



2017-18

Annual Report

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





Contents



Chairman's Report	4
Chief Executive's Report	8
Board Members	12
Board Sub-Committees	15
Governance Statement	16
Season Highlights	18
Season Statistics	24
Ownership	26
Life After Racing	28
Education & Training	30
Totalisator Clubs	34
Totalisator Licences	35
Organisation Structure	37
Financial Reports	38



Chairman's Report

There is much to celebrate about the 2017/2018 racing season with exciting racing up and down the country and some wonderful performances by our elite horses, not only here but in Australia and North America.

The New Zealand Standardbred has set the benchmark in the Southern Hemisphere and our horses are highly regarded in North America, after another successful season by ex pat Kiwi pacers.

This past season stakes rose by over 10% and the addition of a \$1,500 first win bonus also helped in providing more money directly back to owners.

As I write this report the Industry is in limbo, as everyone in racing eagerly awaits the release of the Messara Report.

Commissioned by the Racing Minister The Right Honourable Winston Peters, the review by Messara is promoted as bringing significant benefit to all of the codes, despite having a thoroughbred

focus. The intention of the review is that it will produce a footprint that will change the Racing Industry and secure its future.

The Messara Report was released just before this Annual Report was going to print.

My following comments are made prior to a detailed review of the report, due to insufficient time being available as a result of the print deadline for the Annual Report.

After meeting with John Messara we were given an assurance that Harness Racing had nothing to fear and would be better off once his report is adopted.

We do however have concerns around Section 16 of The Racing Act, which sets out the Codes Distribution. We must make certain we are able to lock

in funding that ensures the future of Harness Racing and allows it to grow and prosper.

After talking with the Racing Minister, he sees this opportunity as the one and only chance to change the Racing Industry for the better. We hope he can deliver!

On the downside however, while we await this report, the Racefields Legislation remains on the Minister's desk. By not presenting this to Parliament it has, and is costing the Racing Industry over one million dollars a month in lost revenue.

Harness Racing New Zealand (HRNZ) enjoys a good working relationship with the New Zealand Racing Board (NZRB) and I would like to acknowledge the hard work that CEO John Allen and his

team put into our Industry. I would also like to acknowledge our representative on the NZRB, Rod Croon and the, Chair Glenda Hughes for their dedication and efforts over the past season.

HRNZ, along with the other codes is working with the NZRB on a number of projects as we all look to secure and enhance the future of the NZ TAB and the NZ Racing Industry.

The NZRB has embarked on a strategic plan that is on track to deliver significant lifts in returns to the Industry in the 2019/2020 season.

Project Desert Gold is looking into the future direction of the TAB and evaluating options and opportunities. There has been a lot of talk in the Industry around “outsourcing” of the TAB and the potential value and returns from this. The Steering Committee of Project Desert Gold is looking at outsourcing models, so

that the NZRB and the Codes have a clear understanding of not only what the benefits and value might be, but also the risks involved in such arrangements.

A second Project is the Future Venue Plan. I think everyone is aware that in a country with a population of 5 million people we have too many venues and it is inevitable that we need some consolidation. A consultation process will begin later this year with the NZRB and all of the Clubs.

Our Youth

There is a very real focus by the HRNZ Board on our youth, the formation of the Youth Council is testament to this.

It is important that HRNZ provide a pathway for our young and support is provided to this group as follows:

- No fees for under 30's
- Subsidised gear
- Free apparel
- Business mentoring programme
- Future savings scheme

These are just some of the initiatives that are currently underway.

Ownership

To promote ownership, and reward owners, the Board established a working sub-committee.

The group has members from up and down the country, and has been successful in organising a number of owners' initiatives and providing pathways for first time owners.

HRNZ has secured the services of an innovative young Canadian Horseman Anthony MacDonald to speak to



Team Teal Ambassadors:
Sheree Tomlinson,
Sam Ottley,
Nicky Chilcott

industry participants in September this year. Anthony will speak in Auckland, Christchurch and Invercargill about his multiple ownership model, his training and his innovative communication methods.

Team Teal

The Team Teal initiative raises funds for the Women's Cancer Foundation and specifically for research into ovarian cancer. It is a great example of how harness racing participants answer the rallying call to assist others.

The driving force behind Team Teal is a very dear friend of mine Victorian trotting stalwart Duncan McPherson, who sadly lost his wife Lyn to ovarian cancer. The Board had no hesitation in accepting Duncan's proposal to

introduce the campaign into New Zealand.

The Team Teal Campaign was a huge success and thanks must go to all our lady drivers who embraced the cause and also to all those who contributed. With every win by a female driver being sponsored during the campaign, a total of \$19,000 was raised for ovarian cancer research.

Interdominion Trotting Event Council

Brian Wastney and I are the New Zealand representatives on this council. We were thrilled that the iconic Interdominion Championship will continue. This is due to the co-operation of the three hosts Harness Racing Victoria, Harness Racing New

South Wales and Harness Racing New Zealand.

We are also pleased that a trotting championship has been reinstated to be run at the same venue parallel to the pacing championship. We look forward to this year's event in Victoria and then to Auckland in 2019.

Breeding

The number of mares being bred is of real concern and we will continue to work closely with the New Zealand Standardbred Breeders Association to improve the current situation. Breeding incentive schemes may be looked into once additional funding becomes available.

The Board has set a target date of August 1st 2020 for the introduction



Sheriff winning the NZ Derby

of micro chipping to replace freeze branding. We are currently monitoring the microchipping process and results in Australia with a view to using the same technology and systems.

Governance

The Board has been working on a new Governance model and will present to the AGM in September options for consideration. Whilst the current model is not broken, it is felt a more refined Board and a different appointment process would better suit the current environment and provide efficiencies.

Barry Dent and Murray Swain will retire from the current Board and will be replaced in the new season by John Grainger (New Zealand Metropolitan Trotting Club) and Kevin McNaught (Southern Harness). I would like to thank both Barry and Murray for their contributions, and we will miss Barry's expertise and experience, especially around governance and rules.

HRNZ Premises

During the season the Board, after reviewing engineering reports and remedial quotations for the Lincoln Road property, decided that this property should be sold and alternative premises sought.

The Board considered a proposal from Addington Raceway on a building in Wrights Road, however there were a number of issues that ruled this option out.

We have been successful in securing a two storey building in Birmingham Drive, only one kilometre from our Lincoln Road site on a lease to buy contract. The sale of Lincoln Road was confirmed in late August, so we will now seek to exercise our right to purchase the Birmingham Drive

property later this year. The HRNZ office is on the second floor of the building, with an established long term tenant on the ground floor who will provide significant income.

The HRNZ premises is also home to the NZ Sires Stakes and the The New Zealand Standardbred Breeders Association. As I write this report I am able to confirm, that New Zealand Bloodstock will also now have an office at HRNZ. The Industry welcomes New Zealand Bloodstock into Harness Racing. Having a world class bloodstock company in our Industry has been positively received by our participants.

Obituaries

Our thoughts go out to the families and friends of those harness participants who we lost during the season.

It has been an especially sad time as Harness Racing mourned the loss of three icons of our sport, Neil Pilcher, Bob McArdle and Jack Carmichael. They were all names synonymous with harness racing, all having played a huge role within the industry over a very long time.

Annual Awards

This year we will stage our Annual Awards in Auckland, providing Conference attendees' the opportunity to see first-hand the developments at Alexandra Park.

The Annual Awards showcase the stars of our Industry and there have been many during the season.

Few will forget Lazarus winning his second New Zealand Cup, Vincent's win in the Auckland Cup or Sheree Tomlinson winning the Dominion with Armaretto Sun.

We have witnessed many great races

but my favourite has to be Sheriff providing trainer Nigel McGrath and driver Blair Orange with their first New Zealand Derby in an exhilarating race. Race caller Mark McNamara aptly described it as "an epic Derby".

Matt Anderson excelled in our Junior ranks, while Mark Purdon and Natalie Rasmussen once again took out the Trainers Premiership and continue to set a high standard.

However there was a change of guard in the driving premiership where Blair Orange set a new record in defeating previous multiple winner Dexter Dunn.

Whilst we celebrate our stars we must also congratulate and acknowledge all our participants. Their passion and dedication can never be questioned and they thoroughly deserve every win that comes their way.

In closing I would like to thank CEO Edward Rennell and his dedicated team at HRNZ. Each and every one is passionate about the Industry, and on behalf of the Board I thank them for their contribution.

I would also like to acknowledge the support and work of the New Zealand Standardbred Breeders Association and the New Zealand Sires Stakes Board.

To all those Club committees and volunteers thank you, for without you it would not be possible to run the meetings and the races that the Industry depends on.

We must never forget that this is a great sport, it is entertaining, it is exciting and it is fun.

Ken Spicer
Chairman



Chief Executive's Report

Introduction

The last year has flown past with a number of fresh challenges and issues arising as the industry continues to operate in an increasingly competitive environment. Huge societal and environmental changes over the last 20 years have impacted severely on how we operate and will continue to mean that as an industry we need to adapt quickly and appropriately. Racing's relevance in the public arena has declined and as a result change is inevitable as we continue to operate in a complex environment. Along with our industry partners, HRNZ is taking steps to endeavour to improve the industry's position and, combined with the passion and professionalism of industry participants, I am confident as an industry we can embrace the changes required and meet the challenges ahead.

The industry will need to embrace the necessary hard decisions in the immediate future as the current position is unsustainable. Hopefully

recommendations arising from the current review by Mr John Messara will provide a platform for the industry to address the most significant issues in a constructive and united manner.

2017/18 Key Industry Results

On page 24 are the key industry statistics for the 2017/18 year. In summary, these portray a "mixed bag" for last season and highlight the challenges facing the industry. Pleasingly, one month into the new season the results are encouraging and I am confident that in a year's time when I report on the 2018/19 season, some of the initiatives the industry has taken will have delivered positive results and our overall position will be improved.

From a participation level in 2017/18, the code performed reasonably. Race numbers were down in line with that anticipated in the dates calendar and average field size was maintained at 10.77. Despite three abandoned

meetings, 2,481 races were run last season compared to 2,492 the previous year. The number of individual horses to race was down 1.0%, countered by average starts per horse being up by 0.5%.

With breeding numbers declining, an ongoing challenge for the industry is to make better use of the available racing population. To maximise the number of races we run each year we will need to lift the average starts per horse, given the decline in the total number of horses. This will be an ongoing challenge for the industry and something that was well managed from a programming perspective in 2017/18.

Total turnover for the code was down 3.2% with a particularly disappointing decline in export turnover of 9.4%. While the exchange rates do impact on this decline, the appeal and struggles of the domestic product in Australia represent a challenge for New Zealand harness racing in these markets. HRNZ is working closely with the NZRB and Sky Australia to address and improve

the level of export turnover in 2018/19. Increased punting information and better distribution of it will be key to addressing this issue.

The major positive indicator in 2017/18 was stakes, reflecting the welcome additional \$12m in funding that the NZRB extended to the three codes. Total stakes were up 10.7% on the previous season and average net stakes per race up 11.0%. Average stakes at \$13,153 is more than competitive with Australia. Considering the decline in gaming income over the last six years, clubs have done an excellent job in maintaining stake levels at their existing levels. With static industry funding maintaining current levels will be challenging in 2018/19, but with projected growth in NZRB income for the following season, further increases will be possible. This increase in returns to stakeholders is crucial to maintaining industry confidence levels.

Industry Funding

Section 16(3) of the Racing Act requires industry funding to be distributed to the racing codes by the NZRB in the same proportions to which the codes contributed to the New Zealand turnover of the NZRB 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.

HRNZ believes section 16 is still appropriate as it ensures there is a collective focus and unity of effort in maximising the total profitability of the NZRB. There is enough flexibility within the current approach and goodwill amongst the codes to provide for

variations where required.

Certain factions within the thoroughbred code have contended that section 16 is unfair and betting on overseas racing should be credited to the code to which it relates. Such thinking is simplistic and inequitable. All codes have been required to move dates often to their detriment in terms of domestic revenues, with a view to maximising total industry profitability.

The current annual approach to determining NZRB's total funding and its distribution to the codes is not ideal. HRNZ would be supportive of a model that provides increased certainty with a term significantly longer than one year. A longer term agreement would give the codes a better basis for strategic planning and ensure their models are sustainable. Feedback on Section 16 was provided to Mr Messara during his review of industry structures.

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. Increases in funding could then be distributed on an equivalent basis, or domestic market share, if there are significant variations in codes' levels of racing.

Code Distribution Account

As noted above, the additional funding of \$12m extended by the NZRB to the codes in 2017/18 for stakes was welcome and helped increase returns for industry participants. In setting the Club Funding Policy for the year, the Board agreed to utilise some of the balance of the Code Distribution Account to maximise club funding. The key principle here was that there was "no point saving money

for a rainy day when it was pouring outside" – get the benefits out to the industry. Accordingly, the balance of the Distribution Account reduced from \$1.8M to \$685K at season end. With static industry funding, preliminary budgets are that this will reduce further to a projected level of \$553K at the conclusion of 2018/19.

Accordingly, the current level of funding to clubs is unsustainable unless there is an increase in industry funding. The NZRB Statement of Intent addresses this in projecting a \$20.6m increase in funding for the three codes in 2019/20, based on the delivery of its strategic initiatives. The NZRB delivery of this will provide further welcome impetus for the industry to improve our position and further increase returns to participants. HRNZ is actively supporting the NZRB in its endeavours. From our perspective, the more successful the NZRB the better it is for our overall industry.

In relation to the distribution of the code's funding, HRNZ has recognised the need to achieve a wider distribution to a greater pool of participants. The initiative in 2016/17 of making increased payments to all starters was an important step in this regard and has helped to maintain our field sizes. While there have been some reservations within the industry on this strategy, in particular as to whether it is catering to mediocrity, in my mind it is essential to increase our participation levels and encourage a lesser pool of horses to race more often. Maintaining and increasing our average field size should lead to increased turnover which will have benefits to the code's funding in future years.

2018/19 Dates Calendar

The dates calendar for 2018/19 has been developed on a consistent basis with the previous year. Refinements have been made where considered appropriate, consistent with the NZRB principles of optimising the calendar

and overall profitability. The calendar has 264 licences, compared to the 257 which actually ran in 2017/18 (with three abandonments).

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. Despite the declining horse population, with co-ordinated programming the increase in licences will be sustainable. It is important to retain the number of dates where we can, not only to maintain market share but maintain racing opportunities for the benefit of those deriving their livelihood from racing.

HRNZ Business Plan and Animal Welfare

A copy of HRNZ's draft business plan for 2018/19 is outlined on www.hrnz.co.nz. This has been developed with an overall objective to improve the financial viability of the industry for all participants. The plan has been developed in line with the general principle that owners and punters are the two key value drivers in the industry. Improve the position of these two groups and benefits will flow to all other sectors of the industry. All HRNZ's activities are considered in line with this value proposition.

Six key areas of strategic importance have been determined in this plan, namely:

- Industry
- Racing
- Funding
- Clubs and venues
- Communications and promotions
- Health and animal welfare

The health and welfare of our Standardbred horses is an area that HRNZ is giving increasing attention to. With the increased focus on racing, the ability to maintain our social licence in the eyes of the public will be more and more dependent on ensuring health

and animal welfare considerations are paramount in our thinking. The main issues for our code in this area relate to life after racing, the loss of horses bred that don't make it to the racetrack and the use of the whip. Greater attention will be afforded to this, particularly developing improved processes around horse registration and deregistration, supporting rehoming programmes and the future use of the microchip, as opposed to branding, as a means of horse identification.

I encourage people to review the draft business plan and provide feedback. HRNZ does not profess to know all the answers and input from participants will help improve our understanding of the issues at a "grass roots" level and determine key priorities for HRNZ to address.

Future Venue Plan

Over the last year, HRNZ has been part of a joint NZRB and codes working group looking to develop a National Future Venue Plan. The purpose of this Working Group is to determine the industry's future venue requirements looking ten years out. The first component of the review was consultation with the clubs to ascertain the current status of their venue, future capital and earthquake strengthening requirements and the club's vision for the future of venues in their region.

After evaluating this information, a draft plan is expected to be released to the industry for consultation and feedback in October 2018. Prior to the release of the draft plan, the impact of any recommendations from the Messara Report will need to be considered.

The Future Venue Plan will challenge tradition and recommend some consolidation of racing venues. This is inevitable and it is important regions approach this in a constructive manner with a view to the future and the betterment of racing overall.

From HRNZ's perspective, it will be important for a viable and efficient network of venues to be maintained without compromising either the importance of harness racing at a community level or our volunteer base. There are no easy answers with this and it will be important the industry debate this on a mature basis, noting that the report when released will be a draft for consultation.

Handicapping

2017/18 was the first full season with the Points Based ratings system in place. Overall the system worked reasonably well in maintaining field sizes and providing for even and competitive racing, as evidenced by fewer races with hot favourites in.

An encouraging statistic was that a record 50% of individual horses that raced, won a race during the season, highlighting the system's strength in catering to a wide pool of horses.

Obviously there is no perfect handicapping system and in my opinion often complaints around handicapping come back to the fact that there is not enough funding within the industry. When stakes are at a good level, complaints with respect to the handicapping system are generally minimal. Despite this, I believe there the current system encourages increased participation and, while not perfect, is meeting its core objectives when developed in 2016.

Importantly, it is subject to ongoing and appropriate changes being implemented by the Handicapping Sub-Committee and Board as and when required. I am confident with the structure and people involved in our Handicapping Sub-Committee, where we have a good mix of horsemen, owners and administrators, that the right decisions will continue to be made for the overall benefit of the industry.

Club Regionalisation

In 2015, HRNZ presented its concept of “Super Clubs”. The key aim of this concept is to encourage clubs within regions to work together collaboratively to consider initiatives and issues on a regional basis, rather than purely focusing on their own individual club circumstances. This concept was embraced by the Cambridge based clubs with the formation of Waikato Bay Of Plenty Harness Inc. In other regions, various alternative options have and continue to be considered, most notable being the successful Southern Harness model. This regional based model has delivered a number of positive initiatives in the Southern region, with clubs working together collectively while retaining their individual identity.

In 2018/19 further progress will be made with other regions. Central Districts will hopefully see the introduction of a collective arrangement based on the Southern Harness model, with Canterbury based clubs introducing a Bureau to address fields and raceday secretarial processes. The open and constructive manner in which clubs have considered this over the last year is encouraging and I am sure further progress will be made in the coming months.

The ongoing commercial developments with our two premier clubs (Auckland TC and NZMTC) are also very encouraging. These two clubs continue to operate in a positive commercial manner, and I am certain the bold initiatives that they are currently undertaking will deliver positive outcomes that will benefit the industry long term.

HRNZ Services

HRNZ at an administrative level continues to focus on providing effective and efficient services to the industry. Management are continually assessing if there is a better way

of doing things, with this generally driven on the back of technological developments. Just because “that is the way we have always done something” is not acceptable going forward. HRNZ, in my opinion, is fortunate to be served by a very competent and professional IT department who continue to deliver positive results for the industry. In terms of 2018/19, we will continue to review our operations to transition even more to a fully automated and electronic processing environment. Less bureaucracy, paperwork, and ease of interpretation without compromising standards and integrity is the thinking driving these reviews.

Staffing

Over the last year, Pete Ydgren, Stacey Markham and Betsy Williams resigned from HRNZ. I thank them for their work at HRNZ and wish them all the best for the future. Two new appointments were made in the year with Liz Bishop (General Manager Operations) and Jess Smith (Communications and Ownership Co-ordinator). Both have made outstanding contributions since their appointment and quickly become invaluable members of the HRNZ team.

In relation to the team at HRNZ, my job would not be possible without the support of all of the staff, whose efforts and contributions are always of a high standard. It is a pleasure to be a small part of a stable, positive, dedicated and professional team.

Acknowledgements

In conclusion, I extend my appreciation to Ken Spicer and the Board for their governance and support. It is often a thankless task for these people and I respect their dedication to do the best for harness racing.

On behalf of the staff of HRNZ, I would also like to acknowledge the support and co-operation received from everyone within the industry over the last year. Without this, we would

not effectively be able to perform our duties.

I would also like to acknowledge the assistance and support received during the period from our related industry organisations, in particular the NZRB, the other codes and Harness Racing Australia.

I look positively forward to the challenges over the next year and am confident when I report in a year's time that we will be reflecting on further positive progress in a number of areas. It is clearly going to be a challenging year but HRNZ is well equipped to deal with the issues facing us and act in the best overall interests of the industry.

Edward Rennell
Chief Executive

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 Ladbrooks 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 20 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.



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.



Barry Dent

Barry has been the New Zealand Metropolitan Trotting Club (NZMTC) Board appointee since July 2011. He has been a member of the NZMTC since 1983, a Committee member since 2004, and a Director since 2007.

An owner and breeder in his own right since the mid seventies, he is the immediate past President of both the Canterbury Trotting Owners Association and the Christchurch Trotting Club.

Barry is a Member of the Institute of Directors and currently serves as a Trustee/Director on a number of Canterbury organisations. He chairs the Rules & Regulations Sub-Committee. Is currently a member of the HRNZ Audit and Finance Sub-Committee, and the Owners' Initiatives and Liaison Sub-Committee.



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.



Murray Swain

Murray joined the board in 2016 and has been president and is still on the current committee of Winton Harness Racing Club, and past chairman of the Southern Harness Board.

He has been involved in owning, breeding and driving in harness racing for a large part of his life and has been a trainer since the early 80's.

He chairs the Breeders Liason Sub-Committee and sits on the Dates, Rules & Regulations & Health and Animal Welfare 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.

Board Sub-Committees

Special Committee and Trustees of the Sulky Fund and Provident Fund

Ken Spicer (Chair), Brian Wastney (Vice Chair), Colin Hair (Finance Chair)

Dates

Allan Brown (Chair), Murray Swain, Gary Allen, Jason Broad, John Green, Brian Rabbitt, Gavin Smith, Kevin Smith, Kerry Wells, Staff Responsibility: Edward Rennell, Darrin Williams

Group Races

Brian Wastney (Chair), Colin Hair, Bruce Barlass, Cleland Murdoch, Brian Rabbitt, Kevin Smith, Gavin Smith
Staff Responsibility: Andrew Morris, Darrin Williams

Breeders' Liaison

Murray Swain (Chair), Trevor Beaton, Bruce Carter, Colin Hair, John Mooney, Cleland Murdoch
Staff Responsibility: Darrin Williams, Brad Reid

Audit and Finance

Colin Hair (Chair), Bruce Carter, John Coulam, Barry Dent
Staff Responsibility: Jenny Fleming

Handicapping

Rob Lawson (Chair), Allan Brown, Ross Johnson, Ken Barron, Jason Broad, Peter Larkin, Brian Rabbitt
Staff Responsibility: Andrew Morris, Kevin Smith

Rules and Regulations

Barry Dent (Chair), Trevor Beaton, Rob Lawson, Murray Swain, Chris Lange (Legal Advisor), Peter Smith (JCA), Nick Ydgren (RIU)
Staff Responsibility: Edward Rennell, Liz Bishop

Health and Animal Welfare

Brian Wastney (Chair), Rob Lawson, Murray Swain, Nigel McIntyre (RIU), Nick Ydgren (RIU), Brad Reid (NZSBA), Jasmine Tanner
Staff Responsibility: Liz Bishop, Jess Smith

IP & Strategy

Bruce Carter (Chair), Brian Wastney, Rod Croon, Peter Jensen
Staff Responsibility: Edward Rennell

Owners' Initiatives & Liaison

Trevor Beaton (Chair), Barry Dent, Nigel Armstrong, Jenny Butt, Greg Crawford, Martin Cummings, Cassie Fahey, Gayleen Mackinnon, John Price
Staff Responsibility: Darrin Williams, Jess Smith

Youth Council

John Coulam (Chair), Trevor Beaton, David Branch, Regan Cotter, Andrew Fitzgerald, Stevie Golding, Dean Iggo, Sheree Tomlinson
Staff Responsibility: Jess Smith

Awards

HRNZ Chairman (Chair), TDA Rep, NZSBA Rep, PGG Rep, Owners Sub-Committee Chair, North Island HRNZ Board Rep
Staff Responsibility: Darrin Williams

Board Attendance

	Board Meetings	Phone Meetings
Ken Spicer	8	1
Brian Wastney	8	1
Colin Hair	6	1
Trevor Beaton	7	1
Allan Brown	8	1
Bruce Carter	8	1
John Coulam	8	1
Barry Dent	8	1
Ross Johnson	8	1
Rob Lawson	8	1
Murray Swain	8	1

Governance Statement

Overview

The racing industry is governed by the Racing Act 2003 and the NZRB is empowered with overall responsibility under the legislation to administer the industry. 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

The Board of HRNZ consists of 11 members. The two major clubs - Auckland Trotting Club, New Zealand Metropolitan Trotting Club and the three kindred bodies appoint one member each.

The three North Island and South Island representatives are 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 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 & 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)
- NZRB – the Board appoints a representative to the NZRB Board (Rod Croon)
- The Races Limited Partnership – the Board appoints a Director (Edward Rennell HRNZ Chief Executive)
- Racing Integrity Unit – the Board appoints a Director (Steven Phillips)

Governance evaluation and performance

The Board is currently reviewing the governance model to ensure that there is a fair representation from the clubs and the kindred bodies and to address any skills and diversity gaps identified.

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, funding, clubs and venues, communications and promotions and health and animal welfare.

The Board considers its significant business risks during the Board meetings and through the audit and finance sub-committee. In July 2018, the Board reviewed the HRNZ insurance program as part of the risk management process.

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.

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

The New Zealand Cup was a powerful reminder of Lazarus's greatness.

Two of our most iconic races, just three days but a world apart, best summed up the diverse nature of the New Zealand harness racing industry.

The first was the race we all never forget, the New Zealand Cup, which was a powerful reminder of Lazarus's greatness as he started a summer almost unmatched in its sheer scope and drama.

There was no great intrigue to Lazarus's second New Zealand Cup win, he was an almost unbackable favourite and once he led the only questions surrounded the winning margin and placegetters.

The answers were five-and-a-half lengths over Jack's Legend and brave Aussie raider Tiger Tara.

It was a commanding performance; our best-known horse from our most recognised stable doing what all involved had accomplished many times before. More of Lazarus later.

The Dominion is to trotting what the NZ Cup is to pacing and the scenes during and after the Dominion just three days later could hardly have been more different than the afterglow of the Cup.

With defending champion Monbet missing not just from the Dominion but the entire season, the elite trotting races were as open as they have been this Millennium but not even the most fanciful script writer could have penned the Amaretto Sun story.

While Amaretto Sun had always been talented he went into the Dominion with indifferent recent form and at a \$90-1 quote but a marker-hugging drive from Sheree Tomlinson saw the pair rock the Addington crowd.

It was harness racing at its most family-oriented, with Amaretto Sun trained by

Lazarus after winning the 2017 NZ Cup.



Tomlinson's grandfather, Ken Ford, with the whole family including siblings and stable linchpins Amanda Tomlinson, Clint Ford and others on hand to celebrate in the winner's circle.

For a family who has concentrated almost exclusively on trotters this was as special as winning the New Zealand Cup and Sheree's infectious smile remains as one of the most endearing images of the 2017-18 season.

After their Cup week heroics the fortunes of our two great race winners could hardly have been more different.

Amaretto Son suffered an injury at the end of summer and raced only twice more before staying home for the rest of the season.

But Lazarus never came home again, leaving Canterbury for an adventure that continues, still.

Lazarus went on to replicate his older stablemate Smolda by travelling to the other side of Australasia to win the Inter Dominion in Perth. Co-trainer Mark Purdon peaked him beautifully for the final where he sat parked to down two other New Zealand-bred runners in Chicago Bull and Tiger Tara.

He then produced one of the most incredible defeats in recent harness racing history when second in the Fremantle Cup after being three wide



Amaretto Sun and Sheree Tomlinson after winning The Dominion.

for the entire race in a jaw-dropping display of stamina. Again the winner was a former New Zealander in (My) Hard Copy.

The Fremantle Cup took its toll as Lazarus was sore after the race and that soreness forced him to miss the West Australia Cup. Purdon was concerned the Hunter Cup would also come up to soon.

He didn't have to worry. Traveling back across the Nullarbor, Lazarus again sat parked to win Victoria's greatest race, adding it to his Victoria Cup of a year earlier. Only a Miracle Mile victory remained for Lazarus to be all-conquering.

Sheree's infectious smile remains as one of the most endearing images of the season.

The elite trotting season was equally as dramatic as the title of best trotter in the country.

But a virus which dogged the All Stars team ruined their entire Sydney campaign. (My) Field Marshal won the Miracle Mile in 1:46.9 for the Butt brothers (Tim and Anthony) and loyal stable clients Syd and Shona Brown. Lazarus was never a chance in the race after being back and wide throughout.

Somewhat sadly that may be his last race in this part of the world as he was soon after sold to US-based racing giants Taylormade Stallions, who traditionally deal in thoroughbreds but wanted back into the harness racing game.

Lazarus is now trained by Hall of Famer Jimmy Takter and while it will be disappointing not to have him chasing a third NZ Cup come November, any success he has in North America can only be wonderful exposure for the New Zealand industry.

Lazarus and Amaretto Sun shining so brightly but being lost, either temporarily or even permanently to the industry, was one of the recurring themes of the harness racing year.

The most graphic example was Vincent, who was on a collision course with Lazarus in the Miracle Mile after a stunning Auckland Cup suggested he was the next big challenger to the King.

But an injury flared on the eve of the Ballarat Cup and never healed. Vincent's career was over after just two open class starts. He now stands at Alabar Stud, in Australia.

Ultimate Machete's season was also a case of what might have been. Winning the NZ Free-For-All at the Cup carnival and the Golden Nugget in Perth before he too went sore, missing the rest of the season.

Heaven Rocks won the Ballarat Cup that Vincent missed and was a brilliant third in the Hunter Cup but with his connections frustrated by his wayward tendencies and not seeing a way he could ever beat Lazarus he too was sold to the States.

Once there he joined others who probably thought Lazarus was unbeatable including fellow former stablemates Have Faith In Me and Waikiki Beach, while glamour mare The Orange Agent was retired after her connections finally called time on her injury rollercoaster ride.



Vincent's career was over after just two open class starts.



Speeding Spur winning the Rowe Cup.



Jo's Dream and Partyon dead-heating in the Queen Of Hearts.

All that means we start the new season with an Open Class leaderboard so vastly different from what we had a year ago.

The elite trotting season was equally as dramatic as the title of best trotter in the country seemed to change almost by the month.

Great Things Happen was brilliant in both the Flying Mile at Ashburton and the NZ Free-For-All before he too needed time on the sidelines. He missed the summer then the rest of the season as another hero, Speeding Spur,

returned to light up the latter part of the season.

But the huge amount of time Speeding Spur had spent away from the track saw him vulnerable in his comeback races where Temporale dominated him in both the Lyell Creek and National Trot.

The pair then ventured to Australia where Temporale was a strong second to Sparkling Success in the Great Southern Star and Speeding Spur failed, putting Temporale firmly in the box seat for Aged Trotter of the Year.

But that pendulum swung back toward Speeding Spur in the autumn when the son of Pegasus Spur won both the NZ Trotting Championship and then the Rowe Cup, with Lemond taking the Anzac Cup, at Alexandra Park, in between.

So the trotters finished with the biggest races shared between five different horses and with much of the pecking order for the new season depending on when and if Monbet returns after 21 months on the sidelines.

While the Open Class ranks in both gaits were full of drama and departure, in the age group scenes it was about the emergence of the unheralded.

Chase Auckland arrived in maiden company in September with a big reputation but finished the season our best sophomore pacer. He won the Sires' Stakes, Sales Series Final and Northern Derby before he too was sidelined by injury. But by then he had given young sire Auckland Reactor the superstar he needed.

The juvenile males saw Karaka sales topper Jesse Duke look a rare talent but stablemate Another Masterpiece was the more tractable horse. The latter therefore proved his worth as the Sales Series and Jewels winner, with Jesse Duke winning the Young Guns and Sires' Stakes.

Princess Tiffany completely dominated the female juvenile pacing ranks and even when an unfortunate injury cost her a Sires' Stakes start at Alexandra Park her breeders and co-owners, Braeden and Caroline Whitelock, still won with Kayla Maree - showing they breed horses just as well as they breed All Blacks.

Shez All Rock becomes the first Australian representative to win a Harness Jewels race.

The three-year-old pacing filly scene was a tale of two seasons: the one before Shez All Rock arrived and the one after.

Elle Mac was the top girl for much of the season but Victorian filly Shez All Rock was purchased by former Kiwi trainer Chris Ryder and joined the All Stars in the autumn.

She produced an unbelievable win in the NZ Oaks and then became the first Australian invite to win a Harness Jewel when she led and railed like a true star at Cambridge, creating all sorts of history.

With Chase Auckland out from April onwards it was left to Sheriff to win perhaps the race of the season, nosing

out Pat's Delight in a record-run New Zealand Derby, with the winner looking every inch a New Zealand Cup horse for trainer Nigel McGrath.

Pat's Delight gained his revenge in the Jewels a few weeks later, their battles mirroring those of their respective drivers Blair Orange and Dexter Dunn.

The two good friends and traveling companions exhaustingly penned one of the great chapters in the history of New Zealand harness racing rivalries as Orange did the unthinkable and made off with the premiership crown that had seemed glued to Dunn's head for a decade.

For good measure Orange then put an exclamation mark on his amazing season by setting a new record of 232 wins, eclipsing Dunn's old mark of 229. It was a feat made even more incredible as Orange drove for so many different stables with his regular forays to Manawatu making the difference.

In the junior driver's ranks Matt Anderson won the premiership (43 wins) over Benjamin Butcher but one of the real feel good stories was Alicia Harrison. Harrison won the NZ Juniors Championship in July on two tracks foreign to her in Forbury Park and Addington.

Sheryl Wigg was again the country's leading amateur driver with seven wins and a remarkable UDR of 0.5072.

Within the trainers premiership there were no surprises. The All Stars (Purdon/Rasmussen) won more races, more big races and more money than anybody else, even after losing five of their best horses through a variety of reasons.



Shez All Rock winning the 3YO Diamond.



Habibi Inta winning the 4YO Ruby.



Alicia Harrison winning the NZ Junior Driver Championship.

Robert Dunn was again second on the premiership, while Michael House had a career-best tally of 57 in third spot on the national table, helped by his crucial support of the Manawatu circuit.

Others to have special seasons included; Steve Telfer, who won the Alexandra Park premiership with a career best 50 wins for fourth on the national table, while Michelle Wallis and Bernie Hackett were our leading trainers of trotters with 38 (40 in total). Only Phil Williamson had previously trained more trotting winners in a season.

On the subject of trotters, the younger brigade were dominated first by Luby Lou, who won the NZ Oaks and Derby before injury curtailed her season, with her place being taken by Winterfell, who captured the Sires' Stakes, Northern Derby and the 3YO Ruby at the Harness Jewels.

Enhance Your Calm, educated by Gavin Smith but sold to the All Stars was clear top dog in the juvenile trots, while the four-year-old trotters saw Enghien and Habibi Inta emerged as Open Class forces of the future, manners seeing Habibi Inta a Jewels winner for the master Paul Nairn.

While the biggest names always grab the most headlines, the country and grass track circuits played their usual huge role in bringing harness racing to the regions and the people, particularly over the summer months.

This year saw a change to the Country Cups Championship format, with it being points based and that saw Classie American (trained by Ron Richardson) win the North Island series, Johnny Eyre (Mike Brown) the Canterbury title and Royal Bengal (Ken and Tony Barron) win the southern series.

Some of the injury and illness problems suffered by Kiwis in Australia meant we didn't win as many age group races there as usual but King Of Swing (trainer Ray Green and driver David Butcher) won the marquee Breeders Crown male juvenile final at Melton last August, the same day young trainer Jack Harrington won his first group one when Dexter Dunn reined Renezmae to a juvenile filly trot title.

Season Statistics

PARTICIPATION AND BREEDING STATISTICS

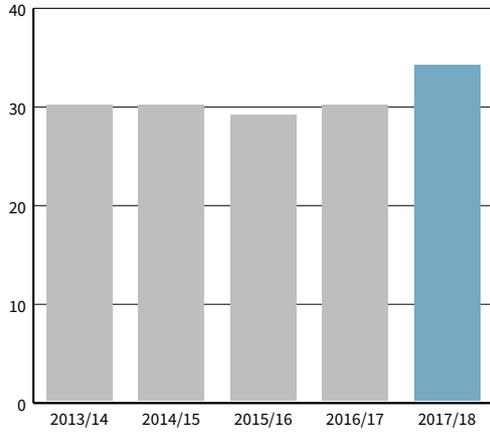
YEAR	MARES BRED	FOALS BRANDED	HORSES RACED	RACES	STARTS	AVERAGE FIELD SIZE
2013/2014	2,887	2,133	3,275	2,818	29,688	10.5
2014/2015	2,698	1,954	3,180	2,680	28,704	10.7
2015/2016	2,551	1,820	3,034	2,621	27,830	10.6
2016/2017	2,585	1,783	2,924	2,492	26,830	10.7
2017/2018	2,363	N/A	2,896	2,481	26,710	10.7

KEY STATISTICS - 2017/18 SEASON END

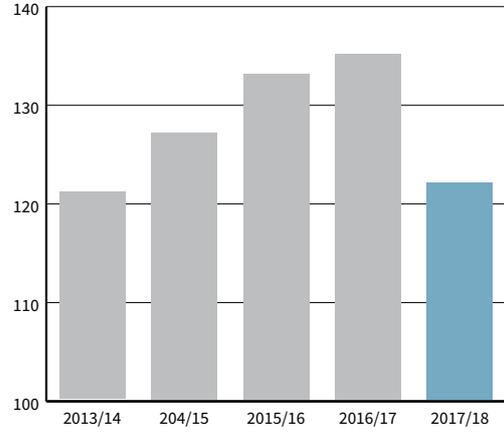
KPI	2017/18 Actual	2016/17 Actual	% Change from LY	Status
Total totalisator races	2,481	2,492	-0.44%	●
Total number of starts	26,710	26,830	-0.45%	●
Average field size	10.77	10.77	-0.01%	●
Total number of individual starters	2,896	2,924	-0.96%	●
Average starts per horse	9.22	9.18	0.52%	●
# Races < 8 starters	245	246	-0.41%	●
Average winning dividend	\$7.84	\$7.61	3.02%	●
# Races favourite < \$2.00	596	612	-2.61%	●
# Races favourite < \$1.50	169	175	-3.43%	●
Fixed Odds Yield (%)	13.3	11.9	11.60%	●
Off-course turnover (\$000)	124,940	132,290	-5.56%	●
On-course turnover (\$000)	12,410	13,315	-6.80%	●
Fixed odds turnover (\$000)	74,733	73,388	1.83%	●
Total domestic turnover (\$000)	212,083	218,993	-3.16%	●
Exported turnover (\$m)	122.03	134.77	-9.45%	●
Domestic market share T/O (%)	27.4	28.1	-2.49%	●
Domestic market share GBM (%)	27.1	27.7	-2.17%	●
Combined market share GBM (%)	19.2	19.6	-2.04%	●
Total stakes (\$000)	33,554	30,312	10.70%	●
Average net stakes per race (\$)	13,153	11,849	11.01%	●
Races starting on time % (within 60 seconds of scheduled time)	66.1%	47.9%	38.00%	●

● Ahead of last year ● Consistent with budget / last year ● Down on last year

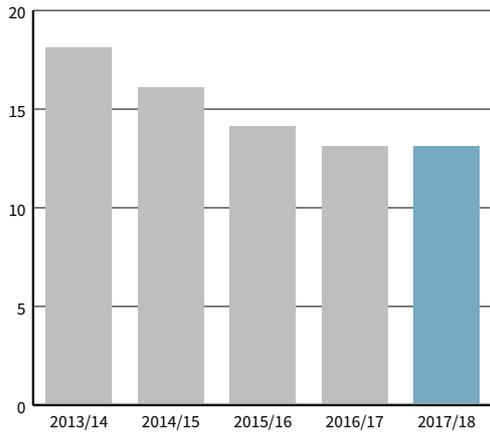
Total Harness Stakes (\$m)



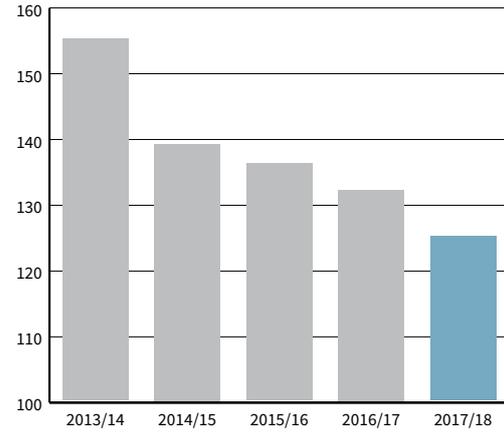
Exported Turnover (\$m)



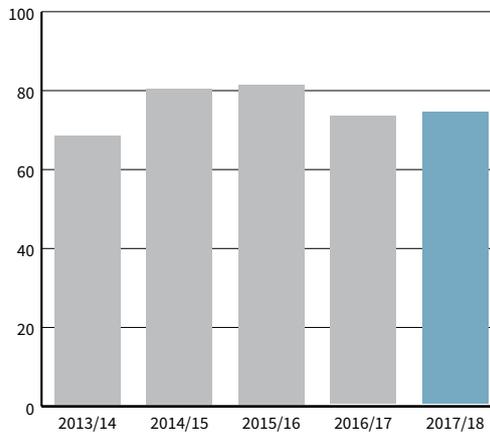
Turnover (on-course) (\$m)



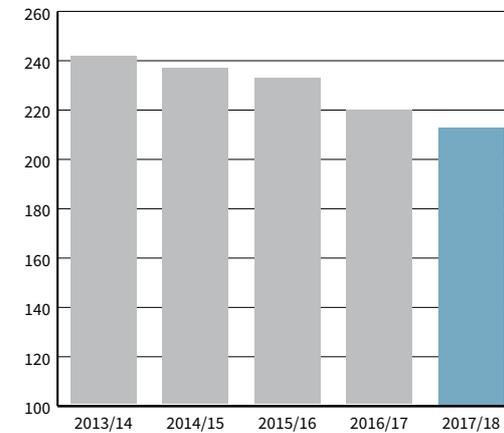
Turnover (off-course) (\$m)



Fixed Odds Betting (\$m)



Total Harness Turnover (\$m)



Ownership

Improving the ownership experience in the industry has been one of the key objectives of the HRNZ Owners Sub-Committee in the 2017/18 racing season.

The first step to achieving this was made when the Sub-Committee formulated the initiation of Owners Minimum Standards that were introduced for all Harness Racing Clubs.

The HRNZ Owners Sub-Committee considered options for streamlining communication between Clubs and their owners on race day. In reviewing

ways in which to make a uniform plan for Clubs to deliver a consistent clear message to their owners, the Owners Sub-Committee recommended to the HRNZ Board that a set of Owners Minimum Standards be introduced.

The first standards level included:

- Free entry to the course
- Complimentary race book
- Access to the birdcage following their horse winning
- Hospitality following the win, via President's Room or Owners Bar
- Communication from the Club via email or text about the owners entitlements on race day

Further levels will be introduced in future, with a view to assisting Clubs in attracting owners to attend more race meetings and in turn improving returns and atmosphere on track.

The introduction of Owners Oncourse Events has also been implemented by the Sub-Committee, with trials held in both islands during the winter of 2018. These trials were held so the group could decipher which elements of the events worked best, to then be presented to Clubs at annual conference.

This work will continue to ensure that ownership is an enjoyable and rewarding experience for all owners, either individual or syndicate members, and also provides a great advertisement to become an owner.

In September of 2018 Anthony MacDonald of The Stable, Canada,



Happy Owners Braeden and Caroline White lock



visited New Zealand. Anthony is well regarded in North America for his work with promoting fractional ownership and has been a trailblazer in improving communication to owners.

In the first year The Stable had 65 owners join into 25 horses. The following year 140 owners went into 62 horses. And in 2017, 392 owners went into 106 horses. But what is most impressive is the retention rate. 97 percent of those owners have now gone on to join into other horses, from year one to two to three with The Stable.

MacDonald presented three free seminars around New Zealand, which were available to all industry participants. The aim of these seminars

were to provide tools and new ideas for those involved with harness racing to improve their business promotion, communication and increase participation in harness racing.

Ownership also gained mainstream media coverage in 2018. Firstly, with the story of Sarah Palin's retirement in March. This story by Michael Holland featured on Seven Sharp and highlighted the emotional connection between owners, trainer and horse.

This was followed in May with a story fronted by Seven Sharp host Jeremy Wells regarding the pacer 'Jeremy Wells' which was named in his honour.

Wells met the horse, a Sweet Lou

2yo, spoke to trainer Jack Harrington, and experienced the thrill of harness racing by taking two-time NZ Cup winner Monkey King for a drive in a dual sulky with Ashleigh Stewart at Dancingonmoonlight Lodge.

Wells was so impressed with the experience he went to the extra length to push ownership on Seven Sharp following the story airing. He has also taken shares in the syndicate and will continue to follow his horse and its career.

The story received extremely positive feedback and was a positive angle on harness racing ownership and life after racing.

Life after Racing

The 'Life After Racing' brand has become a recognisable and regular part of our communication.

HRNZ recognises the importance of continuing to support the promotion of the Standardbred as a leisure and competition horse once they leave the industry.

HRNZ is an active supporter of the many shows and activities in which standardbreds participate and is pleased to show case these on the HRNZ website.

Standardbreds and their 'Life After Racing' stories have been in the spotlight on the HRNZ website this

season and have also featured in the mainstream media.

Seven Sharp co-host Jeremy Wells promoted now 15-year-old Monkey King's new role at Horsepower by showcasing the horse and his dual sulky ride on the show in May.

Horses and businesses we have highlighted during the season included McKenzie Alpine Horse Trekking which is run by Sarah Kerr of Lake Tekapo.

The company is home to 22 Standardbred geldings that are used to showcase the stunning scenery to locals and tourists, including Reese Witherspoon. The Academy Award winning actress took part in a trek whilst filming in New Zealand and took the staff by surprise with her visit.

We also showcased 'The Farmhouse' of Rotorua. A farm stay and trekking business, The Farmhouse utilizes Standardbreds to safely carry tourists from China and Taiwan around their property.

They are home to over forty pacers and trotters and are a huge advocate of the rehoming programmes nationwide.

Riding for the Disabled in Southland have been singing the praises of their Standardbred team members this year.

Home to four Standardbreds, including Franco Harrison and Zen Warrior, Mike Bailey of RDA said that the breed is just perfect for what they require.

"Having raced in carts they are used to having an arrangement of gear on



Piece Of Cake awarded Standardbred of the Year.



Jackie Law of Canterbury Standardbred Recycling.

them, and the noise that goes with that gear. So having a set of handle bars on them for example is a more natural thing," said Bailey. "They are also calmer too than their thoroughbred counterparts. I am not one to delve into the mystical, but our horses seem to know that some people are different, and they react accordingly."

The Standardbred in recent years has also become an extremely popular addition to the show ring around New Zealand. This has been highlighted on our website and also on the Stuff site.

Piece Of Cake may not have been a mare you remember from her racing

days, with just three starts to her name and no placings, but she has been a commanding force in the show ring.

At the 2018 Horse of the Year show in Hawke's Bay, Piece Of Cake was awarded title of Standardbred of the Year, taking Champion ribbons in both the inhand and ridden competition rings.

Her rider, Tamara Muirson, had previously not had any involvement with Standardbreds. But is now singing the praises of the breed.

"After riding Ice I have a new appreciation for the breed. They are so versatile and very willing to learn.

There is still some prejudice against them which is a shame because there are some really nice ones out there and with the correct schooling can hold their own in any discipline," said Muirson. "I'd recommend that people not only taken them on for showing, but for other disciplines as well. I've seen a few with super jumping techniques."

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

Education & Training

The Kidz Kartz programme continues to mature throughout New Zealand.

Kidz Kartz

It's been another busy year in the Education & Training Department.

The Kidz Kartz programme continues to mature throughout New Zealand with seven clubs covering the regions. Kidz Kartz is designed to encourage the younger generation to try their hand at driving in a fun, educational

and safe manner. Experienced professional tutors, using ponies with a calm temperament, provide training on harness racing and the provision of a high standard of care of the ponies. Kidz Kartz encourages friendship, fair play and friendly competition.

The Kidz Kartz New Zealand Cup was held during Cup Week in Christchurch and is undoubtedly one of the highlights of the season for these young people.

This season the race was proudly sponsored by Westview Racing and was won by Wilson House driving Boost from Canterbury. Wilson was then selected to represent New Zealand at the New South Wales Mini Trot Championships in Tamworth alongside Waikato Kidz Kartz member Kate Coppins.

Wilson and Kate both flew the flag for New Zealand with pride and did a great job of promoting the future of our industry. Their efforts were met with high praise from our Australian counterparts.

Kate also won this year's Kidz Kartz Auckland Cup on Caramello, another prestigious race on the Kidz Kartz



Devon Towers and Turbo from Taranaki Kidz Kartz.



Wilson House and Boost winning the NZ Kidz Kartz Cup.

Calendar. Annually the Northern Kidz Kartz Region hosts the Lizzie of Rossland's Rising Stars Series, this is held over two meetings at Cambridge and Alexandra Park.

Twelve young Kidz Kartz drivers from around Australasia compete against each other over six races for the title, which was won this year by Canterbury's own Sam Thornley.

Education and Training

At 16 years old Sam has just gained his trials licence; he is also attending Cadets and is completing a number of unit standards through HRNZ and his school's gateway programme.

Gateway is offered by most High Schools around New Zealand and is designed to help young people achieve the necessary credits in order to obtain

their NCEA qualification. It also helps prepare them for life in the workforce with valuable on-job placements and training. We have a number of both harness and equine enthusiasts completing our Gateway Programme.

Some of these trainees are already starting to achieve great things in their young lives – Beth Wilson won the A1 Senior Division at the 2017 New Zealand Pony Club Championships,

The Cadet of the Year competition is a great platform to promote education and training.

Sky Notter represented New Zealand at the World Mounted Games Championships in Denmark last year, Josh Whittaker completed an Equine Dentistry Course in Melbourne and is now back working in New Zealand as a qualified Equine Dentist and Junior Driver.

Other notable Junior Drivers to have completed Unit Standards through our Gateway programme are Sheree Tomlinson, Olivia Thornley and Ben Hope

All of these Junior Drivers are currently enrolled in the HRNZ Cadet Scheme and have completed their NZQA National Certificate in Equine Stable Procedures Level 3 and are working towards their NZQA National Certificate

in Equine Harness Racing Level 4 qualifications. 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 theory work from harness rules and regulations to being able to recognise health ailments 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 year. In the Northern region the Trainers and Drivers Association has been running their own mentoring programme in close consultation with our Northern tutor Sally Waters. In the South Island we have paired each Junior Driver up with a Senior Driver to help guide them with their upcoming drives, race tactics and form. We have been running driving night sessions where we go over incident tapes and some of their own drives to try and improve the Cadets 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.



Ellie Barron completing the Timed Drive challenge at Cadet of the Year.



Cadet of the Year finalists are: Ellie Barron, Olivia Thornley, Ben Hope and Luke Whittaker.

The prestige 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 - Sam Payne
- Southern - Kieran McNaught

The 2018 season once again saw the running of the Cadet of the Year competition, this year sponsored by Airpark Canterbury. After regional heats in the North, Canterbury and Southern area's the three winners were guaranteed a place in the final, these were Luke Whittaker, Ben Hope and Ellie Barron. The fourth finalist was the

person who gained the most points after these winners and that was Olivia Thornley from Canterbury.

The final was held in Christchurch on the 25th of July with many of the challenges taking place at Addington Raceway. The day was started with some basketball and this released a lot of tension before going back to Addington Raceway for the timed drive. Other challenges that took place throughout the day were making a horse shoe, clipping a miniature pony, a JCA mock hearing, commentating, and feed, gear and vet challenges. The day was completed with some salsa dancing for a bit of fun.

The competition was very close this

year with all finalists performing superbly and putting the pressure on each other during different challenges.

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. Sixteen young trainers have already enjoyed the benefits from this Safety Gear Package, with many of these young people having already trained their first winner.

Totalisator Clubs

CLUB	PRESIDENT	CEO/GM/SECRETARY
Akaroa Trotting Club	Barry Gowan	Geraldine Stanbury
Amberley Trotting Club	Ross Rennie	Bert Snow/Brian Rabbitt
Ashburton Trotting Club	Craig Harrison	David Cockburn
Auckland Trotting Club	Bruce Carter	Dominique Dowding
Banks Peninsula Trotting Club	Dean Illingworth	Wendy Muldrew
Central Otago Trotting Club	Graham Sinnamon	Jason Broad
Cheviot Harness Racing Club	Grant Beckett	Kirsten McNabb
Forbury Park Trotting Club	Daryl Trainor	Tom Conroy
Geraldine Trotting Club	Lochie Marshall	Alanna Jenson
Gore Harness Racing Club	Kenny Baynes	Jason Broad
Hawera Harness Racing Club	Brendan Towers	Tania Young
Hororata Trotting Club	Jamie Gameson	Hamish Scott
Invercargill Harness Racing Club	Mark Shirley	Jason Broad
Kaikoura Trotting Club	Willie Weavers	Geraldine Stanbury
Kapiti Coast Harness Racing Club	Mary Colman	Carey Hobbs
Kurow Trotting Club	Tony Wall	Jemma Barltrop
Manawatu Harness Racing Club	Dan Lynch	John Doody
Marlborough Harness Racing Club	Petrina Shutkowski	Cheryl Thompson
Methven Trotting Club	Hamish Molloy	Megan Watene
Nelson Harness Racing Club	Kristie Hill	Erin Fox
NZ Metropolitan Trotting Club	Brent Smith	Peter Jensen
Northland Southland Trotting Club	Bill McDonald	Jason Broad
Oamaru Harness Racing Club	David Heffernan	Jemma Barltrop
Rangiora Harness Racing Club	Greg Wright	Wendy Muldrew
Reefton Trotting Club	Tony Thomas	Colin Stevenson
Riverton Trotting Club	Bruce Stewart	Jason Broad
Roxburgh Trotting Club	David Parker	Jason Broad
Stratford Trotting Club	David Jones	Kristin Jannings
Taranaki Trotting Club	Vaughan Watson	Carey Hobbs
Timaru Harness Racing Club	Elizabeth Shand	Paul Hinsley
Tuapeka Harness Racing Club	Brent Taylor	Jason Broad
Waikato Bay of Plenty Harness Racing	Rob Lawson	David Branch
Waikouaiti Trotting Club	Dick Tayler	Jemma Barltrop
Waimate Trotting Club	Lex Williams	Gareth Murfitt
Wairarapa Harness Racing Club	Ray Southey	Geri Southey
Wairio Trotting Club	Donna Herrick	Jason Broad
Wanganui Trotting Club	Carole Terry	Les Terry
Westport Trotting Club	Dan Moloney	Colin Stevenson
Winton Harness Racing Club	Alister Kyle	Jason Broad
Wyndham Harness Racing Club	Greg Hunter	Jason Broad

Non-Totalisator H.R.C

CLUB	PRESIDENT	CEO/GM/SECRETARY
Kumeu Trotting Club	Royden Downey	Rochelle Gilmore
Morrinsville Trotting Club	Russell Curtin	David Branch

Kindred Bodies

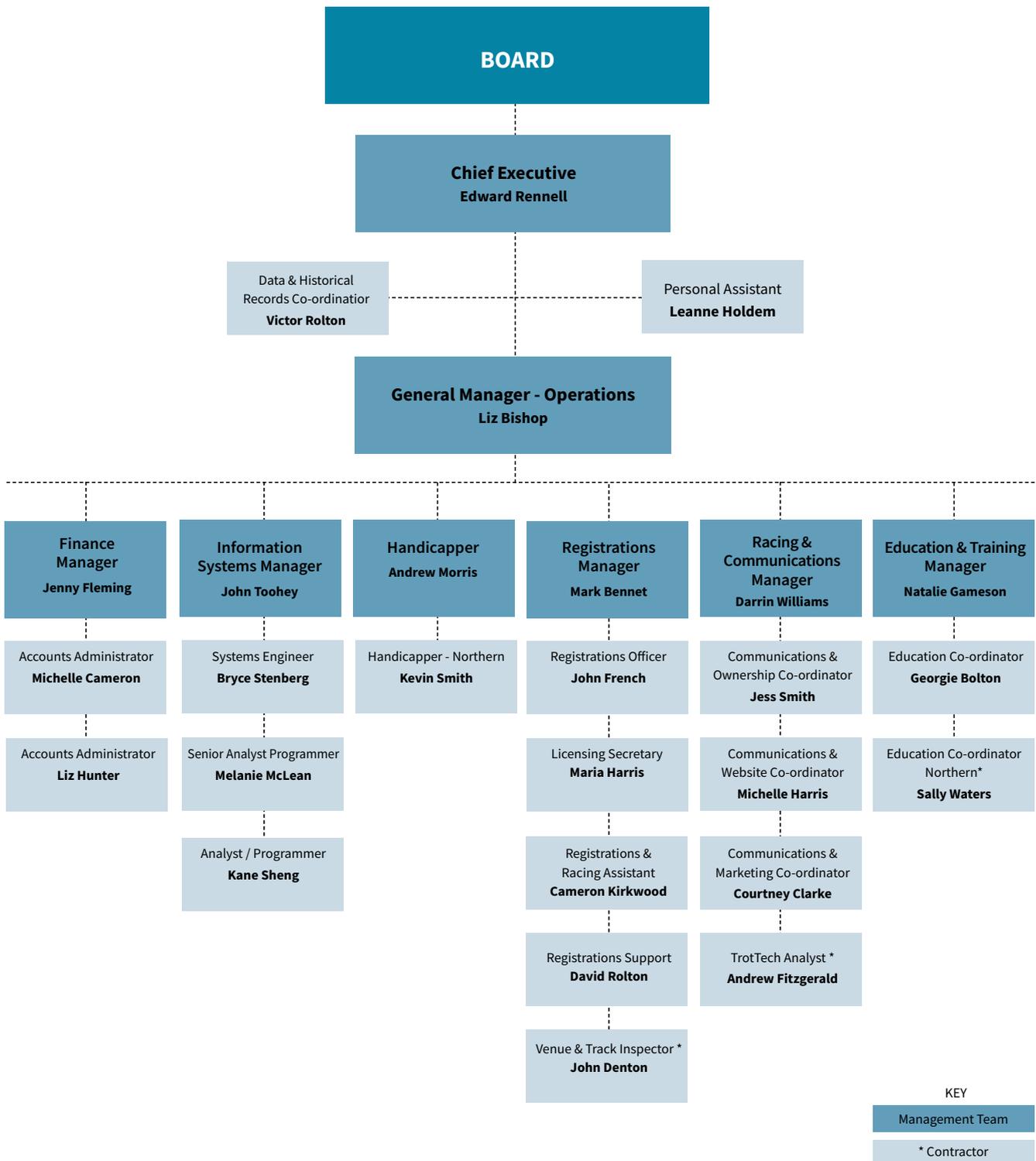
KINDRED BODY	PRESIDENT/CHAIRMAN	SECRETARY
New Zealand HR Trainers & Drivers Assn	Rob Lawson	Peter Cook
New Zealand Standardbred Breeders Assn	John Mooney	Brad Reid
New Zealand Trotting Owners Assn	Neil Bennett	Geraldine Stanbury

Totalisator Licences

	2017/18 Licences Raced	2016/17 Licences Raced
AUCKLAND and WAIKATO		
Auckland Trotting Club	41	37
Bay of Plenty Harness Racing Club	0	0
Waikato Bay of Plenty Harness Racing	25	28
Thames Harness Racing Club	0	0
	66	65
LOWER NORTH ISLAND		
Hawera Harness Racing Club	3	3
Kapiti Coast Harness Racing Club	2	2
Manawatu Harness Racing Club	15	13
Stratford Trotting Club	1	1
Taranaki Trotting Club	1	2
Wairarapa Harness Racing Club	2	3
Wanganui Trotting Club	0	1
	24	25
NELSON, MARLBOROUGH and WEST COAST		
Kaikoura Trotting Club	2	2
Marlborough Harness Racing Club	4	5
Nelson Trotting Club	4	4
Reefton Trotting Club	2	2
Westport Trotting Club	3	3
	15	16
CANTERBURY		
Akaroa Trotting Club	1	1
Amberley Trotting Club	1	1
Ashburton Trotting Club	6	8
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	39	40
Rangiora Harness Racing Club	11	11
Timaru Harness Racing Club	7	7
Waimate Trotting Club	1	1
	80	83
OTAGO and SOUTHLAND		
Central Otago Trotting Club	1	1
Forbury Park Trotting Club	20	20
Gore Harness Racing Club	5	5
Invercargill Harness Racing Club	14	13
Kurow Trotting Club	1	1
Northern Southland Trotting Club	3	3
Oamaru Harness Racing Club	8	7
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	6
Wyndham Harness Racing Club	6	6
	72	69
TOTAL DAYS, 42 CLUBS	257	258



Organisation Structure







Financial Reports

Finance Chair Report	2
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Financial Statements

Statement of Comprehensive Revenue and Expense	3
--	---

Statement of Changes in Equity	3
--------------------------------	---

Statement of Financial Position	4
---------------------------------	---

Directors Authorisation	4
-------------------------	---

Statement of Cashflows	5
------------------------	---

Notes to the Financial Statements	6
-----------------------------------	---

Audit Report	23
--------------	----



Finance Chair's Report

HRNZ – Overall Performance

In the 2017/18 financial year Harness Racing New Zealand incurred a deficit of \$892,000 compared to a surplus of \$580,000 in the previous year.

This deficit was a consequence of the Board's decision through the funding policy to increase raceday funding to the Clubs by 10% in accordance with the requirement from the New Zealand Racing Board in providing additional funding to HRNZ, that this be passed onto stakeholders in increased stakes. The Board also committed to the continuation of the first totalisator win bonus of \$1,500.

HRNZ Operations

The net operating cost of HRNZ was \$3,565,000 compared to last year of \$2,663,000. Most of the increase relates to one off abnormal costs of writing down the Lincoln Road assets and relocating all office functions to the new Birmingham Drive offices.

Cardigan Bay Holdings Ltd

This company operates three hospitality outlets in Auckland. The company had

a reasonable year achieving a net operating surplus \$123,000. This was below expectations with one outlet underperforming. Steps are underway to reverse this. Post balance date Cardigan Bay has acquired a further outlet in Riccarton Road Christchurch.

The improved trading performance of the company has resulted in the collective valuation of the three Auckland outlets increasing by \$310,000.

Financial Position

In reviewing our overall financial position to consider our option to purchase our new offices in Birmingham Drive, a registered valuation was completed for Cardigan Bay Holdings Ltd. The value of the CBHL businesses are significantly more than their carrying amount.

Subsequent to balance date the previous HRNZ office premises at 135 Lincoln Road have been sold for just over \$1million. The Board consider that a very fair price was received.

Code Funding

Distribution Reserve

During the year the rundown of the undistributed balance in the Code Distribution Reserve by \$1,192,000 to a balance of \$685,000 at the 31 July 2018.

This is below the Board's policy to hold a reserve of 4% of the funding received from the NZ Racing Board to cover any future uncertainties. If this policy had been adhered to the balance in the Reserve would need to be \$1,753,000. The Board made this conscious decision to run down the Reserve to ensure stake levels were maintained, having reasonable expectations that the distributions from the NZ Racing Board would increase in the near future to enable this Reserve to be restored to previous levels.

The Board are committed to progressively restore the balance of our Code Distribution Reserve to 4% over the next two financial years.

Colin Hair
Finance Chair

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 31 JULY 2018

	Note	2018	2017
		\$,000 (thousands)	
REVENUE			
Revenue - Exchange Transactions			
Administration and Operations	1	4,915	4,751
Code Funding Distribution Revenue	2	43,835	40,709
Interest Income		39	35
Sale of Goods and Services	3	2,192	2,354
Share In Surplus (Deficit) Of Associates	4	75	(4)
		<u>51,056</u>	<u>47,845</u>
Revenue - Non Exchange Transactions			
Fines and Penalties		180	115
TOTAL REVENUE		<u>51,236</u>	<u>47,960</u>
LESS EXPENSES			
Administration and Operations	5	7,101	6,539
Funding Policy Payments	6	45,027	40,841
TOTAL EXPENSES		<u>52,128</u>	<u>47,380</u>
(DEFICIT) SURPLUS BEFORE TAX		(892)	580
Income Tax Expense	7	-	-
(DEFICIT) SURPLUS AFTER TAX AND TOTAL COMPREHENSIVE INCOME		<u>(892)</u>	<u>580</u>

The total Comprehensive Revenue and Expense is attributable to HRNZ

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2018

	CODE DISTRIBUTION	ACCUMULATED FUNDS	TOTAL
		\$,000 (thousands)	
Balance, 31 July 2016	2,009	1,741	3,750
(Deficit) Surplus For The Year	(132)	712	580
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

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 2018

	Note	2018	2017
		\$,000 (thousands)	
CURRENT ASSETS			
Cash and Cash Equivalents	8	1,959	2,317
Inventory		38	27
Other Financial Assets	9	417	536
Prepayments		81	25
Receivables from Exchange Transactions	10	987	2,505
Receivables from Non-exchange Transactions (GST)	10	283	4
Asset Held for Sale	11	982	-
TOTAL CURRENT ASSETS		4,747	5,414
NON CURRENT ASSETS			
Investment in Associate	4	149	74
Other Financial Assets	9	375	353
Property, Plant and Equipment	11	873	1,379
TOTAL NON CURRENT ASSETS		1,397	1,806
TOTAL ASSETS		6,145	7,220
CURRENT LIABILITIES			
Income Received in Advance		28	26
Provisions and Employee Benefit Liabilities	12	467	362
Trade and Other Liabilities	13	2,000	2,152
TOTAL CURRENT LIABILITIES		2,495	2,540
NON CURRENT LIABILITIES			
Provisions and Employee Benefit Liabilities	12	211	350
TOTAL NON CURRENT LIABILITIES		211	350
TOTAL LIABILITIES		2,706	2,890
EQUITY			
Accumulated Funds		2,753	2,453
Code Distribution Reserve		685	1,877
TOTAL EQUITY ATTRIBUTABLE TO HRNZ		3,438	4,330
TOTAL LIABILITIES AND EQUITY		6,145	7,220

The Financial Statements of Harness Racing New Zealand Incorporated are accepted on behalf of the Board of Directors on 17 September 2018.



.....
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 2018

	Note	2018 \$,000 (thousands)	2017
Operating Activities			
Cash was provided from			
Interest Received		17	15
Receipts from Code Distribution and Customers		8,473	6,878
Receipts from Code Distribution to Clubs from NZRB		43,835	40,709
Receipts from Supplementary Funds		-	331
		<u>52,325</u>	<u>47,933</u>
Cash was used in			
Funding Policy Payments from Code Distribution		45,027	40,841
Payments to Employees and Suppliers		7,135	6,091
Payments to Supplementary Funds		-	-
		<u>52,162</u>	<u>46,932</u>
Net Cashflows from Operating Activities	15	<u>163</u>	<u>1,001</u>
Investing Activities			
Cash was provided from			
Cash from Investments		127	-
		<u>127</u>	<u>-</u>
Cash was used in			
Purchase of Investments		17	15
Purchase of Property, Plant and Equipment		631	182
		<u>648</u>	<u>197</u>
Net Cashflows From Investing Activities		<u>(521)</u>	<u>(197)</u>
Net (Decrease) Increase in Cash and Cash Equivalents		(358)	804
Add: Opening Cash and Cash Equivalents		2,317	1,513
Closing Cash and Cash Equivalents		<u>1,959</u>	<u>2,317</u>
Represented by			
Cash At Bank		623	768
Short Term Deposits		1,336	1,549
		<u>1,959</u>	<u>2,317</u>

Included within the Receipts from Code Distribution to Clubs from NZRB and Club Funding Payments from Code Distribution \$40,455,000 (2017: \$37,334,000) of Code Distributions paid directly from NZRB 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 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 New Zealand Racing Board (NZRB) 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 the NZRB in exchange for a distribution from NZRB 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 the NZRB plus additional distributions in accordance with the Code Funding Agreement that was in effect for the financial year 2017/2018.

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 Franklin Park 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 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 Cardigan Bay Holdings Ltd (CBHL) who operate hospitality businesses in Auckland. 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 ASSOCIATE

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 exclusive 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 cognised 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 the 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

Notes to the Financial Statements

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.

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. Gain 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 measured 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 do not have any borrowings.

HRNZ have no liabilities categorized as financial liabilities at fair value through profit of loss. (2017: 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 a 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 based on experience and other factors, concerning the future. These estimates and assumptions may differ from the actual results that many have an impact on HRNZ.

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 the New Zealand Racing Board (NZRB) and the Codes. It represents the methodology by which the NZRB 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 the New Zealand Racing Board (NZRB) 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 Income 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 \$4,915,000 (2017: \$4,751,000).

NOTE 2 CODE FUNDING DISTRIBUTION

Code Funding Distribution represents revenue received from the NZRB, 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 25% ownership interest and voting rights in the Racing Integrity Unit Ltd (RIUL). The RIUL is a joint venture company among the NZRB and the three racing codes which provides integrity services to each of the three Codes under a Service Delivery Contract.

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

	2018	2017
	\$,000 (thousands)	
Racing Integrity Unit Limited (RIUL)		
Opening Balance	74	78
Share In (Deficit)	(2)	(4)
Closing Balance	72	74

Notes to the Financial Statements

Summarised financial information with respect to RIUL is as follows

	2018	2017
	\$,000 (thousands)	
Total Assets	1,634	1,621
Total Liabilities	1,346	1,325
Net assets	288	296
Revenue	6,297	6,067
Expenses	6,305	6,084
Surplus (Deficit) For The Year	(8)	(17)
Comprehensive Revenue (Expense) For The Year	(8)	(17)
HRNZ's 25% Share in Net Assets	72	74
HRNZ's 25% Share of the (Deficit)	(2)	(4)

From 1 August 2017 HRNZ holds 50% ownership interest and voting rights in The Races Limited Partnership (TRLP). The TRLP is domiciled in New Zealand with a 31 July balance date.

	2018	2017
	\$,000 (thousands)	
The Races Limited Partnership (TRLP)		
Opening Balance	-	-
Share In Surplus	77	-
Closing Balance	77	-

Summarised financial information with respect to TRLP is as follows

	2018	2017
	\$,000 (thousands)	
Total Assets	2,265	-
Total Liabilities	2,112	-
Net assets	153	-
Revenue	4,545	-
Expenses	4,392	-
Surplus (Deficit) For The Year	153	-
Comprehensive Revenue (Expense) For The Year	153	-
HRNZ's 50% Share in Net Assets	77	-
HRNZ's 50% Share of the Surplus	77	-

NOTE 5 ADMINISTRATION AND OPERATING EXPENSE

	2018	2017
	\$,000 (thousands)	
Administration, Marketing, Operations and Publications ¹	6,604	6,091
Board Remuneration and Governance Expenses ²	324	320
Breeders, Owners Associations Support & Initiatives	146	100
Trainers and Drivers Association Funding	27	28
	7,101	6,539

¹ Included in this total are:

Fees paid to auditors of \$30,000 (2017: \$30,000) which includes other fees (tax) of \$3,557 (2017: nil).
Depreciation \$145,745 (2017: \$100,000).

² Included in this total is the Board Remuneration for the year of \$160,000 (2017: \$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.

	2018	2017
	\$,000 (thousands)	
<u>Components of Tax Expense</u>		
Current Tax Expense (Income)	-	43
Deferred Tax Expense (Income)	-	(43)
Total Tax Expense (Income)	-	-
 <u>Reconciliation of Prima Facie Income Tax Expense</u>		
(Deficit) Surplus Before Tax	(892)	580
Non Assessable Income (HRNZ Operating Surplus (Deficit))	1,092	(427)
Surplus (Deficit) Taxable Balance	200	153
 Prima Facie Tax Expense (Benefit) at 28% (2017: 28%)	 56	 43
Timing Difference (Reassessment of Losses \$464,000 at 28%)	130	-
Taxation losses not recognised / (utilised)	(186)	(43)
Total Tax Expense (Income)	-	-
 Tax Losses Carried Forward	 3,515	 4,179

CBHL has unutilised and unrecognised tax losses arising from prior years. CBHL applied to and was granted a change of Tax Balance date from 31 March to 31 July to mirror the tax filing date to the financial year end.

FINANCIAL POSITION**NOTE 8 CASH AND CASH EQUIVALENTS**

	2018	2017
	\$,000 (thousands)	
Cash on Hand	105	85
Cash in Bank	518	683
Short-Term Deposits	1,336	1,549
	1,959	2,317

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

The stakes funds investment is \$1,136,000 (2017: \$799,000), which relate to race meetings that have not been cleared for payment as at 31 July.

HRNZ previously had a bank overdraft facility limit of \$100,000 in 2017, which was undrawn at 31/7/17 which carried on interest rate 9.85%; any liability arising from any drawn amount was secured against the property at 135 Lincoln Road.

This overdraft facility was cancelled by HRNZ in July 2018, to enable clear title for the sale of the property.

Notes to the Financial Statements

NOTE 9 OTHER FINANCIAL ASSETS

	2018	2017
	\$,000 (thousands)	
Provident Fund ¹	63	69
Sulky Fund ²	126	125
Funds Held In Trust	189	194
Term Deposit	228	342
Loans and Advances	375	353
	792	889
Current Other Financial Assets	417	536
Non-current Other Financial Assets	375	353
	792	889

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	
	2018	2017	2018	2017
	\$,000 (thousands)		\$,000 (thousands)	
Opening Balances	69	69	125	125
<u>Receipts</u>				
Interest	2	2	1	1
Premiums	-	-	91	91
	2	2	92	92
<u>Disbursements</u>				
Grants Paid	(8)	(2)	-	-
Claims Paid & Warrant of Fitness Checks	-	-	(79)	(80)
Administration Fees	-	-	(12)	(12)
	(8)	(2)	(91)	(92)
Closing balances	63	69	126	125

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

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

HRNZ has a non-interest bearing loan advance to Auckland Trotting Club of \$400,000 maturing in July 2019; the balance shown above is the discounted value based on prevailing market rate at inception of the loan for a comparable instrument. This loan is guaranteed by a first mortgage security over the Franklin Park property.

NOTE 10 RECEIVABLES

	2018	2017
	\$,000 (thousands)	
Receivables from Exchange Transactions		
Code Funding Receivable	685	1,877
Trade Receivables	302	628
	987	2,505
Receivables from Non-Exchange Transactions		
GST Receivable	283	4
	283	4
Total Receivables	1,270	2,509

As at 31 July 2018 and 2017 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 (2017: nil). The ageing of HRNZ's receivables is as follows:

	2018	2017
	\$,000 (thousands)	
Not past due	1,180	2,457
30-60 days	43	39
60-90 days	29	34
Over 90 days	18	4
	1,270	2,534

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

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 revenue and expense.

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

2017	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	335	-	335	-	-	-	-	335	-	335
Building and Improvements	815	(131)	684	-	-	-	(11)	815	(142)	673
Computer	202	(161)	41	154	-	-	(44)	356	(205)	151
Furniture, Fittings and Equipment	1,020	(767)	253	28	(16)	-	(45)	1,032	(812)	220
	2,372	(1,059)	1,313	182	(16)	-	(100)	2,538	(1,159)	1,379

Notes to the Financial Statements

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)	-	673	(56)	617
Furniture, Fittings and Equipment	-	-	-	-	30	-	-	30	-	30
	-	-	-	-	1,038	(56)	-	1,038	(56)	982

NOTE 12 PROVISIONS AND EMPLOYMENT BENEFIT LIABILITIES

	2018	2017
	\$,000 (thousands)	
Accrued Salaries and Wages	92	79
Annual Leave	265	283
Retirement Provision	231	260
Due to Racing Integrity Unit Ltd	90	90
	678	712
Current Employee Benefits Liability	467	362
Non-current Employee Benefits Liability	211	350
	678	712

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 2018, there is 4 staff (2017: 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 1 and 20 years from 31 July 2018. It has been assumed that these employees will remain in the employment of HRNZ or RIUL until retirement. A discount rate of 2.99% (31 July 2017: 2.02%) has been applied, as well as an estimated 2% (FY 2017: 3.5%) 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 13 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. (2018: \$681,000 2017: \$871,000)

Other liabilities include stakes payable (2018: \$1,125,000; 2017: \$1,082,000) and other funds held in trust by HRNZ on behalf of other non-related entities.

NOTE 14 CONTINGENCIES, COMMITMENTS, GUARANTEES AND INDEMNITIES**OPERATING LEASES**

	2018	2017
	\$,000 (thousands)	
0-1 year	564	350
1-5 years	2,006	1,235
5+ years	2,735	1,249
	5,305	2,834

The increase to the operating lease commitment compared to the prior year is due to CBHL acquiring a new property for CBHL's business in Christchurch and HRNZ's current lease of its offices at Birmingham Drive.

With the exception of the operating leases above, there were nil commitments at 31 July 2018 (2017: 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.

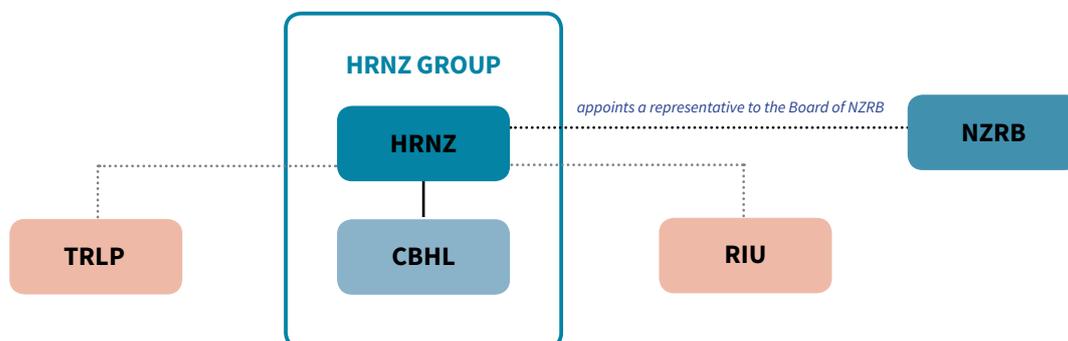
NOTE 15 RECONCILIATION OF NET SURPLUS (DEFICIT) WITH NET OPERATING CASHFLOW

	2018	2017
	\$,000 (thousands)	
Net (Deficit) Surplus For The Period	(892)	580
Depreciation	96	100
Fair Value Adjustment (<i>Franklin Park interest</i>)	(22)	(20)
Impairment of Building and Improvements	56	-
Interest income on term deposit - re-invested	-	15
Share of (Surplus) Deficit in Associates RIUL and TRLP	(75)	4
Net Changes In Non-Cash Items	55	99
Loss on Disposal of Non-Current Assets	3	-
Other Financial Assets	9	-
Movement in Capital Creditors	-	-
Net Changes in Investing & Financing Activities	12	-
Trade Receivables	1,183	72
Inventory	(11)	5
Trade and Other Liabilities	(152)	127
Income Received in Advance	2	(82)
Employee Benefit Liabilities	(34)	200
Net Changes in Working Capital	988	322
Net Cashflows from Operating Activities	163	1,001

Notes to the Financial Statements

NOTE 16 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.

	% Interest	Nature of Relationship	\$,000 (thousands)	
			2018	2017
<i>Cardigan Bay Holdings Ltd</i>	100%	Controlled entity		
Funding				(300)
Equity issued				300
Management Fee			60	60
<i>Racing Integrity Unit Ltd</i>	25%	Associate		
Other services			(2)	(4)
Retirement payable			(90)	(90)
Other services				-
<i>New Zealand Racing Board</i>	n/a	HRNZ appoints a representative to the NZRB Board		
Distribution Account Funding to HRNZ			3,380	3,375
Harness Code Distribution Account Balance			685	1,877
<i>The Races Ltd Partnership</i>	50%	Associate	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 the NZRB 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 horse, licencing and other transactions with HRNZ.

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

Transactions with Key Management Personnel	2018	2017
	\$,000 (thousands)	
Board Remuneration	160	160
Management Salaries, Wages and Other Benefits	1,092	1,101
	1,252	1,261

NOTE 17 FINANCIAL INSTRUMENT RISK MANAGEMENT

CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	Measurement basis	\$,000 (thousands)	
		2018	2017
Loans and Receivables			
Cash and Cash Equivalents	Amortised cost	1,959	2,317
Loans and Advances	Amortised cost	375	353
Trade and Other Receivables	Amortised cost	1,351	2,534
		3,685	5,204
Held-To-Maturity Investment			
Other Financial Assets	Amortised cost	417	536
		4,102	5,740
Financial Liabilities at Amortised Cost			
Trade and Other Liabilities	Amortised cost	2,028	2,178
		2,028	2,178

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

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:

17.1. 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 the NZRB, 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.

17.2. 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.

Notes to the Financial Statements

Interest Rate Re-Pricing Analysis

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

2017	Carrying Amount	Interest Rate Re-pricing			
		< 1 year	1-2 years	2-5 years	5+ years
Cash and Cash Equivalents	2,317	2,317	-	-	-
Other Financial Assets	889	536	-	353	-
	3,206	2,853	-	353	-

Interest Rate Sensitivity

	2018	2017
	Surplus (pre-tax)	Surplus (pre-tax)
100 Basis Point Increase	23,740	28,548
100 Basis Point Decrease	(23,740)	(28,548)

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.

17.3. 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:

2018	Carrying Amount	\$,000 (thousands)				
		Total	< 1 year	1-2 years	2-5 years	5+ years
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)

	Carrying Amount	\$,000 (thousands)				
		Contractual Cashflows				
		Total	< 1 year	1-2 years	2-5 years	5+ years
2017						
Cash and Cash Equivalents	2,317	2,317	2,317	-	-	-
Other Financial Assets	889	889	536	-	353	-
Trade and Other Receivables	2,534	2,534	2,534	-	-	-
Employee Benefits Liability	(622)	(622)	(362)	-	-	(260)
Income Received in Advance	(26)	(26)	(26)	-	-	-
Trade and Other Liabilities	(2,152)	(2,152)	(2,152)	-	-	-
Other Provisions	(90)	(90)	-	-	-	(90)
	2,850	2,850	2,847	-	353	(350)

17.4. 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 the NZRB represented approximately 51% (2017 approximately 74%) of the total current receivables balance.

	Carrying amount	Credit rating	
		AA-	Unrated
		\$,000 (thousands)	
2018			
Cash and Cash Equivalents	1,959	1,959	-
Trade Receivables	1,351	-	1,351
Loans and Advances	375	-	375
	3,685	1,959	1,726

	Carrying amount	Credit rating	
		AA-	Unrated
		\$,000 (thousands)	
2017			
Cash and Cash Equivalents	2,317	2,317	-
Trade Receivables	2,534	-	2,534
Loans and Advances	353	-	353
	5,204	2,317	2,887

NOTE 18 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 31 July 2018 (31 July 2017: nil).

NOTE 19 POST BALANCE DATE

During the 2018 financial year HRNZ Board accepted an offer of \$1,015,000 for 135 Lincoln Road. The sale and purchase agreement went unconditional on 17 August, the deposit was paid and the final settlement date was 13th September 2018. The Directors of Cardigan Bay Holdings had a sale and purchase offer for \$400,000 accepted on 27th June for the lease of Wilsons Sports Bar in Christchurch. Settlement date for this purchase was 3rd September 2018.

Notes to the Financial Statements

NOTE 20

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 2018

	ACTUAL 2018	BUDGET 2018	ACTUAL 2017	BUDGET 2017
		<i>Unaudited</i>		<i>Unaudited</i>
Revenue				
Exchange Transactions				
Administration & Operations	1,124	1,357	1,372	1,443
Code Funding Distribution Revenue	43,835	40,900	40,709	40,500
HRNZ Funding Distribution	3,865	3,380	3,375	3,120
Interest Income	39	34	35	25
Sale of Goods and Services	2,192	2,159	2,354	2,319
Non Exchange Transactions				
Fines	181	75	115	75
Total Revenue	51,236	47,905	47,960	47,482
Expenditure				
Administration and Operations	7,101	6,974	6,539	6,847
Funding Policy - Payment to Clubs	45,027	40,900	40,841	40,400
Total Expenditure	52,128	47,874	47,380	47,247
Nett Surplus	(892)	31	580	235
Summary				
HRNZ Operational Surplus	300	-	712	135
Distribution Account Movement	(1,192)	31	(132)	100
Surplus	(892)	31	580	235

Revenue

Administration Revenue decrease (2018: \$1,124,000; 2017 \$1,372,000) is mainly attributable to the changes to our publications. HRNZ Funding Distribution previously offset items for St Johns contract and some venue services. These are now being included individually under revenue and expenditure. There have been no significant variances in revenue items in the current year compared to budget. HRNZ does not budget for its share in the surplus/deficit of its associates RIUL and TRLP. Sale of Goods and Services increase is mainly attributable to CBHL's revenue increase mainly relating to a significant uplift in site rental payments in the 2018 year.

Expenses

Administration and Operations Increase (2018: \$7,101,000; 2017 \$6,539,000). As with revenue, the expense increase is mainly attributable to the changes to our administration, and the expenditure items for the St John contract and venue services as mentioned in Revenue.



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 22, which comprise the consolidated statement of financial position of the Group as at 31 July 2018, 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 22 present fairly, in all material respects, the financial position of the Group as at 31 July 2018 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.



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.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

Chartered Accountants
Christchurch
17 September 2018





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