to the board to represent all owners as from November 2016. His positions of leadership in education, governance roles and involvements as an owner, breeder and yearling sales vendor since 1973, provide a comprehensive background enabling him to contribute in informed ways.

Trevor has the following harness related memberships: Life member of Hororata Trotting Club and New Zealand Metropolitan Trotting Club. Member of Banks Peninsula Trotting Club, Ashburton Trotting Club, Canterbury Trotting Owners Association Inc and Canterbury Branch of New Zealand Standardbred Breeders Association.

Trevor is eager to promote due recognition of owners in all relevant decision making and innovations.

He chairs the Owners Sub-Committee and is on the Breeders' Liaison, Rules and Regulations, Youth Council, and Awards Sub-Committees.



ALLAN BROWN

Allan has had a long involvement in harness racing. Until last season he has held a licence and trials driver licence, since 1986. He has also been an owner and breeder for a similar period.

He has had a lengthy connection with the Manawatu Club, is a life member and is the immediate past President, having held the President's position for 8 years up to 2016.

Allan has an employment history in banking and agriculture. More recently he had held key management roles in provincial racing (8 years) and rugby (8 years).

He brings experience in sports and racing marketing and management to the Board. Allan currently chairs the Dates Sub-Committee, as well as serving on the Handicapping Sub-Committee.



BRUCE CARTER

Bruce became Auckland Trotting Club (ATC) Appointee to the HRNZ Board. He is the current President of the Club and brings professional knowledge as a board member of the ATC.

Bruce races and breeds horses and is passionate about the progress of the harness racing industry.

Previously he was president of the North Island Standardbred Breeders Association.

He chairs the IP & Strategic Sub-Committee, sits on the Audit & Finance, and Breeders' Liaison Sub-Committees.



JOHN COULAM

John came on the board as a North Island representative in August 2016.

Having spent the last 30 years as a school principal, John is currently working in the education sector as a school support manager for a network of 33 Schools. Passionate about the harness industry, John has part owned and raced over 50 horses since 1978.

He is a director of Cambridge Raceway and a member of the Waikato Bay Of Plenty Harness Racing committee, having previously served five years as its President. In his spare time John is workouts coordinator at Cambridge on a Saturday.

John chairs the HRNZ Youth Council, and sits on the Audit and Finance Sub-Committee.



JOHN GRAINGER

John is the appointee for the NZ Metropolitan Trotting Club and has been involved in breeding and ownership since the early 1990's.

John joined the committee at Addington in 2008, and became a Director of the NZ Metropolitan Trotting Club in 2011, also serving three years on the Board of the joint venture property company as well.

John's business background is in the wool industry having been a Director of the International Wool Secretariat as well as Managing Director of Wools of New Zealand.

Today, John owns and operates a rug company exporting wool rugs to the USA.

John is on the Handicapping, Audit and Risk, Rules and Regulations and Strategy Sub-Committees.



ROSS JOHNSON

Ross joined the board in 2017 as the North Island Representative. He has been on the Board of the Auckland Trotting Club since 2016.

Finishing Lincoln University in 1982, Ross worked in the Robert Dunn stable, and lived in the cottage at Nevele R Stud.

Moving back to Auckland in 1985, he started his own company airfreighting horses mainly to Australia and USA. In 1999 he merged with global company IRT and became Managing Director, transporting approximately 5,000 horses per year. He also started NZ's first horse import quarantine in 2004. Ross sold his interest in IRT in 2016.

Ross has been breeding and racing horses since 1985.

Ross sits on the Handicapping and Awards Sub-Committees.



ROB LAWSON

Rob Lawson returned to the board in 2014 as the appointed representative for the New Zealand Trainers & Drivers Association.

Rob is President of the NZ Trainers & Drivers Association, President of Waikato-Bay Of Plenty Harness Inc and a director of Cambridge Raceway.

He is a long-time owner, breeder and horse trainer in association with his oldest son Simon, and currently runs two training stables – one in Hamilton and the other in Pukekohe.

Rob chairs the Handicapping Sub-Committee as well as being on both Rules and Regulations and Health and Animal Welfare Sub-Committees.



KEVIN MCNAUGHT

Kevin joined the board in 2018 as a South Island representative after 30 years of club administration in Southland.

This administration started initially with the Wairio Club, then jointly with Wairio and Winton and he is currently on the committee of the Winton Club only. Over this time Kevin has spent five years as president of the clubs. This administration also included two years as Board Chairman of Southern Harness prior to joining the Board of HRNZ.

Kevin chairs the Rules and Regulations Sub-Committee and is also a member of the Health and Animal Welfare Sub-Committee.

BOARD SUB-COMMITTEES

SUB-COMMITTEE	MEMBERS	STAFF RESPONSIBILITY
Dates	Allan Brown (Chair), Jason Broad, Regan Cotter, Brian Rabbitt, Gavin Smith, David Branch	Darrin Williams Andrew Morris Kevin Smith
Group Races	Brian Wastney (Chair), Colin Hair, Bruce Barlass, Regan Cotter, Cleland Murdoch, Brian Rabbitt, Gavin Smith	Andrew Morris Darrin Williams Kevin Smith
Breeders' Liaison	Colin Hair (Acting Chair), Trevor Beaton, Bruce Carter, Kevin McNaught, John Mooney, Cleland Murdoch	Brad Reid Liz Bishop
Audit and Finance	Colin Hair (Chair), Bruce Carter, John Coulam, John Grainger	Liz Bishop Jenny Fleming
Handicapping	Rob Lawson (Chair), Allan Brown, John Grainger, Ken Barron, Jason Broad, Peter Larkin, Mark Purdon	Peter Jensen Andrew Morris Kevin Smith
Rules and Regulations	Kevin McNaught (Chair), Trevor Beaton, John Grainger, Rob Lawson, Nick Ydgren (RIU), Peter Smith (JCA), Chris Lange (Legal Advisor)	Peter Jensen Liz Bishop
Health and Animal Welfare	Brian Wastney (Chair), Rob Lawson, Kevin McNaught, Nigel McIntyre (RIU), Nick Ydgren (RIU), Brad Reid, Jasmine Tanner, Corin Murfitt	Liz Bishop Natalie Gameson
Strategy – Industry	Bruce Carter (Chair), Ken Spicer, John Grainger, Colin Hair, Brian Wastney, Rod Croon, John Mooney	Peter Jensen Liz Bishop
Owners' Initiatives and Liaison	Trevor Beaton (Chair), Nigel Armstrong, Jenny Butt, Greg Crawford, Martin Cummings, Barry Dent, Gayleen MacKinnon, Mark Smith	Darrin Williams Jess Smith
Youth Council	John Coulam (Chair), Trevor Beaton, David Branch, Regan Cotter, Stevie Golding	Jess Smith Darrin Williams Natalie Gameson
Awards	HRNZ Chairman (Chair), TDA Rep, NZSBA Rep, NZB Rep, Owners Sub-Committee Chair, North Island HRNZ Board Rep	Darrin Williams



GOVERNANCE STATEMENT

OVERVIEW

The racing industry is governed by the Racing Act 2003 and the NZRB (New Zealand Racing Board) is empowered with overall responsibility under the legislation to administer the industry. From 1 July 2019, the NZRB was reconstituted as the Racing Industry Transitional Authority (RITA), following the introduction of the first of two Bills to amend the Racing Act 2003. RITA was formed to drive the transition of the racing industry, based on implementing the recommendations of the Messara report. HRNZ is one of the three code governing bodies recognised under the Act. HRNZ is the governing body that controls and promotes all harness racing activity conducted in New Zealand. HRNZ sets and administers the rules of racing for harness and maintains a comprehensive database of all registered harness horses in New Zealand, including their racing history.

HRNZ consists of 40 racing clubs and three kindred bodies as follows:

- NZ Trotting Owners Association
- NZ Harness Racing Trainers and Drivers Association
- NZ Standardbred Breeders Association

APPOINTMENT PROCESS

In the period covered by this report, the 2018/19 racing season, the Board of HRNZ consisted of 11 members. The two major clubs - Auckland Trotting Club and the New Zealand Metropolitan Trotting Club, and the three kindred bodies appointed one member each.

The three North Island and South Island representatives were elected by all clubs, other than the Auckland Trotting Club and New Zealand Metropolitan Trotting Club.

The term of appointment for each member is two years. The

Board elects the Chairman, Vice Chairman and Finance Chair annually. The Chairman can serve a maximum term of five years.

The Board recognises the importance of diversity and skills balance within its structure.

ROLE OF THE BOARD

The Board supports the principles of Corporate Governance and is committed to maintaining the highest standards within HRNZ.

The Board has specific responsibility for approval of the business plan (including the strategic plan) and budget, approval of capital expenditure, acquisitions and divestments and funding.

The Board's major responsibility is to ensure that all operations are carried out in the best interests of industry stakeholders. In addition the Board reviews club and kindred bodies accounts and has a role to oversee risk management, internal controls, codes of conduct and legal compliance. It is responsible for the appointment of the Chief Executive and reviewing remuneration policies for the senior management team.

The Board has eight or nine formal meetings per year, with conference calls as required to consider any urgent requirements. There are 10 Board Sub-Committees covering Dates, Group Races, Handicapping, Audit and Finance, Rules and Regulations, Breeders Liaison, Health and Animal Welfare, IP & Strategy, Owners' Initiatives and Liaison, and Youth Council.

Board members are appointed to these Sub-Committees with a number of industry participants and administrators included to provide specific expertise. The Sub-Committees consider issues and make specific recommendations to the Board for decision.



CONTROLLED ENTITIES AND ASSOCIATES

Board members have the following relationships with controlled entities and associates of HRNZ as follows:

- Cardigan Bay Holdings Limited (100% controlled entity) – the Board appoints a Director (Colin Hair Board member)
- The Races Limited Partnership – the Board appoints two Directors (Peter Jensen HRNZ Chief Executive and Liz Bishop HRNZ General Manager Corporate Services)
- Racing Integrity Unit – the Board appoints a Director (Ken Spicer Board member)
- NZRB – Until 1 July 2019, the Board appointed a representative to the NZRB Board (Rod Croon). From 1 July 2019, the NZRB was replaced by RITA

GOVERNANCE EVALUATION AND PERFORMANCE

At a Special General Meeting (SGM) held on 26 June 2019, the totalisator clubs and kindred bodies resolved to change the governance model from the current Board of 11 members to a Board of eight, comprising:

- Four persons elected by the totalisator clubs, other than the Auckland Trotting Club Incorporated and the New

Zealand Metropolitan Trotting Club Incorporated, and the kindred bodies

- One person appointed by the Auckland Trotting Club Incorporated
- One person appointed by the New Zealand Metropolitan Trotting Club Incorporated
- Two independent members appointed by the Independent Appointment Committee

The new Board will take effect immediately after the Annual General Meeting on 28 September 2019. The term of appointment for each member is three years with a maximum of nine years served.

The appointment of the two independent members aims to address any identified skill gaps and bring more diversity to the board.

STRATEGY AND RISK

The Board approves the annual business plan prepared by management, which outlines the HRNZ strategic direction for the next year and includes a five year vision. The overall key objective identified in the business plan is to improve



the financial viability of the industry for all participants. To address this objective six key pillars of strategic importance are considered relating to industry, racing, health and animal welfare, funding, clubs and venues and communications and promotions.

The Board considers its significant business risks during the Board meetings and through the audit and finance sub-committee.

MANAGEMENT DELEGATED AUTHORITY

The Board has delegated its day to day management of the organisation to the Chief Executive. There are specific limits in place for the Chief Executive to incur expenditure, enter contracts or leases, or acquire or dispose of assets without Board approval.

MANAGEMENT REPORTING

Management are required to report to each Board meeting in sufficient detail to enable the Board to assess progress against business plans, budgets, strategic goals and major projects. In addition, management reports in detail on compliance with legislative requirements.

ETHICS

The Board is committed to ensuring high ethical standards are observed by the Board and staff of HRNZ and that all industry participants comply with the rules of Harness Racing.

CONFLICTS OF INTEREST

Members of the Board may have potential conflicts of interest by virtue of their being elected or appointed by the composite bodies making up HRNZ, and their participation in the industry as breeders, owners, trainers or drivers. These interests are disclosed at the time of election to the Board and a register of interests is updated throughout the year.

Each Board member is an advocate for those interests that elected or appointed them, however when considering all matters, the Board acts in the overall best interests of harness racing. The Board has a policy of Collective Responsibility which is reviewed and agreed annually.



SEASON HIGHLIGHTS

Looking back on a hugely successful harness racing season for 2018-19 one week stands out more than any other.

While it may not have felt like it at the time, the last week of October 2018 was when the changing of the baton really occurred at the top of the industry.

For the last two or even three seasons Lazarus had been the industry's pin-up horse and when he left for North America last year the question lingered of who might replace him?

Of course horses like Lazarus don't come along everyday, evidenced even more so by the way he flew the Kiwi flag so brilliantly in North America and paced one of the fastest miles in history at the Red Mile in Kentucky in October.

But as great as he was, harness racing moves on and the vacuum created at the top of our pacing ranks was going to be filled by one, or several horses.

The first pieces of that puzzle started to emerge, ironically, the same week Lazarus retired.

The great horse was sent to stud after racing below his best when sick in the Breeders Crown in late October.

But six days earlier perhaps the most likely successors to his crown had emerged.

It was Flying Stakes day at Ashburton, what has become the launching pad for the serious part of the open class season but looking back the race that mattered most in the terms of the season wasn't the Flying Stakes won by Eamon Maguire.

Because as good as he was, later in the programme a mid-grade handicap saw a trifecta of Turn It Up, Ashley Locaz and Spankem. That was a peek into what lay ahead.

While another horse who started the season slightly less forgotten in Thefixer went on to win the New Zealand Cup, it was the four-year-old pair of Turn It Up and Spankem who dominated the second half of the season, with Ashley Locaz also becoming an open class force.

As horses who started the season as the New Zealand Cup favourites like Dream About Me and Ultimate Machete fell by the wayside and were eventually retired, the four-year-olds then took over.

Turn It Up won the Auckland Cup and later the Easter Cup but it was Spankem who might have emerged as the best pacer in the country.

His Kaikoura Cup win over the now sadly-departed Pat's Delight was the first indication of what a horse he was becoming and he was superb at the Inter Dominion before going on to beat Thefixer fair and square in the A\$1million Miracle Mile.

On returning home he used superior barrier draws to down Turn It Up in both the Taylor Mile and Messenger and while there may not be much between the pair on raw ability, Spankem might have done enough to be the Horse of the Year.

And potentially he has so much to look forward to. With Turn It Up sidelined after his Harness Jewels win, Spankem becomes the horse to beat in the Inter Dominions, Miracle Mile and New Zealand Cup.

Thefixer will be back to defend that NZ Cup title, probably as the aged pacer of the year, after he took the leap from promising pacer to top gun this season.



Belle Of Montana

Thefixer overcame an interrupted preparation to win a stunning New Zealand Cup over the heroic Tiger Tara and also captured the Ballarat Cup. Along with his second in the Miracle Mile he left no doubts over his class.

The open class season also saw moments of glory for Cruz Bromac (NZ Free-For-All), Dream About Me (Ladyship Mile at Menangle and Breeders Stakes) and the likes of Eamon Maguire and Star Galleria looked 'the goods' on occasions.

But as we head into the new season Thefixer and Spankem share the initial top billing until Turn It Up returns, with the promise of some serious Australian raids from superstars like Tiger Tara and Chicago Bull as the New Zealand Cup is so close to the Inter Dominions, which return to Auckland this season.

A special mention needs to go to trainer Robert Dunn. He had a regular presence in the best open class races including five in the New Zealand Cup and had some success taking on the might of the All Stars with a couple of surprise wins.

While the four-year-olds controlled the back end of the open class season, the age group races had a familiar feel with a maiden turning into the country's best three-year-old; as we have seen in the last decade with Auckland Reactor, Chase Auckland and Adore Me.

This time it was Ultimate Sniper, a smaller more compact brother of Ultimate Machete, who won the Sires' Stakes Final, Sales Series and the Northern Derby.

Unsoundness ruled him out later in the season but he did enough to be crowned three-year-old of the year and if his body holds together he could develop into a serious open class player in the seasons ahead.

That trend of a horse who didn't race as a juvenile becoming the best of its age happened in the fillies' ranks as well, with Belle Of Montana so fantastic in her debut season she usurped Princess Tiffany as our best three-year-old filly.

Belle Of Montana's freakish speed saw her win the Sires' Stakes at Alexandra Park, Victoria Oaks and Nevele R Fillies Final but it was her nail-biting nose win over Princess Tiffany in a stunning fashion on Jewels Day that confirmed Barry Purdon's charge as our premier filly.

That was some feat when you consider Princess Tiffany was no slouch herself, winning three Oaks races, while Best Western gave Jeremy Young (trainer) and Sailesh Abernethy (driver) their first group ones when downing Belle Of Montana in the Northern Oaks in national record time.

In the juvenile ranks the back story of the best boy and golden girl could hardly have been more different, apart from the fact they are stablemates.

Sweet On Me was bred to be glamorous - the first foal of Adore Me and the perfect flagbearer for new sire, Sweet Lou.

She did what her champion dam could not and more by winning six of seven starts at two, including the Jewels and won nearly \$250,000. But her season wasn't just about that, it was the promise of so much more to come as her breeding and body suggests she can only continue to improve.

While Sweet On Me was a headline hogger from the moment she was bred, the star male juvenile One Change was anything but.

Unpopular at the Karaka sales the previous year because his conformation wasn't the prettiest, he ended up going undefeated in five starts for the season that included the Sales Series, Sires' Stakes and the Jewels.

The latter was emphatic and left little doubt he will win the freshman male pacing title.

On the rural circuits, the points-based country cup titles went to The Night Hawk (North Island), Airpark Flyer in Canterbury and Sagwitch in Southland.

While the pacing season saw a slow progression from the old to the new, the open class trotting season also ended up with a four-year-old on top but bookended by two stunning wins in our biggest races.

After a huge spring comeback, Marcoola produced the greatest performance of his career to destroy his opponents in the Dominion at Addington during Cup week. It was a win that confirmed what his early races had suggested: at his best he is near freakish.

It was the crowning glory for driver Clint Ford and gave his father Ken back-to-back training successes in our richest trot.

But Marcoola's summer was far from smooth as he failed in his Great Southern Star tilt in Melbourne and returned home worse for wear. He wasn't the same explosive force in the second half of the season.

During the season Massive Metro became an open class force by winning the National Trot, Speeding Spur captured two group ones at either end of the term, while Temporale and Lemond had their shining moments too.



Airpark Flyer



U May Collect



Sundees Son

But even the biggest fans of trotting's wayward son, Sundees Son, couldn't have dreamt he would produce what he did in the autumn months.

He hinted at it by beating Speeding Spur in a free-for-all at Addington in March, finished second in the NZ Trot Champs but stepped up several notches when he overcame tough runs to bolt away with both the Anzac and Rowe Cups.

He added the 4YO Jewels Ruby for good measure and headlines the new crop of trotting stars as his brain has finally caught up to his motor for trainer Robert Dunn, with the four-year-old beautifully handled by driver and right-hand man John Dunn.

The three-year-old trotting ranks looked set to be carved up by stablemates Enhance Your Calm and Oscar Bonavena but their bodies conspired against them at times and rivals such as Lotamuscle (NZ Trot Derby) and Tickle Me Pink took advantage. The latter's last-season charge seeing her win the Sires' Stakes, Northern Trotting Oaks and the Jewels.

Still, it was a crop of great depth and many of them should be in open class before long.

The juveniles provided a mixture of talent and immaturity, with Tony Herlihy getting a Jewels double as Bolt For Brilliance won the season-ender.

Away from the elite races horses like Kenny's Dream came good at the end of the season to put themselves in contention for awards but again trotting proved the gait where other stables could compete most evenly with the otherwise all-conquering All Stars.

And while he wasn't a group winner one of the undoubted stories of the season in either gait was unheralded Southland sensation, U May Collect.

The five-year-old won all seven of his starts, some in stunning times and looks to have the capability to be a player at the highest level, especially as he is still so untapped.

In the breeding ranks Bettor's Delight's domination was nothing short of staggering with \$7,407,197 in stake earnings while Majestic Son was the leading trotting stallion, nearly doubling the earnings of his closest trotting rival and finishing fourth in the overall stallion ranks.

As for the human stars of the industry, there were again some impressive numbers posted at the season's end.

The Purdon-Rasmussen stable won the premiership but by only 10 over Robert Dunn, whose 105 wins was a remarkable effort.

But the All Stars hardly had horses racing domestically after the Jewels yet won \$4.5million in stakes here and many more major races in Australia.

Away from the top two trainers Michael House went so close to joining the 100 wins for the season with 98. Many came at Manawatu but he also spread his net far and wide, with late season charges at Forbury Park and a team in the north, based at Kumeu.

Blair Orange again won the drivers' premiership. His 218 wins more than double John Dunn's 107, with Tim Williams recording a career-best of 90 wins.

Matty Williamson was fourth on the premiership but had the honour of wearing the silver fern at the World Drivers' Champs in Sweden, where he drove superbly but without the required horsepower.

One of the great stories of the season was southern junior driver John Morrison whose 63 wins saw him win that premiership easily over Sheree Tomlinson.

Tomlinson continued a stellar run of form following on from her win in the Group One Dominion in 2017, when winning the Australasian Young Drivers Championship in Queensland.

Representing the South Island, Tomlinson dominated the series from the early stages, winning three of the first six heats. She led the series going into the final round of heats and secured the victory with a second place finish in the final heat.

She finished a strong season by recording her most successful year to date with 44 wins in New Zealand and securing second in the junior driver premiership.

And Sarah O'Reilly continued her family's enduring harness racing legacy by winning the national junior drivers' championship.



John Morrison



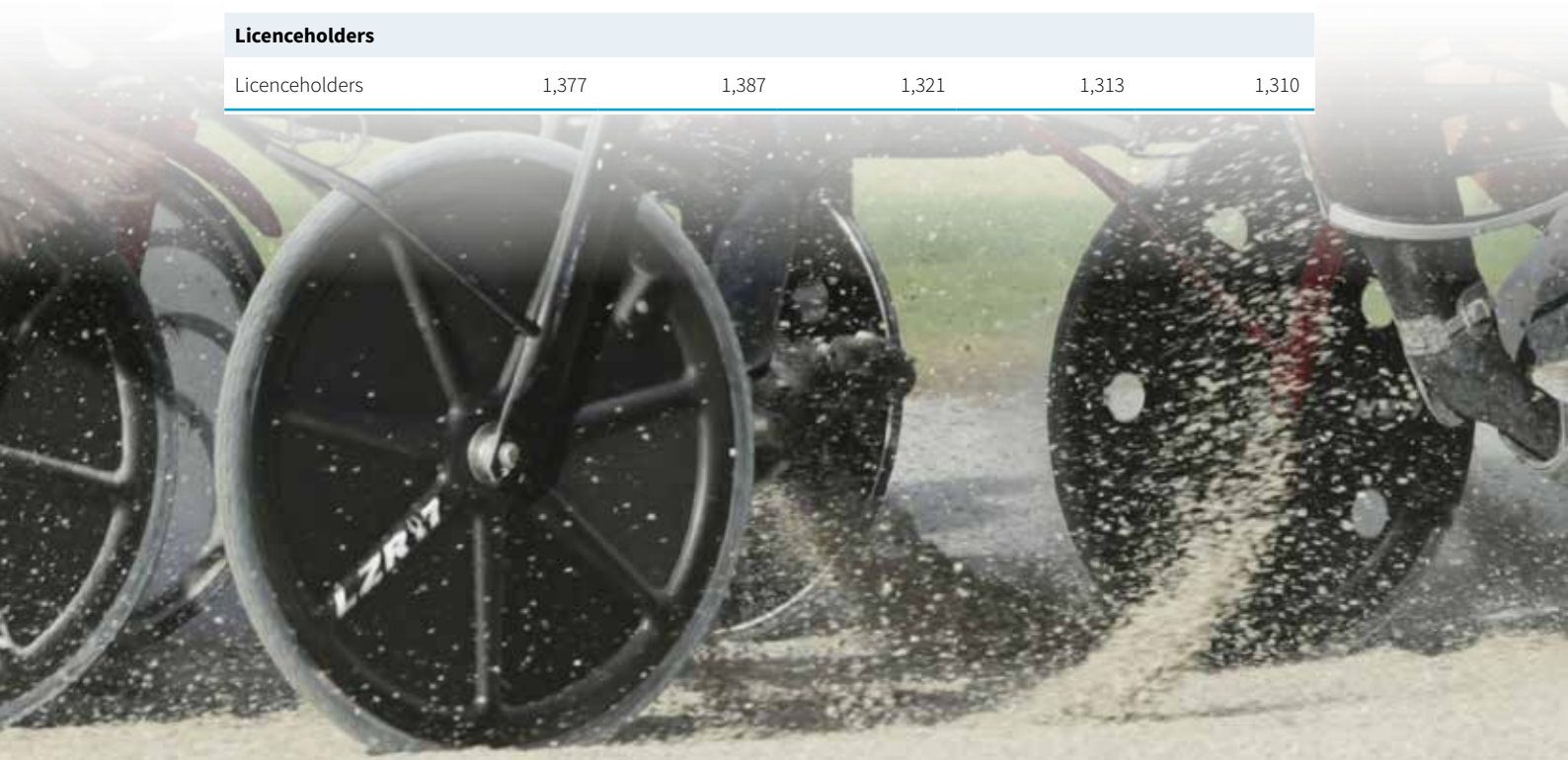
Sarah O'Reilly



Sheree Tomlinson

SEASON STATISTICS

	2014/15	2015/16	2016/17	2017/18	2018/19
Turnover					
On-Course	16,302,000	14,365,000	13,315,000	12,853,961	11,138,894
Off-Course	139,183,000	136,479,000	132,290,000	124,944,889	108,669,200
Exported	126,877,613	133,212,000	130,740,000	122,025,948	96,424,080
Total Turnover	235,736,000	231,540,000	218,993,000	212,270,126	197,949,371
Fixed Odds	80,251,000	80,696,000	73,388,000	74,471,276	78,141,277
Racing					
Meetings	271	270	258	258	261
Races	2,680	2,621	2,513	2,506	2,482
Starts	28,704	27,819	26,883	26,774	26,667
Horses Raced	3,180	3,034	2,923	2,896	2,811
Average Field Size	10.7	10.6	10.7	10.7	10.8
Total Stakes	29,780,841	29,293,906	30,312,304	33,557,070	34,142,707
Breeding					
Mares Bred	2,698	2,551	2,591	2,385	2,334
Foals Branded	1,954	1,820	1,828	1,554	N/A
Licenceholders					
Licenceholders	1,377	1,387	1,321	1,313	1,310



HARNESS KEY PERFORMANCE INDICATORS

Key Performance Indicator	2017/18	2018/19	% Change from LY	Status
Total totalisator races	2,481	2,469	-0.48%	Consistent with Last Year
Total number of starts	26,710	26,623	-0.33%	Consistent with Last Year
Average field size	10.77	10.78	0.16%	Consistent with Last Year
Total number of individual starters	2,895	2,807	-3.04%	Down on Last Year
Average starts per horse	9.23	9.48	2.80%	Ahead of Last Year
# Races < 8 starters	245	235	-4.08%	Ahead of Last Year
Average winning dividend	\$7.84	\$7.54	-3.83%	Down on Last Year
# Races favourite < \$2.00	596	567	-4.87%	Ahead of Last Year
# Races favourite < \$1.50	169	161	-4.73%	Ahead of Last Year
Fixed Odds Yield (%)	13.3	10.8	-18.80%	Down on Last Year
Off-course turnover (\$000)	124,942	108,352	-13.28%	Down on Last Year
On-course turnover (\$000)	12,409	10,826	-12.76%	Down on Last Year
Fixed odds turnover (\$000)	74,734	75,973	1.66%	Ahead of Last Year
Total domestic turnover (\$000)	212,085	195,151	-7.98%	Down on Last Year
Exported turnover (\$m)	122.03	95.60	-21.66%	Down on Last Year
Domestic market share T/O (%)	27.4	26.4	-3.65%	Down on Last Year
Domestic market share GBM (%)	27.1	24.9	-8.12%	Down on Last Year
Combined market share GBM (%)	19.2	17.2	-10.42%	Down on Last Year
Total stakes (\$000)	33,553	34,143	1.76%	Ahead of Last Year
Average net stakes per race (\$)	13,153	13,528	2.85%	Ahead of Last Year
Races starting on time % (within 60 seconds of scheduled time)	66.1%	69.3%	4.84%	Ahead of Last Year

● Ahead of Last Year
 ● Consistent with Last Year
 ● Down on Last Year



OWNERSHIP REPORT

Ownership in the harness racing industry has seen a huge step taken forward in many aspects over the past twelve months.

Last season we saw the implementation of a set of Owners Minimum Standards, which were introduced to assist with the streamlining of communication and service between clubs and their owners on race day.

The Owners Minimum Standards along with the HRNZ Owner Event trials, which were held oncourse in Auckland, Christchurch and in September of this year a Southland event, saw the level of customer service lifted again for owners in the industry.

The Owner Event trials gave clubs a format to follow and ideas to reward their owners and keep them coming back to their meetings. This has led to clubs of all sizes holding events and creating reward systems at their meetings, and making their race day owners feel valued.

In September of 2018 HRNZ brought Anthony MacDonald of The Stable, Canada, to New Zealand to hold ownership seminars around the country.

Anthony is respected worldwide for his work in promoting fractional ownership and has been a trailblazer in improving communication to owners.

His free seminars gave syndicators and trainers important advice and tools to help them improve their owner numbers, but also improve the way in which they communicate with their owners and maintain them as customers.

The feedback was overwhelming and soon saw New Zealand trainers lifting their game by using technology such as bulk email software, social media pages and also person to person networking to promote themselves.

This has also seen the number of new owners increasing with the larger numbers of affordable ownership opportunities in syndication available.

Syndicates offering small shares for low set fees, like for example The Witches of Westview and the Own The Moment Syndicate, have made it easier for first time owners to get involved and find out about the thrill of watching your own horse race.

We have also seen an increase in the number of syndicates being formed, with more trainers opting to aim at attracting larger groups of owners taking smaller shares and cutting down the cost. This has been pleasing to see and resulted in larger groups of owners attending race meetings on a regular basis.

If these new owners are looked after well by their trainers, syndicate managers and clubs, it will make it easier to maintain them as owners in the industry going forward.

We have also continued to make huge steps into mainstream coverage for harness racing ownership in the last year.

Following on from last year's mainstream coverage on Seven Sharp, we saw Jeremy Wells host a show live oncourse at Alexandra Park when his own horse made its debut. It was unprecedented live coverage for racing, of any code, on national live television.

Not only did Jeremy take an interest in harness racing, but his counterpart Hilary Barry was also thrilled to learn about her own namesake – a pacing filly named Hilary Barry raced by Lincoln Farms.

We have continued to grow mainstream ownership interest with the likes of Frank Bunce joining up with Kirk and Michelle Larsen's 'Own The Moment Syndicate', and TVNZ presenters Matt Hall-Smith and Julian Lee recently signing up for their first taste of ownership with Taumalolo in Trent Yesbergs stable.

Our recent owner's survey also indicated that owners in the industry felt their experience was improving, and we can only keep improving from here on in.



HEALTH AND ANIMAL WELFARE

REPORT

The achievement of excellent standards in health and welfare for our Standardbreds is very important to HRNZ, and is included as one of the six pillars of our business plan. During the year many animal welfare initiatives were progressed, with a focus on better traceability of our Standardbred population with the introduction of microchipping from 1 August 2020, and improvements to life after racing options. These initiatives are discussed and monitored by the Health and Animal Welfare Sub-Committee, which meets regularly and includes representatives from the HRNZ Board, RIU, Trainers and Drivers and an equine vet.

HRNZ is actively engaged in a number of equine health organisations including the New Zealand Equine Health Association, New Zealand Equine Research Foundation and the New Zealand Horse Ambulance Trust which provides horse ambulances at race meetings nationally. HRNZ also works closely with the New Zealand Standardbred Breeders Association Inc on areas relating to breeding and animal welfare. The following paragraphs provide more information on one aspect of our commitment to health and animal welfare in our industry relating to support for life after racing.

Life After Racing

HRNZ recognizes the importance of continuing to support the Standardbred and life after racing, and this year saw even more momentum in the promotion of this aspect.

We are an active supporter of the many shows and activities in which Standardbreds participate in, HRNZ actively writes and promotes stories about our horses and their journey after the racetrack.

As a part of our life after racing promotion, we write and highlight monthly life after racing stories focusing on Standardbreds in various disciplines. This has seen Dunstan Horse Feeds generously come on board as sponsors of the story, and provide a feed voucher to those who are the subject of our stories.

Dunstan also kindly sponsored a photograph competition for this year's Cavalcade in Otago, where those taking part with a Standardbred were able to enter a photo of their horse on the trek to be eligible to win a prize. The photographs we received were outstanding a true testament to the breed and their stamina

through the rugged terrain of Central Otago.

Life After Racing reached mainstream media again in the 2018/19 season, led by the rehoming story of two win trotter, Born to be a star.

Star featured on Harness Jewels day at Addington where she was presented to her new owner, 16-year-old Hayley Rossiter, who was paired with the mare based on suitability and training with Canterbury Standardbred Rehomer, Jackie Law and Westview Racing.

Following on from this presentation, Star and Hayley were featured on TV2's after school children's programme 'Fanimals.' Hayley spoke about life after racing and her goals going forward with Star in the show ring. It highlighted the great nature of the Standardbred, especially for young riders.

The Horse of the Year show is the pinnacle of the showing year for horses and ponies of all breeds, and the Standardbred's diversity was again put on display with their own category and ring.

An extremely high standard of competition was on show this season and we congratulate the winners and their connections; Inhand Standardbred, Nucleus VC for the DeFilippi family and Ridden Standardbred, Change of Pace for Amanda Burton.

Once again the popular Anything But Standard Challenge was a highlight on the calendar, and this season saw the first edition of the event held in the South Island.

The challenge was created for Standardbreds who had not been under saddle before a set date, and encourages their riders to take the horse on journey from being unbroken to making it into the show ring.

The event has proven so successful that next year it will also be open to Standardbreds who are rated as a novice (The Raising the Standard Challenge) and also those in the open ranks (the Setting the Standard Challenge).

The 'Life After Racing' brand has become a recognizable and regular part of our communication, and a programme we are dedicated to continuing to support by way of show sponsoring, rehoming initiatives and feature stories.



EDUCATION & TRAINING

REPORT

It's been another busy year in the Education & Training Department. This year saw the running of the sixth Annual Cadet of The Year competition- proudly sponsored by Catch Driver. Based on a similar concept to the Young Farmer of the Year competition, the event has been designed to test Cadets throughout New Zealand in a diverse range of exciting challenges on both a theoretical and practical level. Advancing from the regional competitions held in Canterbury, Southland and the Northern area the four finalists will have to call on not only their equine knowledge but acquired 'life-skills' in hope of securing the coveted Cadet of the Year trophy.

For finalists Oliver Kite, who represents the Deep South and Kaleb Bublitz from the North, their pathway into the industry was carved at a young age by means of the invaluable Kidz Kartz scheme.

Kidz Kartz has now firmly established itself as a major player in the Harness Racing Scene. Kidz Kartz programmes running throughout both the North and South Island encourage the younger generation to try their hand at driving in a fun, educational and safe manner. Experienced professional tutors and ponies carefully selected for their calm temperament help ensure the training programmes provided are committed to helping develop a well-rounded horseperson.

Emphasis is put not only on Harness Racing but also the knowledge of caring for your pony. Kidz Kartz encourages friendship, fair play and friendly competition. Kidz Kartz is an all-inclusive initiative; youngsters from all walks of life regardless of their horse experience are welcomed into

the industry and given the opportunity to transition their passion of horses into a foreseeable career.

Oliver and Kaleb are perfect examples of how the Kidz Kartz programme offers a clearly defined path into the Harness Racing industry. Regular Kidz Kartz races throughout the year imitate the thrill of driving in real races including the biggest inter-club race of the season, the Kidz Kartz New Zealand Cup this year sponsored by Westview Racing in conjunction with Catch Driver. This prestigious race is held annually on Show Day during the biggest event on the racing Calendar- New Zealand Cup and Show Week.

The Kidz Kartz members along with their ponies have to qualify for this race where they will race for glory in front of a maximum capacity crowd at Addington Raceway.

Jordyn Bublitz and Chaos were crowned the winners this year after a tough contest. Kidz Kartz also offers Trans-Tasman opportunities; a selected Kidz Kartz member each year travels to Australia to compete in the NSW Mini Trot Interdominion and there is a Lizzie of Roseland Rising Stars Drivers Series held in Auckland. Throughout New Zealand amongst both the Junior and Senior ranks are a number of successful Kidz Kartz graduates with Oliver and Kaleb already proving they too will be added to this list.

The remaining two finalists, Alana Cameron and Cameron Kirkwood, both representing Canterbury, already had a foot in the stable door so to speak however their industry involvement was cemented at High School with them both engaging in the Gateway programme that Harness Racing New Zealand offers.



The Gateway programme was implemented as a way of providing wider educational opportunities to High School senior students, Year 11 and above. Gateway enables students, who are interested in or have a passion for horses, to gain credits towards their NCEA Qualification by completing equine related unit standards. Gateway is offered at most High Schools throughout New Zealand.

The Education Team at Harness Racing New Zealand assist the students and school co-ordinators in selection of appropriate unit standards in relation to the level of learning including work placement in stables. Gateway provides valuable learning and employment opportunities and is available not only for harness racing enthusiasts but for anybody with an interest in the wider equine industry.

Through Gateway, Cameron was able to experience life at the races by means of a work placement with the Stipendiary Stewards. Cameron learnt first-hand the rules and regulations involved in harness racing and was exposed to the judicial process in a practical manner.

Cameron went on to secure a job at Harness Racing New Zealand in the racing and registrations department along with picking up a stable job at Regan Todd's; an opportunity he credits to the Gateway programme .

Cadet of the Year is the perfect initiative to showcase the talent of our emerging future stars and also to promote the various avenues available to those wishing to pursue a career in Harness Racing.

All of our current and up and coming Junior Drivers have either completed or are currently enrolled in the HRNZ Cadet Scheme and are working towards their National Certificate in Equine Stable Procedures Level 3 followed by the NZQA National Certificate in Equine Harness Racing Level 4 qualification. Completion of these nationally recognised certificates is compulsory for all of our young harness participants in order to meet the industry's licencing criteria. During a Cadet's time with us they complete a range of theoretical work from harness rules and regulations to being able to recognise health ailments



Jordyn Bublitz and Chaos

and illnesses within horses. Cadets are also required to complete practical field days covering topics such as race day driving, handling JCA hearings, media training, financial management and a horse post mortem.

Along with our regular classes and training sessions we have been developing a junior driver mentoring programme over the last two years. In the Northern region the Trainers and Drivers Association have been running their own mentoring programme in close consultation with our Northern tutor Sally Waters. In the South Island each junior driver has been paired up with a senior driver.

These senior drivers have been offering guidance and support to the juniors for any upcoming drives, race tactics and form. We have been also running driving night sessions where we go over incident tapes and race replay with the help of industry specialists to improve the Cadet's knowledge and understanding of race driving.

Throughout the duration of the year the Cadets are assessed on their theory and practical work and their

performance with their respective employers is also assessed. Each region holds an annual prizegiving to celebrate the successes of the Cadets both in and outside of the classroom. The prestigious Premier Cadet is awarded to the top graduating Cadet from each region and the winners from last year were as follows:

Northern	Alicia Harrison
Canterbury	Ben Hope
Southern	Ellie Barron

The NZRB Youth Development Fund has been well utilised by HRNZ and this has allowed all under 30 year olds to gain their licences free of charge. In addition, for the youths that meet the criteria they have been given gear through the Safety Gear Package Scheme. This has been a great incentive for our youth to join the driving and training ranks and ensure they have the correct gear to perform the job safely.

TOTALISATOR CLUBS

CLUB	PRESIDENT	CEO/GM/SECRETARY
Akaroa TC	Barry Gowan	Geraldine Stanbury
Amberley TC	Ross Rennie	Bert Snow/Brian Rabbitt
Ashburton TC	Alan Neumann	Simon McDonnell
Auckland TC	Bruce Carter	Mauro Barsi
Banks Peninsula TC	Wayne May	Glenn Hames
Central Otago TC	Graham Sinnamon	Jason Broad
Cheviot HRC	Tony Bell	Kirsten McNabb
Forbury Park TC	Craig Paddon	Della Hopkins
Geraldine TC	Mark Weaver	To Be Advised
Gore HRC	Ross Cleland	Jason Broad
Hawera HRC	Brendan Towers	Tania Young
Hororata TC	Jamie Gameson	Hamish Scott
Invercargill HRC	Barry McCulloch	Jason Broad
Kaikoura TC	Willie Weavers	Geraldine Stanbury
Kapiti Coast HRC	Chris Craddock	Carey Hobbs
Kurow TC	Gerald Cayford	Jemma Bartrop
Manawatu HRC	Dan Lynch	John Doody
Marlborough HRC	Petrina Shutkowski	Lynne McIntosh
Methven TC	Hamish Molloy	Penny Coleman
Nelson HRC	Kristie Hill	Geraldine Stanbury
NZ Metropolitan TC	Brent Smith	Brian Thompson
Northland Southland TC	Paul Hailes	Jason Broad
Oamaru HRC	David Heffernan	Jemma Bartrop
Rangiora HRC	Greg Wright	Wendy Muldrew
Reefton TC	Tony Thomas	Colin Stevenson
Riverton TC	Bruce Stewart	Jason Broad
Roxburgh TC	David Parker	Jason Broad
Stratford TC	David Jones	Jenn Branson
Taranaki TC	Vaughan Watson	Carey Hobbs
Timaru HRC	Elizabeth Shand	Paul Hinsley
Tuapeka HRC	Jim Crawford	Jason Broad
Waikato Bay of Plenty HR	Graham Bowen	David Branch
Waikouaiti TC	Dick Tayler	Jemma Bartrop
Waimate TC	Alex Colvill	Gareth Murfitt
Wairapa HRC	Ray Southey	Geri Southey
Wairio TC	Rowena Mackintosh	Jason Broad
Wanganui TC	Carole Terry	Les Terry
Westport TC	John Reedy Jnr	Colin Stevenson
Winton HRC	Murray Swain	Jason Broad
Wyndham HRC	Russell Ferguson	Jason Broad

Non-Totalisator H.R.C

CLUB	PRESIDENT	CEO/GM/SECRETARY
Kumeu TC	Royden Downey	Casey Henara
Morrinsville TC	Russell Fantham	David Branch

Kindred Bodies

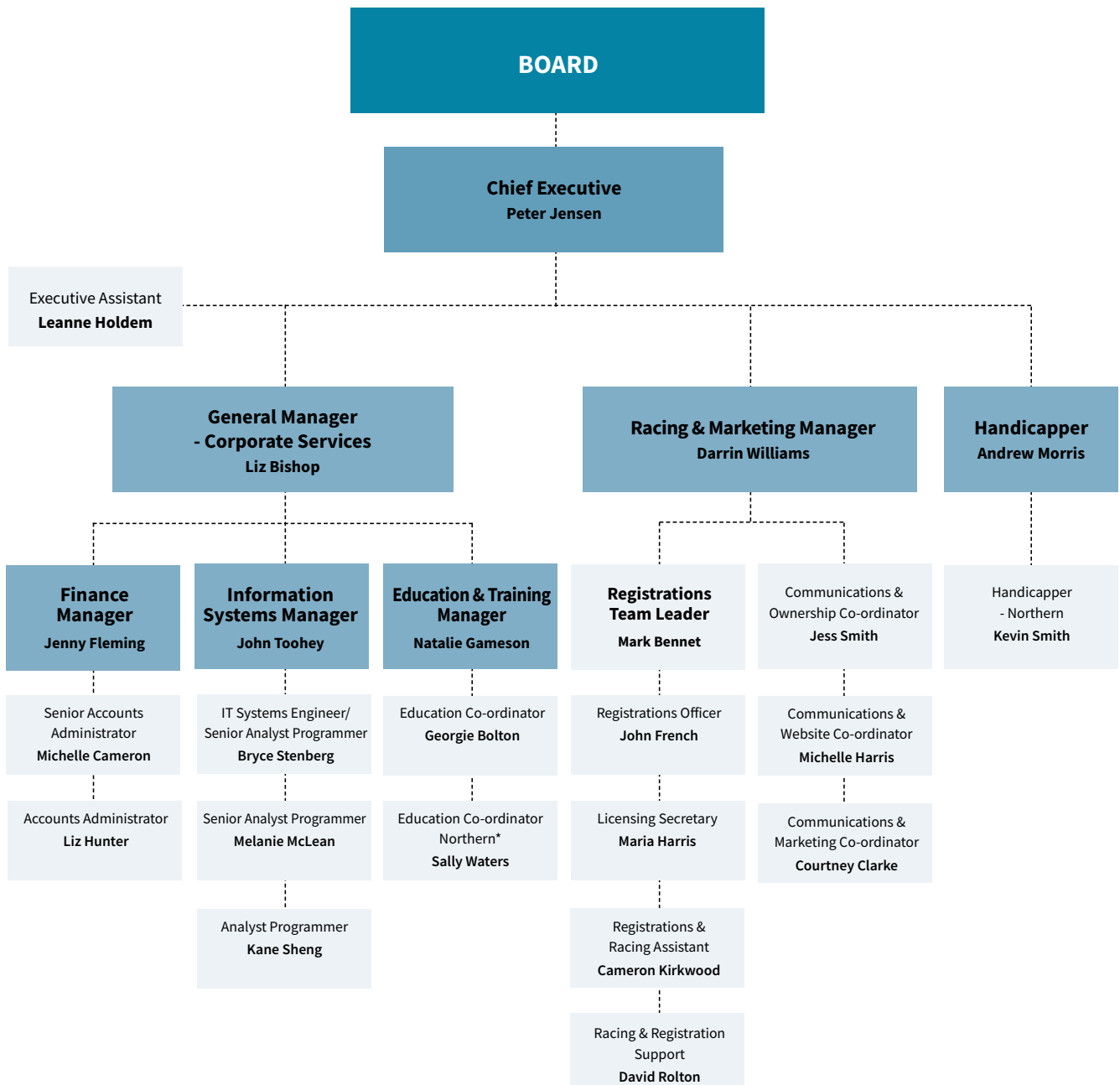
KINDRED BODY	PRESIDENT/CHAIRMAN	SECRETARY
NZ HR Trainers & Drivers Assn	Gordon Lee	Peter Cook
NZ Standardbred Breeders Assn	John Mooney	Brad Reid
NZ Trotting Owners Assn	Greg Crawford	Geraldine Stanbury

TOTALISATOR LICENCES

	2018/19 Licences Raced	2017/18 Licences Raced
AUCKLAND and WAIKATO		
Auckland Trotting Club	41	41
Bay of Plenty Harness Racing Club	0	0
Waikato Bay of Plenty Harness Racing	25	25
Thames Harness Racing Club	0	0
	66	66
LOWER NORTH ISLAND		
Hawera Harness Racing Club	2	3
Kapiti Coast Harness Racing Club	2	2
Manawatu Harness Racing Club	15	15
Stratford Trotting Club	1	1
Taranaki Trotting Club	1	1
Wairarapa Harness Racing Club	3	2
Wanganui Trotting Club	1	0
	25	24
NELSON, MARLBOROUGH and WEST COAST		
Kaikoura Trotting Club	2	2
Marlborough Harness Racing Club	4	4
Nelson Trotting Club	4	4
Reefton Trotting Club	2	2
Westport Trotting Club	3	3
	15	15
CANTERBURY		
Akaroa Trotting Club	1	1
Amberley Trotting Club	1	1
Ashburton Trotting Club	6	6
Banks Peninsula Trotting Club	6	6
Cheviot Harness Racing Club	1	1
Geraldine Trotting Club	2	2
Hororata Trotting Club	1	1
Methven Trotting Club	4	4
New Zealand Metropolitan Trotting Club	40	39
Rangiora Harness Racing Club	10	11
Timaru Harness Racing Club	7	7
Waimate Trotting Club	1	1
	80	80
OTAGO and SOUTHLAND		
Central Otago Trotting Club	1	1
Forbury Park Trotting Club	21	20
Gore Harness Racing Club	6	5
Invercargill Harness Racing Club	15	14
Kurow Trotting Club	1	1
Northern Southland Trotting Club	3	3
Oamaru Harness Racing Club	7	8
Riverton Trotting Club	1	1
Roxburgh Trotting Club	1	1
Tuapeka Harness Racing Club	1	1
Waikouaiti Trotting Club	2	2
Wairio Trotting Club	2	2
Winton Harness Racing Club	7	7
Wyndham Harness Racing Club	7	6
	75	72
TOTAL DAYS	261	257



ORGANISATION STRUCTURE



KEY

Management Team

* Contractor





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FINANCE CHAIR'S REPORT

HRNZ – OVERALL PERFORMANCE

In the 2018/2019 financial year, Harness Racing New Zealand (HRNZ) incurred another deficit, this time of \$688,000. This is the second year in a row that a deficit has been incurred and is a consequence of the Board's decision to continue making funding policy payments (distributions) at levels greater than the code funding distribution revenue received from the Racing Industry Transition Agency (RITA) formerly the New Zealand Racing Board (NZRB).

This level of distribution was made to ensure club funding was maintained at existing levels, and also to enable the continuing payment of the first totalisator win bonus of \$1,500. Maintaining distribution at this level was based on the understanding that revenue from RITA would increase in line with their Statement of Intent. This higher distribution did not eventuate, and resulted in HRNZ needing to utilise its reserves.

HRNZ ADMINISTRATION AND OPERATIONS

Net HRNZ administration expenditure, before revenue received from RITA was \$2,767,000, a reduction of \$197,000 from the prior year. Increases relate to rent and occupancy costs when HRNZ moved from Lincoln Road in May 2018 to leased premises in Birmingham Drive and legal and consultancy costs incurred as a result of the Messara report. Significant savings in other operational areas were achieved to offset the increased costs.

CARDIGAN BAY HOLDINGS LTD (CBHL)

During the year, CBHL acquired a sports bar in Christchurch, to add to the three hospitality outlets in Auckland. CBHL had a disappointing year incurring a net operating deficit of \$157,000. This was below expectations with one Auckland outlet experiencing a decline in turnover and the new Christchurch outlet yet to achieve profitability.

ASSOCIATES

HRNZ holds a 25% shareholding in the Racing Integrity Unit Ltd and a 50% shareholding in The Races Limited Partnership. In 2018/2019 HRNZ's overall share of the net surpluses of the two associates was \$277,000.

CODE FUNDING DISTRIBUTION RESERVE

The rundown of reserves continued in the 2018/2019 year, and at 31 July 2019 the balance in the Code Distribution Reserve was \$195,000.

This is well below the Board's policy to hold a reserve of 4% of the annual funding received from RITA to cover any future uncertainties. The Board is determined to restore the reserve to the required level, but recognises that this will not be achieved in the immediate future.

BALANCE SHEET

Despite the annual deficit, HRNZ remains in a reasonable financial position with total equity attributable to HRNZ of \$2,750,000.



A handwritten signature in black ink, which appears to read 'Colin Hair'.

Finance Chair

Colin Hair

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 31 JULY 2019

	Note	2019	2018
REVENUE		\$,000 (thousands)	
Revenue - Exchange Transactions			
Administration and Operations	1	5,362	4,915
Code Funding Distribution Revenue	2	44,155	43,835
Interest Income		36	39
Sale of Goods and Services	3	2,434	2,192
Share In Surplus Of Associates	4	277	75
		52,264	51,056
Revenue - Non Exchange Transactions			
Fines and Penalties		106	180
TOTAL REVENUE		52,370	51,236
LESS EXPENSES			
Administration and Operations	5	8,413	7,101
Funding Policy Payments	6	44,645	45,027
TOTAL EXPENSES		53,058	52,128
DEFICIT BEFORE TAX		(688)	(892)
Income Tax Expense	7	-	-
DEFICIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME		(688)	(892)

The total Comprehensive Revenue and Expense is attributable to HRNZ

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2019

	CODE DISTRIBUTION	ACCUMULATED FUNDS	TOTAL
		\$,000 (thousands)	
Balance, 31 July 2017	1,877	2,453	4,330
Deficit Surplus For The Year	(1,192)	300	(892)
Balance, 31 July 2018	685	2,753	3,438
Deficit For The Year	(490)	(198)	(688)
	195	2,555	2,750

These financial statements are to be read in conjunction with the notes on pages 6 to 22

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 JULY 2019

	Note	2019 \$,000 (thousands)	2018
CURRENT ASSETS			
Cash and Cash Equivalents	8	1,925	1,959
Inventory		54	38
Other Financial Assets	9	566	417
Prepayments		-	81
Receivables from Exchange Transactions	10	601	987
Receivables from Non-exchange Transactions (GST)	10	(14)	283
Asset Held for Sale	11	-	982
TOTAL CURRENT ASSETS		3,132	4,747
NON CURRENT ASSETS			
Intangible Asset - Goodwill	12	360	-
Investment in Associate	4	426	149
Other Financial Assets	9	-	375
Property, Plant and Equipment	11	881	873
TOTAL NON CURRENT ASSETS		1,667	1,397
TOTAL ASSETS		4,799	6,144
CURRENT LIABILITIES			
Income Received in Advance		22	28
Provisions and Employee Benefit Liabilities	13	348	467
Trade and Other Liabilities	14	1,450	2,000
TOTAL CURRENT LIABILITIES		1,820	2,495
NON CURRENT LIABILITIES			
Provisions and Employee Benefit Liabilities	13	229	211
TOTAL NON CURRENT LIABILITIES		229	211
TOTAL LIABILITIES		2,049	2,706
EQUITY			
Accumulated Funds		2,555	2,753
Code Distribution Reserve		195	685
TOTAL EQUITY ATTRIBUTABLE TO HRNZ		2,750	3,438
TOTAL LIABILITIES AND EQUITY		4,799	6,144

The Financial Statements of Harness Racing New Zealand Incorporated are accepted on behalf of the Board of Directors on 18 September 2019.



Ken Spicer
Chairman of HRNZ



Colin Hair
Finance Chair of HRNZ

These financial statements are to be read in conjunction with the notes on pages 6 to 22

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2019

	Note	2019 \$,000 (thousands)	2018
Operating Activities			
Cash was provided from			
Interest Received		11	17
Receipts from Code Distribution and Customers		8,660	8,473
Receipts from Code Distribution to Clubs from RITA		44,155	43,835
		<u>52,826</u>	<u>52,325</u>
Cash was used in			
Funding Policy Payments from Code Distribution		44,644	45,027
Payments to Employees and Suppliers		8,784	7,135
		<u>53,428</u>	<u>52,162</u>
Net Cashflows from (used in) Operating Activities	16	<u>(602)</u>	<u>163</u>
Investing Activities			
Cash was provided from			
Receipts from Investments		225	127
Cash from Sale of Lincoln Road		982	-
		<u>1,207</u>	<u>127</u>
Cash was used in			
Purchase of Investments		74	17
Purchase of Property, Plant and Equipment		165	631
Purchase of Additional Bar - CBHL		400	-
		<u>639</u>	<u>648</u>
Net Cashflows From (used in) Investing Activities		<u>568</u>	<u>(521)</u>
Net Decrease in Cash and Cash Equivalents		(34)	(358)
Add: Opening Cash and Cash Equivalents		1,959	2,317
Closing Cash and Cash Equivalents		<u>1,925</u>	<u>1,959</u>
Represented by			
Cash At Bank		343	623
Short Term Deposits		1,582	1,336
		<u>1,925</u>	<u>1,959</u>

Included within the Receipts from Code Distribution to Clubs from RITA and Club Funding Payments from Code Distribution \$44,155,000 (2018: \$43,835,000) of Code Distributions paid directly from RITA to Clubs. HRNZ presents these amounts as cash inflows and outflows to reflect the economic control of these funds which they direct to the Clubs.

These financial statements are to be read in conjunction with the notes on pages 6 to 22

Notes to the Financial Statements

REPORTING ENTITY

Harness Racing New Zealand Incorporated (HRNZ) is an incorporated society registered and domiciled in New Zealand. It is a racing code as defined in the Racing Act 2003. The HRNZ (Group) consists of the operations of HRNZ (the Parent) and the subsidiary company Cardigan Bay Holdings Ltd (CBHL) which operates hospitality businesses. The Parent, HRNZ owns a 25% share in Racing Integrity Unit Ltd (RIUL), and a 50% share in The Races Limited Partnership (TRLP).

The primary objectives of HRNZ are to:

- Determine the Harness Racing code's funding policy and business plan, including race meeting performance targets and the distribution of funds to maximise and sustain financial benefits to harness racing clubs, owners and licence holders.
- Deliver harness races for wagering customers through broadcast and on course events.
- Define, regulate and amend the Rules and Regulations of Harness Racing in accordance with HRNZ's constitution.

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

BASIS OF PREPARATION

Statement of Compliance: The consolidated financial statements have been prepared in accordance with HRNZ's Constitution and the Racing Act 2003 which require compliance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) and other applicable financial reporting standards as appropriate for Tier 1, Not-For-Profit, Public Benefit Entities.

Basis of Measurement: The financial statements have been prepared on the basis of historical cost except for certain assets and liabilities for which specific accounting policies have been identified. Cost is based on the fair value of the consideration given in exchange for assets.

Basis of Consolidation: Controlled entities are those entities over which HRNZ (the controlling entity) has the power to govern the financial and operating policies so as to obtain benefits from their activities. Potential exercisable or convertible voting rights are considered when assessing whether HRNZ controls another entity.

Controlled entities are fully consolidated from the date on which control is obtained by HRNZ and cease to be consolidated from the date on which control is lost. Assets, liabilities, income and expenses of a controlled entity acquired or disposed of during the year are included in the financial statements from the date HRNZ gains control until the date it ceases to control the entity.

Investments in controlled entities held by HRNZ are accounted for at cost less any impairment charges in the separate financial statements of HRNZ.

Functional Currency: The financial statements are presented in New Zealand dollars which is the functional currency of HRNZ rounded to the nearest thousand dollars (\$'000).

CHANGES IN ACCOUNTING POLICIES

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

Policies: The financial statements are prepared in accordance with the PBE Standards.

Policies have been consistently applied in the periods reported in these financial statements.

New Accounting Standards and Interpretations issued but not yet effective: The standards and interpretations applicable to HRNZ which have been issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. HRNZ is currently assessing the impact of these new standards and intends to adopt these standards, if applicable, when they become effective or when management assessed early adoption is appropriate:

Standards	Effective application date
• PBE IPSAS 34-38 (standards on “interests in other entities” and relevant disclosures)	FY2020
• PBE IPSAS 39 (Employee Benefits)	FY2020
• PBE IFRS 9 (Financial Instruments)	FY2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant account policies adopted and used in the preparation of the financial statements to the extent applicable to the financial year are summarised below:

REVENUE

HRNZ is primarily funded through allocations from the Harness Code Distribution Account from the RITA and revenue from horse and ownership transactions, licencing fees and other activities associated with HRNZ.

Under 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 expense.

An exchange transaction is one in which HRNZ receives a consideration of approximately equal value in exchange for sale of goods or rendering of services. Exchange revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to HRNZ and it can be reliably measured; it is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties.

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from a non-exchange transaction is recognised as soon as the inflow of resources can be recognised as an asset in the financial statements but only to the extent that no corresponding present obligation recognised with respect to the asset received/receivable. Fines and penalties are classified as non-exchange revenue and recognised when they are invoiced.

Administration and Operations Revenue: Is classified as exchange revenue and is recognised either when payment is made or invoiced for transactions with HRNZ.

Code Funding Distribution: This revenue is recognised as an exchange transaction as the Harness Racing Code supply racing product to RITA in exchange for a distribution from RITA surpluses accumulated from their wagering, betting and gaming activities.

This revenue is recognised pursuant to Section 25 (1) of the Racing Act 2003 based upon the level of Code Funding received from RITA plus additional distributions in accordance with the Code Funding Agreement that was in effect for the financial year 2018/2019.

Interest Revenue: This revenue is derived from short term investments with Westpac for general HRNZ funds, Stakes payments awaiting release, the fair value recognition for Auckland Trotting Club loan and the two specific investments for Staff Retirement and Cruickshank Junior Drivers. Interest income is recognised on a time basis by reference to the effective interest rate.

Sale of Goods and Rendering of Services: Sales of goods or services are classified as exchange transactions. Revenue from the sale of goods is recognised when HRNZ or CBHL have transferred to the buyer the significant risks and rewards of ownership of the goods. Revenue is recognised at the time of invoicing or when payment is received.

The revenue from the sale of goods and services relates mainly to the trading operations of CBHL who operate hospitality businesses. Costs associated with operating these businesses are included with Administration and Operations Expense, Note 5.

Fines Revenue: Is classified as non exchange revenue and recognised when the fine or penalty is invoiced.

CASH AND CASH EQUIVALENTS:

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, and with original maturities of three months or less, in which HRNZ invests as part of day-to-day cash management.

Notes to the Financial Statements

The cash flow statement categorises movements in cash and cash equivalents into the following activity types:

Operating Activities: include cash received from all income sources and record the cash payments made for the supply of goods and services.

Investing Activities: are those activities relating to the acquisition and disposal of non current assets.

Financing Activities: comprises activities that change the equity and debt capital structure.

INVESTMENT IN ASSOCIATES

Associates are entities over which HRNZ has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method under which the investment is initially recognised at cost and subsequently adjusted to recognise post acquisition changes in HRNZ's share in the associate's comprehensive revenue and expense; the adjustment to the carrying amount of the investment is included in HRNZ's statement of comprehensive revenue and expense. At each balance date HRNZ assess whether the investments are impaired and when there is objective evidence of impairment, an impairment loss is recognised in the statement of comprehensive revenue and expense.

TAXATION

HRNZ is exempt from paying Income Tax under Section CW47 (1) (c) of the Income Tax Act 2007. CBHL as a trading entity is subject to Income Tax. The Income Tax expense in relation to CBHL's surplus or deficit for the current year comprises current tax and deferred tax.

The following taxes, levies and similar charges are paid by HRNZ and CBHL:

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

The financial statements are prepared exclusive of GST, except for trade receivables and some payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

CBHL – Income Tax: *Current tax* relates to the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. This is calculated using the effective tax rates that have been enacted or substantively enacted by balance date.

Deferred Tax relates to the amount of income tax payable or recoverable in future periods in respect of temporary differences and unutilised tax losses. A deferred tax asset is only recognised to the extent that there is reasonable certainty that sufficient taxable surplus will be generated against which the tax losses may be utilised.

Current tax and deferred tax is charged or credited to the statement of comprehensive revenue and expense, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

INVENTORY

Inventory is stated at the lower of cost and net realisable value which is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Any write down from cost to net realisable value is recognised in the statement of comprehensive revenue and expense.

FINANCIAL ASSETS

Recognition and measurement: HRNZ recognises financial assets when it becomes party to a contract and classifies them depending on management's intention to hold them and the nature of the investments.

All financial assets are recognised initially at fair value. The subsequent measurement and presentation of the financial assets will vary depending on their category currently applicable to HRNZ as follows:

- **Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive revenue and expense when the loans and receivables are derecognised or impaired.

Held-to-maturity are non-derivative debt instruments with fixed or determinable payments that HRNZ has the positive intention and ability to hold to maturity.

There has been no change in classification during the year.

A financial asset is derecognised primarily when: (a) the rights to receive cash flows from the asset have expired, or (b) HRNZ has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Impairment: At each reporting date, HRNZ assesses whether the financial assets are impaired and when there is objective evidence of impairment, the carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of comprehensive revenue and expense.

For financial assets carried at amortised cost, the criteria used to determine whether objective evidence of impairment exists, is the asset's collectability. Collectability is reviewed on an ongoing basis at an operating unit level and other facts and circumstances surrounding the counterparty. For trade receivables, this may also be demonstrated by financial difficulties of the debtor or default payments. An impairment provision is recognised when there is objective evidence that HRNZ will not be able to collect the contractual cash flows associated with the asset.

In the case of equity investments, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

PROPERTY PLANT AND EQUIPMENT

Recognition and measurement: Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. It is measured initially at cost which includes expenditure that is directly attributable to the acquisition of the asset; an item of property, plant and equipment is recognised only when it is probable that future economic benefit or service potential associated with the item will flow to HRNZ and if the cost or fair value can be measured reliably. Subsequent costs that meet the recognition criteria are recognised in the carrying value of the item of property, plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset on disposal date and reported in the statement of comprehensive revenue and expense.

Depreciation: Depreciation is charged over the useful life of the asset at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life as follows:

Buildings	1.5% Straight Line
Computer equipment	14%-33.3% Straight Line
Furniture, fixtures and equipment	7%-50% Diminishing Value

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment: HRNZ considers its property, plant and equipment as cash generating assets and performs annual impairment testing to determine whether there is any indication that they may be impaired.

If such an indication exists, HRNZ estimates the recoverable amount (i.e., the higher of the asset's fair value less costs of disposal and its value in use). When the carrying amount exceeds the recoverable amount of the asset, it is considered impaired and written down to its recoverable amount. Any impairment losses are included in the statement of comprehensive revenue and expense.

RECEIVABLES

Receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis to assess whether these are impaired based on expected losses, an analysis of historical information and a review of specific individual receivables. An impairment arises when there is objective evidence that HRNZ will not be able to collect the receivable and an impairment allowance is recognised in the statement of comprehensive revenue and expense. Individual debts that are known to be uncollectible are written off when identified.

Notes to the Financial Statements

FINANCIAL LIABILITIES

HRNZ recognises financial liabilities when it becomes party to a contract.

Financial liabilities are recognised initially at fair value and, in the case of payables and loans and borrowings, net of directly attributable transaction costs. Subsequent to initial recognition, HRNZ classifies all existing liabilities as ‘Financial liabilities at amortised cost’ and carries them at amortised cost using the effective interest method. Gains and losses associated with these items are reported in the statement of comprehensive revenue and expense.

Financial liabilities end when the obligation under the liability is discharged, cancelled, or expires.

Financial liabilities are classified into the following specified categories: “fair value through profit or loss” and “financial liabilities at amortised cost”. Policies in respect of individual categories of financial liabilities are outlined as follows:-

Trade and Other Payables: Trade and Other Payables fall under the category of “financial liabilities at amortised cost”. Trade and Other Payables are recognised when HRNZ becomes obliged to make future payments resulting from the purchase of goods and services. Trade and Other Payables at initial recognition are measure at fair value, and subsequently measured at amortised cost using the effective interest method.

Borrowings: Borrowings fall under the category of “financial liabilities at amortised cost”. Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the statement of comprehensive revenue and expense over the period of the borrowing using the effective interest method. Currently, HRNZ does not have any borrowings.

HRNZ has no liabilities categorized as financial liabilities at fair value through profit or loss. (2018: nil).

LEASES

Operating Leases: The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments where HRNZ are the lessee are recognised as an expense in the statement of comprehensive revenue and expense on a straight-line basis over the lease term. Operating lease incentives if applicable are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

PROVISIONS AND EMPLOYEE BENEFIT LIABILITIES

Provisions are recognised when it is probable that settlement will be required and that the amount can be measured reliably.

Salaries, Wages and Annual Leave provisions expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay, which are expected to approximate to the remuneration rate applying at the time of settlement.

Retirement Entitlements payable beyond 12 months have been calculated based on the following:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements; and
- the present value of the estimated future cash flows. These amounts are discounted to their present value.

HRNZ’s contributions to defined contribution superannuation schemes (Kiwisaver) are recognised as an expense when incurred and reported in the statement of comprehensive revenue and expense.

ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements HRNZ has made estimates and assumptions concerning the future, based on experience and other factors. These estimates and assumptions may differ from the actual results that may have an impact on HRNZ.

HRNZ has presented its share of surplus or deficit of its associates RIUL and TRLP using the equity method. HRNZ shows its share of the surplus or deficit from these associates on one line on the statement of comprehensive revenue and expense.

HRNZ has determined that there are no significant estimates and assumptions applied overall in the preparation of these financial statements.

The carrying values of loans are sustained by guarantees which are equal to or higher than the value of any such loans.

DEFINITIONS

Throughout this report specific language is used for various activities related to the racing industry. To assist the reader of this report some definitions are detailed below:

Codes: Refers to the three racing bodies usually referred to as the Codes; namely New Zealand Thoroughbred Racing Incorporated (NZTR), New Zealand Greyhound Racing Incorporated (NZGRA) and Harness Racing New Zealand Incorporated (HRNZ)

Code Funding Distribution: Refers to the prescribed inter-code agreement between RITA (Racing Industry Transitional Agency, formerly NZRB (New Zealand Racing Board)) and the Codes. It represents the methodology by which RITA will make distributions to the three racing codes (i.e., Harness, Thoroughbred and Greyhound).

Code Funding Policy: Represents the methodology by which HRNZ will distribute our Code Funding to HRNZ and Harness Clubs and Kindred Bodies for prizemoney (stakes) and other racing activities.

Kindred Bodies: Are the three associations relative to harness racing which are recognised in HRNZ's constitution: NZ Owners; NZ Standardbred Breeders and NZ Trainers and Drivers.

FINANCIAL PERFORMANCE

REVENUE

HRNZ is primarily funded through the Harness Code distributions from RITA and revenue from horse and ownership transactions, licencing fees and other activities associated with HRNZ.

Under 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.

Interest revenue is recognised as it accrues on a time proportionate basis, through the Statement of Comprehensive Revenue taking into account the effective yield.

NOTE 1 ADMINISTRATION AND OPERATIONS

Administration and operations revenue is classified as exchange transactions. Revenue is recognised at the time of invoicing or when payment is received. Such transactions include fees for horse, owner and/or licence transaction and the allocation from our Harness Distribution account \$5,362,000 (2018: \$4,915,000).

NOTE 2 CODE FUNDING DISTRIBUTION

Code funding distribution represents revenue received from RITA, as per the prescribed funding model for the three racing codes, Harness, Thoroughbred and Greyhound, in accordance with Section 25 (1) of the Racing Act 2003.

NOTE 3 SALE OF GOODS AND SERVICES

Revenue from the sale of goods and rendering of services relate mainly to the trading operations of CBHL's hospitality businesses.

NOTE 4 INVESTMENT IN ASSOCIATES

HRNZ holds a 25% ownership interest and voting rights in the Racing Integrity Unit Ltd (RIUL). The RIUL is a joint venture company among RITA and the three racing codes, which provides integrity services to each of the three codes under a service delivery contract. Each code funds their share of the RIUL's operating expenses on a cost recovery basis. RIUL is not intended to return a profit.

The RIUL is domiciled in New Zealand with a 31 July balance date. Its summarised financial information is as follows:

	2019	2018
	\$,000 (thousands)	
Racing Integrity Unit Limited (RIUL)		
Opening Balance	72	74
Share In Deficit	(24)	(2)
Closing Balance	48	72

Notes to the Financial Statements

Summarised financial information with respect to RIUL is as follows

	2019	2018
	\$,000 (thousands)	
Total Assets	1,747	1,634
Total Liabilities	1,555	1,346
Net assets	192	288
Revenue	6,719	6,297
Expenses	6,816	6,305
Deficit For The Year	(97)	(8)
Comprehensive Expense For The Year	(97)	(8)
HRNZ's 25% Share in Net Assets	48	72
HRNZ's 25% Share of the Deficit	(24)	(2)

The RIUL financial statements at 31 July 2019 do not show any contingent liabilities (2018: nil)

During the financial year ended 31 July 2017 HRNZ, in partnership with Thoroughbred Racing New Zealand, established a 50/50 partnership named The Races Limited Partnership, for the acquisition of the Event Management Logistic business unit of RITA. Acquisition and operational activity under TRLP commenced 1 August 2017. TRLP will continue to deliver services to racing clubs to support the marketing and management of events on course for the improvement of customer experience.

Funding for the activities of TRLP has been secured through a three-year agreement with RITA, partial cost recovery from racing clubs and application of gaming funds as appropriate to the gaming fund policy. TRLP is not intended to return a profit, however due to reduced activity whilst the partners explore a digital transformation project TRLP has made a significant surplus. The surplus has been reinvested into TRLP for the following season.

TRPL is domiciled in New Zealand. Its summarised financial information is as follows:

	2019	2018
	\$,000 (thousands)	
The Races Limited Partnership (TRLP)		
Opening Balance	77	-
Share In Surplus	301	77
Closing Balance	378	77

Summarised financial information with respect to TRLP is as follows

	2019	2018
	\$,000 (thousands)	
Total Assets	1,887	2,265
Total Liabilities	1,131	2,112
Net assets	756	153
Revenue	4,596	4,545
Expenses	4,142	4,392
Surplus For The Year	454	153
Adjustment for Prior Year	148	-
Comprehensive Revenue For The Year	602	153
HRNZ's 50% Share in Net Assets	378	77
HRNZ's 50% Share of the Surplus	301	77

TRLP financial statements at 31 July 2019 do not show any contingent liabilities (2018: nil)

NOTE 5 ADMINISTRATION AND OPERATING EXPENSE

	2019	2018
	\$,000 (thousands)	
Administration, Marketing, Operations and Publications ¹	7,940	6,604
Board Remuneration and Governance Expenses ²	317	324
Breeders, Owners Associations Support & Initiatives	130	146
Trainers and Drivers Association Funding	26	27
	8,413	7,101

¹ Included in this total are:

Fees paid to auditors of \$32,000 (2018: \$30,000) which includes other fees (tax) of \$7,500 (2018: 3,557).

Depreciation \$196,719 (2018: \$145,745). Included in this total are lease payments for \$161,490 (2018: \$76,490) for HRNZ's leased office premises at 17 Birmingham Drive, Christchurch.

There are a number of smaller leases relating to vehicles and CBHL's hospitality premises.

² Included in this total is the Board Remuneration for the year of \$160,000 (2018: \$160,000).

NOTE 6 CLUB FUNDING POLICY PAYMENTS

These funding policy payments include raceday payments to clubs; and administration, marketing and projects funding to HRNZ and Kindred Bodies in accordance with the Business Plan, Code Funding and Budget approved at the Annual Conference.

NOTE 7 INCOME TAX EXPENSE

HRNZ is exempt from paying income tax under Section CW47 (1) (c) of the Income Tax Act 2007.

CBHL is a trading entity and is subject to income tax. Income tax expense in relation to CBHL's surplus or deficit for the period comprises current tax and deferred tax.

	2019	2018
	\$,000 (thousands)	
<u>Components of Tax Expense</u>		
Current Tax Expense (Income)	-	-
Deferred Tax Expense (Income)	-	-
Total Tax Expense (Income)	-	-
 <u>Reconciliation of Prima Facie Income Tax Expense</u>		
(Deficit) Surplus Before Tax	(688)	(892)
Non Assessable Income (HRNZ Operating Surplus (Deficit))	531	1,092
Surplus (Deficit) Taxable Balance	(157)	200
 Prima Facie Tax Expense (Benefit) at 28% (2018: 28%)	(44)	56
Timing Difference (Reassessment of Losses \$464,000 at 28%)	-	130
Taxation losses not recognised / (utilised)	44	(186)
Total Tax Expense (Income)	-	-
 Tax Losses Carried Forward	3,671	3,515

CBHL has unutilised and unrecognised tax losses arising from prior years. There are no other tax planning opportunities or other evidence of recoverability in the near future. These unrecognised tax losses do not expire, and may not be used to offset taxable income elsewhere. On this basis, HRNZ has determined that it cannot recognise deferred tax assets on CBHL's tax losses carried forward.

Notes to the Financial Statements

FINANCIAL POSITION

NOTE 8 CASH AND CASH EQUIVALENTS

	2019	2018
	\$,000 (thousands)	
Cash on Hand	122	105
Cash in Bank	221	518
Short-Term Deposits	1,582	1,336
	1,925	1,959

HRNZ administers the Centralised Stakes Payment System on behalf of Clubs, Drivers, Owners and Trainers.

The stakes funds investment is \$450,067 (2018: \$1,136,000), which relate to race meetings that have not been cleared for payment as at 31 July. HRNZ currently has no bank overdraft facility.

NOTE 9 OTHER FINANCIAL ASSETS

	2019	2018
	\$,000 (thousands)	
Provident Fund ¹	59	63
Sulky Fund ²	112	126
Funds Held In Trust	171	189
Term Deposit	95	228
Loans and Advances	300	375
	566	792
Current Other Financial Assets	566	417
Non-current Other Financial Assets	-	375
	566	792

Funds held in trust relate to interest-bearing re-investment of cash held by HRNZ for the Provident and Sulky Funds which are not available for use by HRNZ; interest received on these Funds are included in their balances.

	Provident Fund ¹		Sulky Fund ²	
	2019	2018	2019	2018
	\$,000 (thousands)		\$,000 (thousands)	
Opening Balances	63	69	126	125
<u>Receipts</u>				
Interest	2	2	2	1
Premiums	-	-	87	91
	2	2	89	92
<u>Disbursements</u>				
Grants Paid	(6)	(8)	-	-
Claims Paid & Warrant of Fitness Checks	-	-	(91)	(79)
Administration Fees	-	-	(12)	(12)
	(6)	(8)	(103)	(91)
Closing balances	59	63	112	126

¹ *Provident Fund* provides grants to licenced industry participants pursuant to *Rules 1501-1511* which are made at the discretion of the Fund Trustees: ³

² *Sulky Fund* provides a limited form of insurance type cover for registered sulkies to licenced industry participants pursuant to *Rule 1502* and the *Sulky Fund Regulations*: ³

³Included in other liabilities are corresponding liabilities with respect to the Provident Fund and Sulky Fund of equal value as to that disclosed above.

HRNZ had a non-interest bearing loan advance to Auckland Trotting Club of \$300,000 (2018: \$400,000) which has now matured and will be fully repaid by 31 October 2019.

This loan is guaranteed by a first mortgage security over the Franklin Park property.

NOTE 10 RECEIVABLES

	2019 \$,000 (thousands)	2018
Receivables from Exchange Transactions		
Code Funding Receivable	195	685
Trade Receivables	406	302
	601	987
Receivables from Non-Exchange Transactions		
GST Receivable	(14)	283
	(14)	283
Total Receivables	587	1,270

As at 31 July 2019 and 2018 balance dates, all overdue receivables have been assessed for impairment, based on expected losses, determined on analysis of historical information as well as a review of individual receivables. There are no impairment provisions on outstanding receivables (2018: nil). The ageing of HRNZ's receivables is as follows:

	2019 \$,000 (thousands)	2018
Neither Past Due Nor Impaired		
Not past due	520	1,180
30-60 days	37	43
Past Due But Not Impaired		
60-90 days	5	29
Over 90 days	25	18
	587	1,270

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

2019	Opening Balances			Current Year Movements				Closing Balances		
	Cost	Acc. Depreciation & Impairment	Carrying Amount	Additions	Net Disposals / Transfers	Impairment Charges	Depreciation	Cost	Acc. Depreciation & Impairment	Carrying Amount
Land	-	-	-	-	-	-	-	-	-	-
Building and Improvements	-	-	-	-	-	-	-	-	-	-
Computer	402	(257)	145	88	-	-	(70)	490	(327)	163
Furniture, Fittings and Equipment	1,584	(856)	728	117 ¹	-	-	(127)	1,701	(983)	718
	1,986	(1,113)	873	205	-	-	(197)	2,191	(1,310)	881

¹ Included in this total is the acquisition of plant and equipment for \$40,000 (2018: nil) relating to the purchase of CBHL's additional hospitality outlet.

Notes to the Financial Statements

2018	Opening Balances			Current Year Movements				Closing Balances		
	Cost	Acc. Depreciation & Impairment	Carrying Amount	Additions	Net Disposals / Transfers at WDV	Impairment Charges	Depreciation	Cost	Acc. Depreciation & Impairment	Carrying Amount
Land	335	-	335	-	(335)	-	-	-	-	-
Building and Improvements	815	(142)	673	-	(673)	-	-	-	-	-
Computers	356	(205)	151	46	-	-	(52)	402	(257)	145
Furniture, Fittings and Equipment	1,032	(812)	220	585	(33)	-	(44)	1,584	(856)	728
	2,538	(1,159)	1,379	631	(1,041)	-	(96)	1,986	(1,113)	873

There are no restrictions or contractual commitments over title of any property, plant and equipment.

There are no restrictions or contractual commitments for the acquisition of any property, plant and equipment.

Asset Held For Sale

2018	Opening Balances			Current Year Movements				Closing Balances		
	Cost	Acc. Depreciation & Impairment	Carrying Amount	Additions	Net Disposals / Transfers	Impairment Charges	Depreciation	Book value on Transfer	Impairment	Carrying Amount
Land	-	-	-	-	335	-	-	335	-	335
Building and Improvements	-	-	-	-	673	(56) ²	-	673	(56)	617
Furniture, Fittings and Equipment	-	-	-	-	30	-	-	30	-	30
	-	-	-	-	1,038	(56)	-	1,038	(56)	982

² Asset held for sale was recognised at fair value therefore impairment charges of \$56,000 were recognised.

If the recoverable amount of an asset or group of assets, is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized immediately in the Statement of Comprehensive Revenue and Expense.

On 13 September 2019 the land and buildings located at 135 Lincoln Road were sold for \$982,000.

NOTE 12 BUSINESS COMBINATION AND GOODWILL

CBHL purchased 100% of an additional hospitality outlet on 1 September 2018. The purchase price of \$400,000 included: goodwill \$360,000 and plant and equipment \$40,000. The goodwill relates to the customer base and the intellectual property associated with the hospitality outlet. Management consider that the purchase price reflects the fair value of the assets acquired.

Management have performed an impairment review of the goodwill as at 31 July 2019, and consider that no impairment provision is required on the goodwill.

NOTE 13 PROVISIONS AND EMPLOYMENT BENEFIT LIABILITIES

	2019	2018
	\$,000 (thousands)	
Accrued Salaries and Wages	52	92
Annual Leave	296	265
Retirement Provision	139	231
Due to Racing Integrity Unit Ltd	90	90
	577	678
Current Employee Benefits Liability	348	467
Non-current Employee Benefits Liability	229	211
	577	678

Salaries, wages and annual leave provisions are measured at nominal values based on accrued entitlements at current rates of pay, which are expected to approximate to the remuneration rate applying at the time of payment. Employer contributions to Kiwisaver are recognised as an expense when incurred and reported in the Statement of Comprehensive Revenue and Expense.

HRNZ's provisions relate to employee entitlements and benefits accruing to employees in respect of salaries and wages, annual leave, sick leave and retirement entitlements; the portion due and payable within the next 12 months from balance date is included under current employee benefits liability.

Retirement Entitlement Liability: HRNZ's provision for retirement entitlement liabilities includes the following:

- **Retirement provision:** HRNZ employees who, under their employment contract, commenced prior to 1 April 1992 and have completed at least ten years' service are entitled to a retirement benefit payment (calculated based on individual contract provisions) when they retire from HRNZ; a provision is recognised each year for the allocable amount of entitlement.
- **Due to Racing Integrity Unit Ltd:** On 1 February 2011, five of the eligible employees transferred to the RIUL. Their contract conditions include the retirement benefit.

As of 31 July 2019, there are 3 staff (2018: 4 staff) entitled to the retirement benefit. Any early payment of both HRNZ and RIUL retirement entitlements is made at the discretion of HRNZ Board.

The amount recognised for both types has been calculated based upon the dates when eligible employees are expected to retire, which are between 2 and 20 years from 31 July 2019. It has been assumed that these employees will remain in the employment of HRNZ or RIUL until retirement. A discount rate of 1.67% (31 July 2018: 2.99%) has been applied, as well as an estimated 1.72% (FY 2018: 2%) increase in pay rates, in the calculation of the estimated retirement fund liability. No increase in pay rates is included for RIUL.

Retirement entitlements payable beyond 12 months have been calculated based on the following:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements; and
- the present value of the estimated future cash flows. These amounts are discounted to their present value.

NOTE 14 TRADE AND OTHER LIABILITIES

Accrued and trade liabilities represent payables for goods and services provided to HRNZ prior to the end of the financial year that are unpaid and normally payable on a 30-day term. 2019: \$869,000; (2018: \$681,000)

Other liabilities include stakes payable 2019: \$405,000; (2018: \$1,125,000).

NOTE 15 CONTINGENCIES, COMMITMENTS, GUARANTEES AND INDEMNITIES

OPERATING LEASES

	2019	2018
	\$,000 (thousands)	
0-1 year	583	564
1-5 years	1,985	2,006
5+ years	2,460	2,735
	5,028	5,305

The lease for HRNZ's offices in Birmingham Drive commenced on 1 February 2018 with three rights of renewal of five years each, and a final expiry date of 31 January 2034. There are certain restrictions imposed by the landlord on the Birmingham Drive property, for example sub lease of floor space requires their prior approval.

With the exception of the operating leases above, there were nil commitments at 31 July 2019 (2018: nil).

HRNZ holds cover for Directors and Officers Liability, General and Statutory Liability and Professional Indemnity insurance cover in respect of liability for losses incurred by a member of the Board or an employee of HRNZ in the course of their duties to HRNZ.

NOTE 16 RECONCILIATION OF NET DEFICIT WITH NET OPERATING CASHFLOW

	2019	2018
	\$,000 (thousands)	
Net Deficit For The Period	(688)	(892)
Depreciation	197	96
Fair Value Adjustment (<i>Auckland Trotting Club loan interest</i>)	(25)	(22)
Impairment of Building and Improvements	-	56
Share of Surplus in Associates RIUL and TRLP	(277)	(75)
Net Changes In Non-Cash Items	(105)	55
Loss on Disposal of Non-Current Assets	-	3
Other Financial Assets	100	9
Net Changes in Investing & Financing Activities	100	12

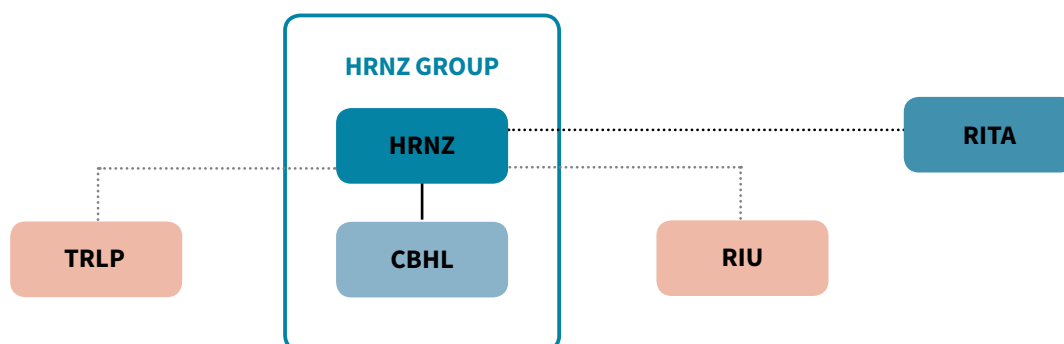
Notes to the Financial Statements

NOTE 16 continued

	2019	2018
	\$,000 (thousands)	
Trade Receivables	764	1,183
Inventory	(16)	(11)
Trade and Other Liabilities	(550)	(152)
Income Received in Advance	(6)	2
Employee Benefit Liabilities	(101)	(34)
Net Changes in Working Capital	91	988
Net Cashflows from (used in) Operating Activities	(602)	163

NOTE 17 RELATED PARTIES

Related Party Transactions - HRNZ Structure and Interest in Other Entities



HRNZ undertakes transactions with its related parties noted above. No material transactions were entered into with related parties except as disclosed below.

			\$,000 (thousands)	
	% Interest	Nature of Relationship	Transactions & Balances	
			2019	2018
<i>Cardigan Bay Holdings Ltd</i>	100%	Controlled entity		
Funding			150	-
Equity issued			-	-
Management Fee			-	60
<i>Racing Integrity Unit Ltd</i>	25%	Associate		
Other services			(24)	(2)
Retirement payable			(90)	(90)
<i>RITA</i>	n/a	RITA manages HRNZ's payments to Clubs	3,401	3,380
Distribution Account Funding to HRNZ			195	685
Harness Code Distribution Account Balance				
<i>The Races Ltd Partnership</i>	50%	Associate	301	77

HARNESS RACING CLUBS AND KINDRED BODIES: As part of its normal operations, HRNZ transacts with Harness Racing clubs and Harness Racing Kindred Bodies across New Zealand; these transactions include receipt of stakes, other fees, and the administration of RITA to the Harness Code. However, these entities are not related parties of HRNZ for financial reporting purposes and it does not exercise control, joint control or significant influence over these entities.

HRNZ BOARD: Transactions took place in the ordinary course of HRNZ's business where a member of the Board is also a member of the governing body of a Club or Kindred Body.

TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL: HRNZ's key management personnel includes members of the Board, the Management Team and their immediate families. Providing HRNZ's Rules do not exclude them; members of the Management Team of HRNZ and Board Members or their immediate families, may race horses and be eligible for stake money from Harness Racing Clubs. Board Members and members of the Management Team may have a horse, licencing and other transactions with HRNZ.

From time to time HRNZ have claims from Employees for employment matters. At balance date there is one claim outstanding (2018: nil).

HRNZ holds a 25% ownership interest and voting rights in the RIUL, and has the ability to appoint a director to its Board. HRNZ does not have control of the RIUL and consequently considers the RIUL to be an associate.

HRNZ holds a 50% ownership interest and voting rights in TRLP, and has the ability to appoint two of the four directors to its Board. HRNZ does not have control of the TRLP and consequently considers the TRLP to be an associate.

Transactions and balances relating to key management personnel of HRNZ are as follows:

Transactions with Key Management Personnel	2019	2018
	\$,000 (thousands)	
Board Remuneration	160	160
Management Salaries, Wages and Other Benefits	1,163	1,092
	1,323	1,252

NOTE 18 FINANCIAL INSTRUMENT RISK MANAGEMENT

CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	Measurement basis	2019	2018
		\$,000 (thousands)	
Loans and Receivables			
Cash and Cash Equivalents	Amortised cost	1,925	1,959
Loans and Advances	Amortised cost	309	375
Trade and Other Receivables	Amortised cost	587	1,351
		2,812	3,685
Held-To-Maturity Investment			
Other Financial Assets	Amortised cost	266	417
		3,078	4,102
Financial Liabilities at Amortised Cost			
Trade and Other Liabilities	Amortised cost	1,472	2,028
Total Financial Liabilities		1,472	2,028

The Board considers that the carrying amount of financial instruments recorded in the financial statements represents their fair value.

Notes to the Financial Statements

Financial Risks are those associated with the financial assets and liabilities of HRNZ which include market risk (capital risk and interest rate risk), liquidity risk and credit risk. These are discussed as follows:

18.1. CAPITAL RISK: The Board manages its capital resources to ensure that HRNZ will be able to continue as a going concern whilst promoting the advancement of the Harness Racing Code. This strategy remains unchanged from the previous year. The capital structure consists of accumulated surplus, code distribution reserve, cash and cash equivalents and investments.

HRNZ prepares a Business Plan for the Harness Code as a whole for each season. This plan incorporates input from RITA, and details how the Code funding will be allocated during the season. The Board regularly review performance during the season. HRNZ does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. HRNZ does not have externally imposed capital requirements.

18.2. INTEREST RATE RISK: Interest rate risk relates to the risk that the fair value of a fixed debt instrument will not fluctuate due to changes in the underlying market interest rate.

HRNZ is exposed to interest rate risk in relation to its interest bearing financial assets. The risk is managed by monitoring the timing and amount of investments to minimize impact of interest rate changes.

Interest Rate Re-Pricing Analysis

	Carrying Amount	Interest Rate Re-pricing			
		< 1 year	1-2 years	2-5 years	5+ years
2019					
Cash and Cash Equivalents	1,925	1,925	-	-	-
Other Financial Assets	566	566	-	-	-
	2,491	2,491	-	-	-

	Carrying Amount	Interest Rate Re-pricing			
		< 1 year	1-2 years	2-5 years	5+ years
2018					
Cash and Cash Equivalents	1,959	1,959	-	-	-
Other Financial Assets	792	417	375	-	-
	2,751	2,376	375	-	-

Interest Rate Sensitivity

	2019	2018
	Surplus (pre-tax)	Surplus (pre-tax)
100 Basis Point Increase	21,906	23,740
100 Basis Point Decrease	(21,906)	(23,740)

Interest rate sensitivity: Variable interest rated financial assets have sensitivity to changes in the underlying interest rates. The sensitivity to a change in interest rates results to an increase or decrease in pre-tax net surplus or deficit.

18.3. LIQUIDITY RISK: Liquidity risk is the risk that HRNZ will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

In general HRNZ generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities.

HRNZ's exposure to liquidity risk based on undiscounted contractual cash flows is as follows:

	Carrying Amount	\$,000 (thousands)				
		Contractual Cashflows				
		Total	< 1 year	1-2 years	2-5 years	5+ years
2019						
Cash and Cash Equivalents	1,925	1,925	1,925	-	-	-
Other Financial Assets	566	566	566	-	-	-
Trade and Other Receivables	587	587	587	-	-	-
Employee Benefits Liability	(487)	(487)	(348)	-	-	(139)
Income Received in Advance	(22)	(22)	(22)	-	-	-
Trade and Other Liabilities	(1,450)	(1,450)	(1,450)	-	-	-
Other Provisions	(90)	(90)	-	-	-	(90)
	1,029	1,029	1,258	-	-	(229)

	Carrying Amount	\$,000 (thousands)				
		Contractual Cashflows				
		Total	< 1 year	1-2 years	2-5 years	5+ years
2018						
Cash and Cash Equivalents	1,959	1,959	1,959	-	-	-
Other Financial Assets	792	792	417	375	-	-
Trade and Other Receivables	1,351	1,351	1,351	-	-	-
Employee Benefit Liability	(588)	(588)	(357)	-	-	(231)
Income Received in Advance	(28)	(28)	(28)	-	-	-
Trade and Other Liabilities	(2,000)	(2,000)	(2,000)	-	-	-
Other Provisions	(90)	(90)	-	-	-	(90)
	1,396	1,396	1,342	375	-	(321)

18.4. CREDIT RISK: Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to HRNZ.

In order to manage this risk, HRNZ places its available cash and short-term investments with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution in accordance with the treasury policies of the respective entities. HRNZ does not hold any collateral as security or other credit enhancements with respect to its exposures.

There is a concentration of credit risk with respect to current receivables outside HRNZ in that the Code Funding Receivable from RITA represented approximately 33% (2018 approximately 51%) of the total current receivables balance.

2019	Carrying	Credit rating	
	amount	AA-	Unrated
	\$,000 (thousands)		
Cash and Cash Equivalents	1,582	1,582	-
Trade Receivables	587	-	587
Loans and Advances	300	-	300
	2,469	1,582	887

2018	Carrying	Credit rating	
	amount	AA-	Unrated
		\$,000 (thousands)	
Cash and Cash Equivalents	1,336	1,336	-
Trade Receivables	1,351	-	1,351
Loans and Advances	375	-	375
	3,062	1,336	1,726

NOTE 19 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 31 July 2019 (31 July 2018: nil).

NOTE 20 EVENTS SUBSEQUENT TO BALANCE DATE

There were no events subsequent to Balance Date.

Notes to the Financial Statements

NOTE 21

FINANCIAL RESULT COMPARED TO BUDGET

The following table summarises the comparison of HRNZ's operational results against budget.

HRNZ OPERATIONS COMPARED TO BUDGET				
31 July 2019				
	ACTUAL 2018/2019	BUDGET 2018/2019 <i>Unaudited</i>	ACTUAL 2017/2018	BUDGET 2017/2018 <i>Unaudited</i>
HRNZ ADMINISTRATION				
Revenue				
Fees	883	900	856	917
Fines	106	85	181	75
Funding from RITA	2,927	3,082	2,880	2,880
Interest Income	36	35	39	34
Sales of Goods and Services	803	369	302	273
Total Revenue	4,755	4,471	4,258	4,179
Expenditure				
Corporate Services	1,403	1,234	1,110	1,095
Education	258	297	226	363
Governance	317	323	324	335
Information and Technology	715	700	661	621
Marketing and Media	933	1,131	1,069	1,007
Racing	806	827	834	972
Depreciation	163	145	118	80
Total Expenditure	4,595	4,657	4,342	4,473
NET HRNZ ADMINISTRATION	160	(186)	(84)	(294)
HRNZ OPERATIONS				
Revenue				
Sale of Goods and Services - Cardigan Bay (CBHL)	2,361	2,720	2,159	2,413
Surplus (Loss) In Associates (RIUL & TRLP)	277	-	(2)	-
Funding from RITA	926	614	985	500
Total Revenue	3,564	3,334	3,142	2,913
Expenditure				
Cost of Sales - CBHL	2,484	2,388	2,007	2,088
CBHL - Depreciation	34	32	28	25
ATC Venue Services	228	60	229	-
Breeders and Owners Support	130	130	146	130
Interdominion Levy	227	200	-	-
St Johns Contract	223	224	226	-
Club & Youth Support, Lobbyist, Projects, Sundry	596	105	122	345
Total Expenditure	3,922	3,139	2,758	2,588
NET HRNZ OPERATIONS	(358)	195	384	325
NET HRNZ ADMINISTRATION AND OPERATIONS	(198)	9	300	31
HARNESS DISTRIBUTION ACCOUNT				
Revenue From RITA	44,155	43,800	43,835	40,900
Funding Policy - Payment to Clubs	(44,645)	(43,985)	(45,027)	(40,900)
DISTRIBUTION ACCOUNT MOVEMENT	(490)	(185)	(1,192)	0
NETT SURPLUS (DEFICIT)	(688)	(176)	(892)	31

Independent auditor's report to the Members of Harness Racing New Zealand Incorporated Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Harness Racing New Zealand and its subsidiaries ('The Group') on pages 3 to 21, which comprise the consolidated statement of financial position of the Group as at 31 July 2019, and the consolidated statement of comprehensive revenue and expenses, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 3 to 21 present fairly, in all material respects, the financial position of the Group as at 31 July 2019 and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards.

This report is made solely to the Group's members as a body. Our audit has been undertaken so that we might state to the Group's 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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

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

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

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

Ernst & Young provides taxation and other assurance related services to the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

Information other than the consolidated financial statements and auditor's report

The Directors are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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working world**

The Board of Directors' responsibilities for the consolidated financial statements

The Directors are responsible, on behalf of the entity, for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>. This description forms part of our auditor's report.

Chartered Accountants
Christchurch
18 September 2019



This report is also available on our hrnz.co.nz website.
All future Annual Reports will be available to view/download online only.



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