HARNESS RACING VICTORIA

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ANNUAL REPORT 2010

Mission

"To develop a vibrant Harness Racing Industry that promotes participation, integrity and racing excellence, grows wagering and maximises returns to its stakeholders."

Goals and Objectives

Our goals and key objectives are to create a vibrant and sustainable harness racing industry by:

- Maximising returns to participants and remain a market leader.
- Improving the product and brand.
- Increasing harness wagering turnover and market share.
- Building a business that is stronger and more financially viable.
- Increasing the professionalism of the sport.

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THE HON. ROB HULLS MP MINISTER FOR RACING

Dear Minister,

I present this overview of the current state of the industry on behalf of the Board, including a review of the 2009/10 financial year and commentary on the outlook for 2010/11.

FINANCIALS

The 2009/10 season was a challenging one financially for Harness Racing Victoria (HRV) and for the racing industry in general.

For the financial year ended 30 June 2010, the consolidated result for the HRV group was a net loss of $1.7m.

Revenue for the year grew by 8.6% from $66.205m to $71.916m while operating expenses grew by 7.2% from $68.611m to $73.600m. The growth in revenue and expenses is largely explained by the first full year of operation at Tabcorp Park, Melton.

During the year, HRV paid out $33.699m in stakemoney, marginally above the $33.579m paid out the previous year.

HRV's share of the TAB pari-mutuel wagering market share grew from 14.9% to 15.3% during the year.

The factors contributing to the net loss include:

- Lack of growth in Tabcorp revenue as the shift continues away from the traditional pari-mutuel tote betting,
- Settlement of a dispute with NSW Tab impacting the bottom line by $1.8m,
- Depreciation and finance charges associated with the $46m Tabcorp Park investment, and
- A small operating loss in the first full year of trade at Tabcorp Park.

MELTON 12 MONTHS ON

We have now been racing at Tabcorp Park in Melton, the new home of harness racing in Victoria, for one year. Racing commenced at the $46m Board funded venue on July 5, 2009 in front of a capacity crowd with the official opening conducted by the Premier John Brumby.

Tabcorp Park has quickly established itself as a premier racing venue with excellent feedback being received from drivers, punters and spectators about the fair and fast racing as a result of the quality of the track.

The facilities at the venue have been well received and further enhancements will continue to be made. A new multi-purpose facility is soon to be constructed adjacent to the main building to better cater for race night patrons, with valuable funding assistance from the State Government through the Regional Racing Infrastructure Fund.

The Board has also commenced a project, in partnership with the Shire of Melton, to develop the remaining 81ha of land owned by HRV adjacent to the complex for the long term financial benefit of the industry.

MOONEE VALLEY FAREWELL

With the successful opening of Tabcorp Park Melton, the Board and the Moonee Valley Racing Club entered into a mutually agreeable exit strategy. HRV conducted its farewell meeting at the Valley on February 6, 2010. The night was a fitting tribute to harness racing's premier home for over 30 years. As well as an outstanding night's racing, nostalgia was to the fore and a crowd not seen for many years attended to say farewell.

Soon after the final night at the Valley, the Hamilton Club re-opened its new 1,000 metre track after a five year absence with a very successful Cup meeting in late February. HRV appreciated your attendance to conduct the official re-opening of the track and you were witness to another big crowd attending an excellent day of country harness racing.

INDUSTRY EVENTS/AWARDS

HRV's three premier racing carnivals were once again successful:

- The Tabcorp Australasian Breeders Crown was hosted for the first time at Tabcorp Park. The Breeders Crown paid out a total of $2.446m including a record $1.528m on Grand Final Day. A record nine Group 1 races were conducted on the day in front of a pre-sold capacity crowd.
- The 2009 SEW-Eurodrive Victoria Cup was also held for the first time at Tabcorp Park in December and was won by New Zealander, Bettors Strike,
- The BIG6 Hunter Cup was a feature of the 'Farewell to the Valley' night and was also won by a New Zealander, Bondy. New Zealand also produced the winner of the Victoria Derby on the same night in Courage to Rule. The locals finally had some joy when Sundons Gift won the Inter Dominion Trotting Grand Final.

The industry's top award, the Gordon Rothacker Medal, was won by Les Chapman. Les has been an outstanding contributor to harness racing in a number of capacities, but the award is recognition for his work at the Maryborough Club and his role in initiating one of the industry's great events, the Redwood.

The main Club award went to the Ballarat and District Trotting Club, a very innovative, well organised and professional club.

For the first time the Horse of the Year Awards were conducted independently of the Gordon Rothacker Medal night. At a function at Tabcorp Park, Melpark Major was crowned Victorian Horse of the Year following his rise to prominence as a Grand Circuit winner.

BOARD CHANGES

The HRV Board underwent a significant change during the year with Neil Busse completing his term as Chairman in March 2010. Neil took up this post in 2000 and in the ensuing 10 years harness racing has been through a period of strong growth. During that time the Board has made a significant investment in the long term future of the sport. We now have 1,000 metre tracks at 14 venues in Victoria and a place we can call home at Melton as a result of Board decisions over the last decade.

Neil is to be congratulated for his contribution to the industry and we wish him and Margaret all the best for the future.

Following John Doherty's resignation, you appointed prominent sports lawyer Paul Horvath to the Board in September 2009.

INDUSTRY FUNDING

As touched on earlier under 'Financials' the racing industry in general is currently being challenged by the reality of reduced returns from the current funding model. This is due to the fact that there has been a trend in recent years reflecting a shift of wagering from Tabcorp to other wagering operators (such as largely internet based corporate bookmakers and other totes, who reportedly offer rebates to attract high turnover customers).

HRV recognises that the shift from the traditional tote betting (which has served the industry well for a long period) to other wagering operators is something that is beyond our control. However, it comes at a cost to the industry by way of lower returns and, furthermore, HRV does not receive any return from several of them.

The Board recognises that you have an understanding of these issues and is appreciative of the Government's preparedness to assist to address them through legislative measures. None-the-less, the uncertainty caused by the litigation involving many betting agencies within the racing sector causes HRV to have serious concerns about future revenue streams from wagering. The Board has taken this into account when setting a relatively conservative budget for 2010/11 and is concerned that unless a favourable outcome or resolution is achieved, this matter will have a significant detrimental effect on stakemoney and capital spending that could threaten the viability of the industry in the longer term. Many of these matters affect all three codes of racing and perhaps a national approach will ultimately be required.

THE YEAR AHEAD

The HRV Board has recently approved its Budget for the 2010/11 financial year. The Budget has been prepared in response to the uncertain wagering climate referred to above.

Some of the key points from the HRV Budget for the coming year are:

- Tabcorp revenue declining year on year;
- HRV to maintain its market share above 15%;
- Overall wagering revenue increasing marginally;
- A 1.1% increase in operating expenses;
- Limited capital expenditure program;
- No real increase in stakemoney;
- Cash reserves exhausted.

The graph below headed 'Tabcorp Revenue and Stakes Profile' paints a picture. HRV was in a period of strong growth between 2003 and 2007. Firstly the onset of Equine Influenza and latterly the shift of wagering described above has flattened Tabcorp revenue. During this period, HRV has been able to maintain stakemoney while also funding the $46m home of harness racing at Melton.

STAKEMONEY PROFILE

Despite the pressure on HRV revenue, the Board has determined that stakemoney will not be reduced and that the 2009/10 levels will be maintained.

However, the Board has also determined that the profile of stakemoney will change.

Within the stakemoney total, a reallocation of the mix will take place as follows:

- Stakemoney for Saturday night career front racing will increase from $5,000 to a minimum of $7,000 with effect from 1 November 2010. This will provide a point of difference for horses in each class. Connections will have a choice of the restricted circuit, the $5,000 career front circuit, the $7,000 Saturday night circuit or the Friday night metropolitan circuit in order to maximise racing opportunities for all classes of horses;
- The SEW-Eurodrive Victoria Cup will increase by $25,000 to $425,000;
- The BIG6 Hunter Cup will increase by $25,000 to $425,000;
- The Australian Trotting Grand Prix will increase by $25,000 to $125,000.

There are quite a number of other semi-feature races which will also have an increase in this year:

- Bill Collins Trotters Sprint - increase from $50,000 to $60,000;
- Vicbred Championship - increase from $20,000 to $25,000;
- EK Bray Country Cup increase from $8,000 to $10,000;
- VHRSC Provincial Cup - increase from $8,000 to $10,000;
- VSTA - increase from $8,000 to $10,000.

To fund the above increases there will be an increase in the number of restricted class race meetings - most specifically a $3,000 Thursday afternoon circuit at Tabcorp Park Melton.

The restricted class meetings are proving increasingly popular and there is a clear demand for them to keep a large number of horses in the racing population. Field sizes have increased this year primarily as a result of the strategic placement of restricted meetings.

The 2010/11 season's calendar is designed to provide racing opportunities for all classes of horses and to maximise wagering turnover in these difficult times.

APPRECIATION

I have only been Chairman for three months, but I have appreciated the warm acceptance I have received. I have quickly established that there are many people who are passionate about their sport of harness racing. It is a vibrant industry providing both a livelihood and a proud participation to a large sector of the Victorian community across the State. I have taken the opportunity to speak with many who are involved and I thank them for sharing their views so willingly and openly.

I would like to acknowledge here some of those who I have been able to meet in my short time in the industry:

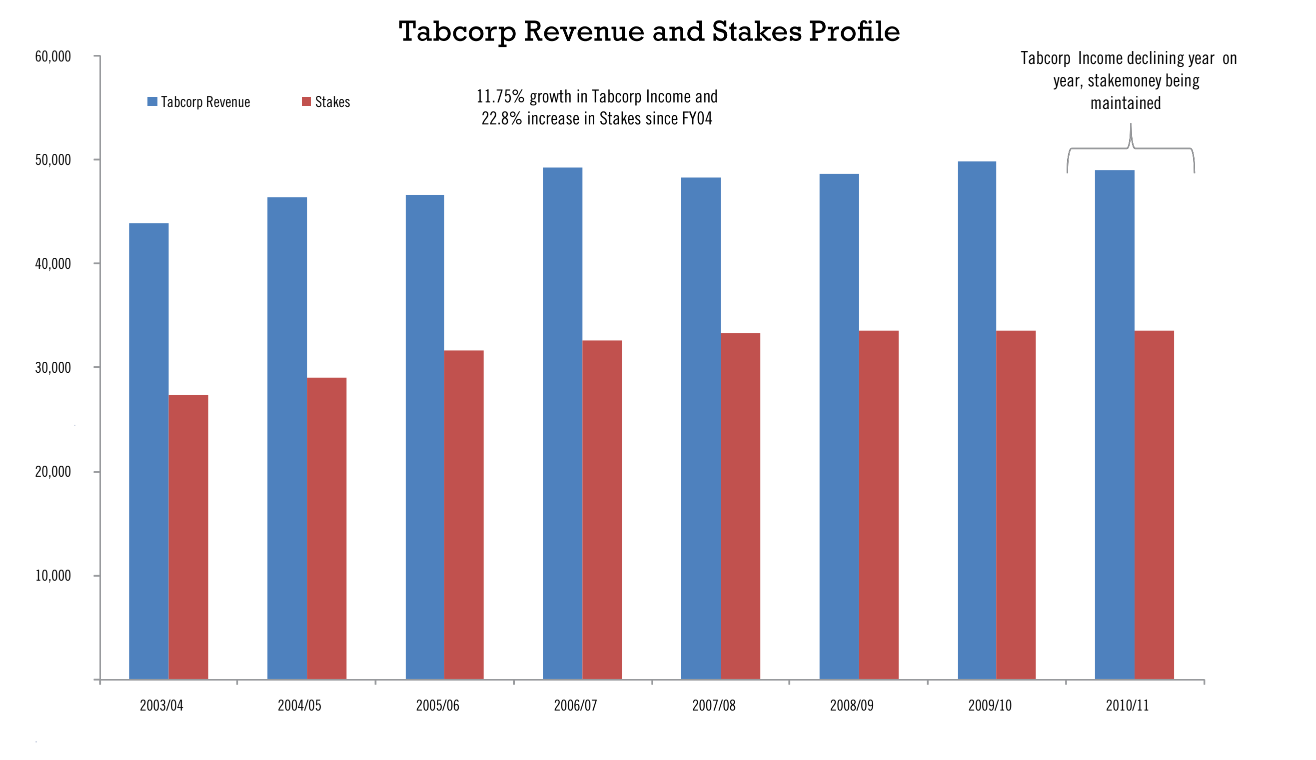
- The Presidents, Secretaries and Executive members of the sport's kindred bodies who actively represent the interests of participants, owners, breeders, trainers and drivers; often on a voluntary basis.
- Representatives of the Country Club network, who are integral parts of harness racing and I believe are the key to our even stronger future.
- Tabcorp, our Joint Venture partner and major sponsor of two of our biggest events, the Hunter Cup and Australasian Breeders Crown.
- Our media partners, Sky Racing, Sport 927 and the Herald Sun, and the many individuals within the media who have strong views and a strong interest in the success of our industry and sport.
- The Shire of Melton, particularly Chief Executive Neville Smith, who have been great supporters of our development of Tabcorp Park.
- My interstate colleagues through Harness Racing Australia.
- Colleagues from the thoroughbred and greyhound racing codes.

I also extend my appreciation to Chief Executive, John Anderson, his management team and all of the HRV and Tabcorp Park Melton staff, along with all Committee members and staff of the country clubs for their hard work and commitment to the harness racing industry.

Finally, on behalf of the Board, I would like to thank you Minister, your staff and the Office of Racing for the support provided to Board members, the management of HRV, and our sport and industry.

I look forward to the coming year as we address some key issues that I believe will shape the future of the sport of harness racing.

Ken Latta PSM
Chairman



The 2009/10 harness racing year will be remembered as the season Victorian harness racing farewelled an old friend.

Moonee Valley – the place Victorian harness fans called home for more than 30 years – conducted its final standardbred fixture on February 6.

And "The Valley" was given a fitting farewell with the biggest crowd in more than a decade joining in the celebrations that featured a trio of Group 1s, including the BIG6 Hunter Cup.

That meeting acted as a ceremonial passing of the baton with Melton's Tabcorp Park, which hosted its first meeting seven months earlier, officially inheriting the mantle, Victoria's home of harness racing.

METRO FEATURES

There was a tinge of sadness about the metropolitan highlight of the 2009/10 Victorian harness racing season.

Moonee Valley, the track that has played host to some of the most significant moments in Victorian harness history, revived memories of the glory days when it packed them in for the last time on February 6.

Almost 34 years after first hosting harness racing – on October 30, 1976 – the track hosted harness racing for the last time.

And didn't it go out with a bang? The crowd of almost 20,000 was The Valley's biggest in more than a decade and those that went along to reminisce were treated to racing of the highest level.

Those cheering loudest were the New Zealanders, who once again crashed the party and snared two of the night's three Group 1 events.

Underrated Live Or Die gelding Bondy claimed the BIG6 Hunter Cup, while the Kiwis also had the first two home in the $200,000 Alabar Victoria Derby.

John Green's Courage To Rule emphatically expressed an appreciation for the long distance when he improved on a heat fourth placing to run down compatriot Lincoln Royal in the 2575m event.

But the biggest cheer was reserved for Bondy, who was backed off the map to start favourite in the $400,000 BIG6 Hunter Cup.

The David Butt-trained-and-driven eight-year-old announced himself Australasia's top standing start performer with a dashing all-the-way win over Karloo Mick and hard-luck story Im Themightyquinn.

It followed track record-breaking success in the previous week's traditional Hunter Cup lead-up, The Pure Steel, and took his standing start record to 15 wins from just 17 attempts.

It wasn't a clean sweep for the Kiwis, however, with Sundons Gift giving the locals something to cheer about in the $250,000 Inter Dominion Trotting Championship Final.

The Chris Lang-trained champion secured his place as a harness immortal when he became the first Australian-trained trotter to win the Inter two years in a row with a dashing win over Queensland surprise packet Kasyanov and stablemate Skyvalley.

But arguably the most appropriate win of the night came when Strident etched his name into Victorian harness folklore with victory in the final event run at the venue.

Gavin Lang – the driver who has partnered more winners than any other at Moonee Valley – was in the cart, while Strident is prepared by Jenny Johnson, whose partner Graeme Johannesen trained the winningest horse at The Valley, super trotter True Roman.

The BIG6 Hunter Cup and Alabar Victoria Derby will next season join Victoria's other feature carnivals as Tabcorp Park events.

The Garden State's other signature event, the Group 1 SEW-Eurodrive Victoria Cup, was run there for the first time this season.

And demonstrating a liking for the new home of Victorian harness racing just as much as the old one, Kiwi raiders were again to the fore.

Cran Dalgety, who won a couple of Victoria Cups with Desperate Comment at Moonee Valley, combined with whiz kid reinsman Dexter Dunn to deny local star Smoken Up what many considered a deserved "major" when Bettors

Strike cut him down in the shadows of the post.

Chris Lang was again the Aussie flagbearer, however, the champion Nagambie horseman winning the two trotting Group 1 features of the carnival.

Sundons Gift became the first horse to win the Australian Trotting Grand Prix three years in a row when he won the $100,000 event at just his second run back from a five-month spell following an unsuccessful Swedish campaign.

Skyvalley had to settle for fourth that night, but he got his revenge in the following week's $50,000 Bill Collins Sprint.

He ran his rivals – which included his star stablemate – off their legs in an amazing 1:56.4 mile.

Sadly, it was to be the last time we saw Skyvalley – who Lang freely described as the most brilliant trotter he has trained – win a race.

Season 2009/10 saw the continued evolution of the Tabcorp Australasian Breeders Crown and, in an ongoing theme, the locals were again upstaged by the New Zealanders.

The Kiwis had runners in only five of the nine Group 1 finals but went home with four trophies.

De Lovely returned to display the form that carried her to Australian Oaks success at Tabcorp Park with a commanding win in the 3YO Fillies Final, while Devil Dodger lead home an all-Kiwi trifecta in the male version of that same age group.

Paramount Geegee was an effortless winner of the 2YO Trotters Final and Miami H made the most of a late break by Rostevarren to claim the 3YO Trotters Final.

"Super Sunday", which attracted around 4500 people and increased betting turnover, wasn't a complete disaster for the locals however.

Make Mine Cullen and Let Me Thru secured back-to-back Breeders Crown titles when they won the four-year-old mares and four-year-old trotters deciders respectively, while Villagem confirmed his status as a Grand Circuit star of the future with a resounding 4YO Entires and Geldings victory.

Let Me Thru provided master trainer Chris Lang with a seventh Breeders Crown training success, while his brother, Gavin, landed a seventh driving title when he steered Passions Promise to victory in the 2YO Fillies Final.

Brian Gath bettered his own record for the oldest person to drive a Breeders Crown winner when he got Royal Verdict home in the 2YO Colts and Geldings Final at 66 years and 48 days of age.

COUNTRY FEATURES

The evolution of the Choice Hotels Country Cups Carnival was one of the highlights of the 2009/10 season.

The 25-race series that takes in country Victoria's top regional cups again contributed significantly to the success of the season.

Ballarat – Victoria's only Barastoc Grand Circuit event run outside the metropolitan area – again led the way.

The $125,000 Group 1 was again part of the Sky Racing Nights Of Glory and provided a brilliant prelude to the Farewell To The Valley.

Blessed with a magnificent summer's night, the locals turned out in force to see Cincinnati Kid score an emotional breakthrough win at the highest level for popular trainer-driver Mark Peace.

But it was the Tony Peacock stable that put its biggest stamp on the carnival, which again awarded the Melton Saddlery Country Cups Championship to the top performer. That was Ohoka Nevada.

He won his hometown cup at Kilmore, dead-heated with subsequent SEW-Eurodrive Victoria Cup winner at Cranbourne, beat home all bar Ti Vogliobene at Terang and ran third in a Hamilton Cup that trumpeted the return of racing to the western district track after more than five years away.

Ohoka Nevada was one of five horses to win multiple legs of the 2009/10 Choice Hotels Country Cups Carnival.

Mister Zion's South Australian Cup success came either side of wins in the Cobram and Mildura Cups, while Sammy Maguire had to settle for second to Mister Zion at Mildura but managed victories at Wedderburn and Bendigo.

Tanabi Bromac won the Horsham and Shepparton Cups during a sensational January, while Jaccka Clive got his name engraved on the St Arnaud and Yarra Valley Cups.

As usual, the Melton Saddlery Maori's Idol Trophy Series for the trotters ran alongside the pacing series and it resulted in a runaway win for Thepowerofhealing.

The Russell Jack-trained mare had the trophy all wrapped up well before the final leg at Maryborough on Redwood Day thanks to wins in the Wangaratta, Charlton and Bendigo Trotters Cups.

The iconic Redwood was again a key part of the country circuit and there was a historical flavour to this year's result with Glenn Hunter emulating his father Chris when he prepared I See Icy Earl to win the $50,000 Group 1 for two-year-old trotters.

Chris Hunter won the Redwood seven years earlier with Blue Rock.

The winner of that day's other Group 1, the $75,000 Victoria Trotters Derby, is also no stranger to Maryborough success with Chris Lang preparing Jingling Silver to classic glory.

Lang added another Derby to his 2003 title with Kyvalley Road when filly Jingling Silver emulated the deeds to the previous year's winner, Arizona Blue, to make it back-to-back wins for the girls.

STAR PERFORMERS

If Sundons Gift hadn't cemented his status as an Australian harness immortal with his second straight Inter Dominion success, he did it during the Breeders Crown.

Chris Lang's stable star became the first Australian-trained trotter to crack $1 million in earnings when he strolled home in the Tabcorp Australasian Breeders Crown Graduate Trotters Free-For-All at Tabcorp Park on August 20.

The $23,625 he collected took his earnings to $1,019,593. It capped a stunning season for the eight-year-old, who also treated the Kiwis to a dose of their own medicine when he won the Group 1 Rowe Cup.

The champion gelding was one of many Victorians who took their talents outside the state.

Villagem (Chariots Of Fire), Make Mine Cullen (Ladyship Mile) and Smoken Up (Len Smith Mile) were among the Victorians to express a liking for the Menangle mile, while Bonavista Bay undertook a successful Perth raid that netted a pair of Group 1 victories.

The 2009/10 season also provided some momentous milestones for Victoria's top human performers.

Chris Alford became only the second Australian driver to partner 4000 winners when he urged Mapua Legend to victory at Bendigo on July 3.

It was another memorable season for the first man to crack the milestone, Gavin Lang, who won a third straight Victorian Metropolitan Drivers' Premiership.

The Statewide Drivers' Premiership was again won by Daryl Douglas, who became the first Australian driver to partner 300 winners for the season four years in a row.

He also became the first driver to crack 250 Victorian winners six seasons in a row in a season that he became only the fourth pilot to top 3500 career winners since computer records started in 1980.

That presented him with a fifth straight Victorian Drivers' Premiership, while he also won the national award for the fourth straight year.

But Douglas wasn't the only member of the family to rack up the awards.

For the third season in a row his brother Glenn topped the ton to take out the Statewide Trainers' Premiership.

He narrowly missed out on also claiming the Metropolitan Trainers' Premiership, finishing two wins astern Lance Justice, who won the title for the fourth time in the past five years.

HISTORICAL FINANCIAL PERFORMANCE SUMMARY

		2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
HRV Racing Operations						
Tabcorp Distributions		49,988	48,652	48,264	49,219	46,634
Electronic Gaming Machine Levy		1,408	213	1,159	1,575	1,160
Stake Money	Country Club Contributions	1,128	1,086	1,084	1,184	1,210
	HRV Contributions	(32,572)	(32,487)	(32,289)	(31,393)	(30,470)
	Country Club Contributions	(1,128)	(1,086)	(1,084)	(1,184)	(1,210)
		(32,572)	**(32,487)**	**(32,289)**	**(31,393)**	**(30,470)**
Metropolitan Racing	Income	495	1,116	2,192	1,132	1,213
	Expenses	(3,094)	(3,468)	(3,641)	(3,283)	(3,125)
		(2,599)	**(2,353)**	**(1,449)**	**(2,151)**	**(1,912)**
Country Clubs	Income	590	482	412	468	420
	Expenses	(8,329)	(8,796)	(8,588)	(8,686)	(7,530)
		(7,739)	**(8,314)**	**(8,177)**	**(8,218)**	**(7,110)**
Futurities (Income)		2,295	2,893	2,615	2,282	2,200
Racing Administration	Income	5,665	5,680	1,876	2,154	1,750
	Expenses	(5,316)	(4,955)	(4,220)	(3,727)	(3,871)
		349	**725**	**(2,344)**	**(1,573)**	**(2,122)**
Marketing	Income	1,609	435	1,265	412	474
	Expenses	(4,375)	(3,408)	(4,230)	(3,262)	(3,279)
		(2,766)	**(2,973)**	**(2,966)**	**(2,850)**	**(2,805)**
Tabaret		556	462	449	564	570
Org. & Mgt.	Income	1,754	2,941	2,354	467	617
	Expenses	(10,197)	(9,434)	(5,742)	(4,206)	(3,901)
		(8,443)	**(6,493)**	**(3,387)**	**(3,739)**	**(3,284)**
Development Fund		(1,523)	(2,024)	(2,022)	(3,215)	(2,467)
Non Racing Operations						
RISE IT Operations	Income	1,187	1,300	930	825	0
	Expenses	(1,258)	(1,243)	(1,024)	(922)	0
		(71)	**57**	**(94)**	**(97)**	**0**
Tabcorp Park	Income	8,032	1,798	0	0	0
	Expenses	(8,599)	(2,562)	0	0	0
		(567)	**(765)**	**0**	**0**	**0**
Eliminations	Income	(2,854)	(851)	(205)	(217)	0
	Expenses	2,854	851	205	217	0
Sub-Total		**(0)**	**0**	**0**	**0**	**0**
TOTALS	Total Income	71,853	66,206	62,394	60,066	56,248
	Total Expenses	(73,537)	(68,612)	(62,634)	(59,661)	(55,855)
Profit/(Loss)		**(1,684)**	**(2,406)**	**(240)**	**405**	**392**

RACE MEETING STATISTICS

	2010 Aggregate $000's	2010 Average $000's	2009 Aggregate $000's	2009 Average $000's	Average %
Metropolitan Meetings - All					
Total Meetings	51		53		(3.8%)
Off Course Tote	39,701	778.5	40,826	770.3	(2.8%)
On Course Tote	5,034	98.7	5,252	99.1	(4.1%)
Bookmakers	2,106	41.3	2,351	44.4	(10.5%)
Attendance (Not measured for all meetings)	21.4	0.4	44.7	0.8	(52.1%)
Metropolitan Meetings - Day					
Total Meetings	4		14		(71.4%)
Off Course Tote	3,156	789.0	6,843	488.8	(53.9%)
On Course Tote	659	164.9	372	26.6	77.2%
Bookmakers	295	73.6	516	36.9	(42.9%)
Attendance (Not measured for all meetings)	0.0	0.0	0.8	0.1	(100.0%)
Metropolitan Meetings - Night					
Total Meetings	46		38		21.1%
Off Course Tote	35,873	779.9	33,983	894.3	5.6%
On Course Tote	4,323	94.0	4,848	127.6	(10.8%)
Bookmakers	1,779	38.7	1,807	47.6	(1.6%)
Attendance (Not measured for all meetings)	21.4	0.5	43.9	1.2	(51.3%)
Metropolitan Meetings - Twilight					
Total Meetings	1		0		0.0%
Off Course Tote	672	672.4	0	0.0	0.0%
On Course Tote	52	51.9	0	0.0	0.0%
Bookmakers	32	32.1	0	0.0	0.0%
Attendance (Not Measured)	0.0	0.0	0.0	0.0	0.0%
Metropolitan Non-TAB Meetings (Tabcorp Park)					
Total Meetings	0		1		0.0%
Off Course Tote	0	0.0	0	0.0	0.0%
On Course Tote	0	0.0	32	31.6	0.0%
Bookmakers	0	0.0	28	27.6	0.0%
Attendance (Not Measured)	0.0	0.0	0.0	0.0	0.0%
Country Club TAB Meetings - All					
Total Meetings	453		457		(0.9%)
Off Course Tote	177,292	391.4	189,671	415.0	(6.5%)
On Course Tote	10,088	22.3	10,443	22.9	(3.4%)
Bookmakers	1,878	4.1	2,875	6.3	(34.7%)
Attendance (Not Measured)	169.6	0.4	190.9	0.4	(11.2%)
Country Club TAB Meetings - Day					
Total Meetings	183		175		4.6%
Off Course Tote	68,388	373.7	71,545	408.8	(4.4%)
On Course Tote	2,942	16.1	3,177	18.2	(7.4%)
Bookmakers	373	2.0	605	3.5	(38.4%)
Attendance	49.7	0.3	54.9	0.3	(9.5%)

(Includes 1 Country Club Meeting at Tabcorp Park)

RACE MEETING STATISTICS (CONTINUED)

	2010		2009		
	Aggregate $000's	Average $000's	Aggregate $000's	Average $000's	Average %
Country Club TAB Meetings - Night					
Total Meetings	222		232		(4.3%)
Off Course Tote	93,653	421.9	101,189	436.2	(7.4%)
On Course Tote	6,164	27.8	6,266	27.0	(1.6%)
Bookmakers	1,327	6.0	2,090	9.0	(36.5%)
Attendance	98.2	0.4	115.6	0.5	(15.1%)
(Includes 19 Country Club Meetings at Tabcorp Park)					
Country Club TAB Meetings - Twilight					
Total Meetings	48		50		(4.0%)
Off Course Tote	15,251	317.7	16,937	338.7	(10.0%)
On Course Tote	982	20.4	1,001	20.0	(1.9%)
Bookmakers	178	3.7	180	3.6	(1.3%)
Attendance	21.7	0.5	20.4	0.4	6.3%
(Includes 3 Country Club Meetings at Tabcorp Park)					
Country Club Non-TAB Meetings					
Total Meetings	2		2		0.0%
Off Course Tote	0	0.0	0	0.0	0.0%
On Course Tote	289	144.5	285	142.3	1.5%
Bookmakers	144	72.1	129	64.6	11.6%
Attendance	12.1	6.0	10.2	5.1	18.2%
Victorian Performance on Victorian Meetings					
Total Meetings	506		512		(1.2%)
Off Course Tote	216,993	428.8	230,497	450.2	(5.9%)
On Course Tote	15,411	30.5	15,979	31.2	(3.6%)
Bookmakers	4,127	8.2	5,356	10.5	(22.9%)
Attendance	203.0	0.4	245.8	0.5	(17.4%)
Victorian Off Course Performance on Interstate/International Meetings					
Total Meetings	1,508		1,275		18.3%
Off Course Tote	337,302	223.7	313,852	246.2	7.5%
Victorian Performance on All Harness Meetings					
Total Meetings	2,014		1,787		12.7%
Off Course Tote	554,295	275.2	544,349	304.6	1.8%
On Course Tote	15,411	7.7	15,979	8.9	(3.6%)
Total Tote - On and Off Course	**569,706**	**282.9**	**560,328**	**313.6**	**1.7%**
Bookmakers	4,127	2.0	5,356	3.0	(22.9%)
Total Betting (Tote plus Bookmakers)	**573,833**	**284.9**	**565,684**	**316.6**	**1.4%**

Accountable Officer's Declaration

In accordance with *Financial Management Act 1994*, I am pleased to present the Report of Operations for Harness Racing Victoria for the year ending 30 June 2010.

K Latta PSM
Chairman
3 September 2010

Objectives, Functions and Activities

Harness Racing Victoria is a statutory corporation for which the Minister for Racing is responsible. Established pursuant to the Racing Act 1958, it officially commenced operations as the Trotting Control Board on 1 January 1947. Harness Racing Victoria's function is to administer, develop and promote the sport of harness racing in Victoria.

Our mission is "to develop a vibrant harness racing Industry which promotes participation, integrity and racing excellence, grows wagering and other revenue streams and maximise returns to our stakeholders."

Organisational Structure and Corporate Governance Arrangements

Harness Racing Victoria is led by a seven member Board which reports to the Minister for Racing. It is managed by an Executive team comprising the Chief Executive and six General Managers each responsible for one of HRV's business units.

Minister for Racing – The Hon. Rob Hulls, MP

Members of Harness Racing Victoria Board
Ken Latta PSM – Chairman (Commenced 6 April 2010)
Neil Busse (Appointment expired 31 March 2010)
Carl O'Dwyer – Deputy Chairman
Peter Bourke
Stephen Nash
Kate Roffey
Neale Wheat
Paul Horvath (Commenced 8 September 2009)

Chief Executive – John Anderson

Chief Operating Officer – Brant Dunshea
Brant is responsible for the strategic operational aspects of the business which promote wagering growth and maximise participation. This includes oversight of the production of the annual racing calendar, race programming, handicapping, infrastructure development, futurities, country clubs, occupational health & safety, breeding and ownership initiatives.

General Manager – Commercial Operations – Lucy Brennan
Lucy leads a large team responsible for Communication, Sponsorship, Marketing, Event Management and Metropolitan Racing for HRV whilst also providing direction and support to Country Clubs in related areas.

Legal Counsel – Craig Launder
Craig is responsible for Legal matters and Corporate Governance. Craig is also HRV's Freedom of Information Officer.

Chairman of Stewards – James Hitchcock
James heads up the racing integrity functions, including responsibility for the Stewards Panel and the Investigative, Licensing and Registration functions of HRV.

General Manager – Tabcorp Park – Joe Ivisic
Joe leads a business responsible for the non-racing operations of Tabcorp Park, HRV's race track and entertainment complex in Melton.

Chief Financial Officer – Charles Cutajar
Charles leads the Finance and Administration unit and is responsible for Accounting and Finance, Risk Management, Country Club Compliance and is also the Board Secretary.

Audit Committee

The Audit Committee consists of the following members:

John Stewart (Chairman- Independent)

Jennifer Labourne (Independent) - *resigned 19 August 2010*

Neale Wheat (Board Member)

The main responsibilities of the Audit Committee are to:

- Oversee and advise the HRV Board on matters of accountability and internal control affecting the operations of HRV and registered Country Clubs;
- Assist the Board to discharge its responsibility to exercise due care, diligence and skill in relation to the entity's reporting of financial information, application of accounting policies, internal control, risk management, business policies and practices and compliance with applicable laws, regulations, standards and best practice guidelines;
- Review results of the annual external audit and issues raised by the Auditor-General and ensure adequate resolution;
- Provide a structured reporting line for internal audit;
- Improve the quality of internal and external financial reporting for HRV and the Industry as a whole;
- Monitor the financial position and financial performance of Country Clubs and to review the findings and recommendations of the HRV Country Clubs Financial Compliance Officer;
- Assist the Board in reviewing the effectiveness of HRV's internal control environment covering:
  - Effectiveness and efficiency of operations;
  - Reliability of financial reporting;
  - Compliance with applicable laws and regulations.

BOARD

CHIEF EXECUTIVE JOHN ANDERSON

CHIEF OPERATING OFFICER BRANT DUNSHEA

GM COMMERCIAL OPERATIONS LUCY BRENNAN

LEGAL COUNSEL CRAIG LAUNDER

CHAIRMAN OF STEWARDS JAMES HITCHCOCK

GM TABCORP PARK JOE IVISIC

CHIEF FINANCIAL OFFICER CHARLES CUTAJAR

Other HRV Committees

Strategic Planning Advisory Group – The Strategic Planning Advisory Group is a group external to Management and the Board all with a diverse range of backgrounds and skills from within the Harness Racing Industry. This Group assists HRV to refine and prioritise its strategic objectives.

Finance and Strategic Planning Sub Committee – This Committee is responsible for assisting in discharging the Board's responsibilities in overseeing financial accountability and implementation of the Strategic Plan and Budget.

Marketing Sub Committee – is responsible for the direction and approval of HRV's events, marketing strategies and marketing plan.

Human Resources Sub Committee – This Committee is responsible for determining the Board's remuneration and human resources policies.

Development Fund Sub Committee – The Committee considers and prioritises applications by Clubs to maintain and develop the infrastructure of the Harness Racing Industry and relevant Occupational Health and Safety works.

Programming and Futurities Sub Committee – This Committee determines policy for the programming of races at harness meetings and is responsible for overseeing Victoria's two futurity schemes – the Vicbred Program and Australasian Breeders Crown. It also manages HRV's participation in the Australian Pacing Gold futurity series.

Integrity Sub Committee – This Committee consists of an Independent Chairman, two HRV Board members and a further independent member. This Committee considers matters and policies in respect of all issues relating to the integrity of harness racing in Victoria.

Human Resource Management

HRV promotes the personal and professional development of its people in order to achieve ongoing improvements in service delivery and to create satisfying career paths for employees. HRV actively promotes safe work practices, career development, balanced lifestyles and a friendly non-discriminatory working environment.

During the year, HRV offered a range of programs to ensure all staff are equipped with the knowledge and skills required in today's dynamic working environment. Particular focus this year was placed on continuing the accredited vocational training program for Stewards and the accredited training program aimed specifically at track maintenance personnel. Employees are also encouraged to extend their professional skills with individual development needs identified as part of the annual performance review cycle.

Negotiations for the new HRV Staff Enterprise Agreement were successfully completed in a manner which demonstrated a collegial and collaborative approach by all stakeholders to workplace relations.

HRV continues to assist Tabcorp Park by continuing with the development of their human resources policies and procedures with a particular focus over the year on the implementation of modern awards.

Employment and Conduct Principles

HRV complies with the application of the Public Sector Employment and Conduct Principles. The Board has established processes that ensure employment decisions are made on merit, employees are treated fairly and reasonably, equal employment opportunities are provided and employees have a reasonable avenue of redress against unfair or unreasonable treatment.

Occupational Health and Safety

Harness Racing Victoria is committed to ensuring the continuation of a pro-active approach in the prevention of injury and illness at its workplaces and in the carrying out its function as the controlling body of harness racing in Victoria.

HRV employs a full time OH&S Manager who reports to the General Manager Product & Wagering.

In meeting the expectations of the organisation and its OH&S obligations, the role addresses the following areas:

- Assistance to HRV staff on rehabilitation and return to work related matters.
- On-going risk assessments covering all active country racing clubs.
- Consultation and development of safety design features for selected race track infrastructure.
- Initial developmental and ongoing support for Tabcorp Park covering employee, racing participants and public OH&S requirements.
- Ongoing development of new and amendments to existing HRV OHS Policies and Procedures.
- Technical research concerning a wide range of OHS related initiatives for future improvement opportunities.

STAFF PROFILE BY POSITION – FULL TIME

	MALE		FEMALE		TOTAL FULL TIME	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Executive	7	8	1	1	8	9
Professionals	14	14	1	1	15	15
Paraprofessionals	24	22	2	1	26	23
Clerical Workers	8	7	7	9	15	16
Broadcasters & Country Clubs	7	7	0	0	7	7
TOTAL	**60**	**58**	**11**	**12**	**71**	**70**

In addition, the HRV Board employed 8 part time staff at 30 June 2010 and 10 casual staff were utilised during the year.

HRV STAFFING TRENDS – FULL TIME

2010	2009	2008	2007	2006
71	70	67	63	57

Financial Review of Operations and Financial Conditions

For the financial year ended 30 June 2010 an operating loss of $1.68 million was recorded. This loss compares favourably to the prior year loss of $2.41 million however was below budgeted expectations. The below budget result was largely due to the trading result of Tabcorp Park with lower than budgeted revenue in the Functions segment of the business and higher operating expenses particularly in the first half of the year.

In 2009/10 revenue grew by $5.7 million or 8.6% from $66.20 million to $71.92 million. The growth was driven by the full year impact of trading at Tabcorp Park which opened on 5 March 2009 providing incremental revenue of $5.22 million and total revenue of $6.99 million. Higher capital grants (Regional Racing Infrastructure Fund) and Wagering Revenue of $1.20 million and $1.28 million respectively also contributed to the growth. Having a negative revenue impact year on year was lower Sponsorship Income of $1.50 million following a one-off sponsorship recognised last year of $2.0 million and lower income from Futurities race series (APG) of $0.72 million.

As outlined above, in 2009/10 Wagering Revenue grew by $1.28 million or 2.5% from $52.39 million to $53.62 million. Underlying Tabcorp Revenue dominated the year on year growth with a $1.6 million or 3.1% increase. Although HRV had the benefit of a full years racefields charging regime (commenced 1 January 2009), backdating of charges by Racing Controlling Bodies Interstate for the publication of product by the Victorian TAB coupled with the inability for HRV to realise the full benefit of charging the NSW Tab meant that the net impact to HRV on net Wagering Revenue was negative $0.96 million.

During the year Harness Racing Victoria distributed a total of $33.70 million in stakemoney to owners, trainers, drivers, breeders and studmasters. This marginally exceeded the record established in 2008/09 of $33.58 million.

Other expenses from operations of $39.90 million are $4.87 million or 14.7% up on the prior year. The three key drivers for the increase in costs were the full year impact of operating costs for Tabcorp Park ($4.55 million) financing and depreciation costs associated with the development of Tabcorp Park ($1.4 million), partly off-set by the recognition last year of an impairment loss on assets used at Moonee Valley of $1.02 million.

Cash Assets at 30 June 2010 of $1.6 million are $0.6 million lower than the same time last year whilst Total Assets of $63.5 million have grown by $3.8 million.

During the year, HRV drew down on the balance ($5.10 million) of its $29.10 million loan facility to partly fund the Tabcorp Park development and was the key reason for the increase in Total Liabilities of $5.68 million from $44.50 million to $50.18 million.

Future Outlook

The HRV Board will continue to manage its resources responsibly and strive to maximise returns to stakeholders.

In the short to medium term, revenue from Wagering is not expected to show significant growth as returns from the Victorian Racing Industry's Joint Venture is showing limited growth as wagering activity moves to lower income generating wagering operators.

A key driver for incremental industry returns in 2010/11 is the planned turn around in the profitability of Tabcorp Park. The venue operated at a loss in 2009/10 however revenue is expected to grow and operating costs are decreasing as the efficiency of the business improved in the second half of last year. In the year that passed, Tabcorp Park represented in excess of 11% of HRV's income and this is expected to grow in years to come thereby providing HRV with a much more diversified income stream.

Given the significant investment in Tabcorp Park that has been made over the past three years coupled with limited revenue growth, stakemoney levels are not projected to increase next year whilst operational expenditure is also being managed prudently with limited to no increase in discretionary and capital expenditure.

Disclosure of Major Contracts

No disclosure of major contracts is required by HRV as during the year HRV did not enter into any contracts with a value greater than $10.0 million.

Freedom of Information

Requests for access to documents under the Freedom of Information Act 1982 are directed to the Board's Freedom of Information Officer, Craig Launder. During 2009/10, no requests were received by HRV.

Compliance with Building Act 1993

Harness Racing Victoria does not own or control any government buildings and is exempt from notifying its compliance with the building and maintenance provisions of the Building Act 1993.

National Competition Policy

The principle of competitive neutrality aims to ensure that Government businesses do not enjoy any net competitive advantage simply by virtue of their public sector ownership. Harness Racing Victoria is not a tax funded general Government service and does not adopt any pricing principles utilising a net competitive advantage. Approximately 76% of HRV's income is derived from Tabcorp Holdings Limited pursuant to a Joint Venture Agreement. Remaining revenue streams are derived from 'arms length' business operations.

Office Based Environmental Impacts

In 2009 HRV established a Resource Smart Committee responsible for the

FIVE YEAR FINANCIAL SUMMARY

	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Tabcorp Revenue	49,988	48,652	48,264	49,219	46,634
Other Revenue	21,928	17,553	14,131	10,847	9,614
Total Revenue	71,916	66,205	62,394	60,066	56,248
Stake Money Expense	(33,699)	(33,579)	(33,373)	(32,577)	(31,681)
Other Expenses	(39,901)	(35,032)	(29,261)	(27,084)	(24,174)
Net Profit/(Loss)	**(1,684)**	**(2,406)**	**(240)**	**405**	**392**
Cash Assets	1,623	2,271	8,680	4,774	10,718
Total Assets	63,700	59,718	47,372	30,403	25,790
Current Liabilities	(14,222)	(13,797)	(15,496)	(10,511)	(7,245)
Total Liabilities	(50,165)	(44,499)	(29,747)	(12,537)	(13,329)

overall implementation of HRV's environmental policy. The objective of the Committee is to reduce the environmental impacts from HRV's operations. The focus in 2008/09 was placed on reviewing the use of paper and also recycling at head office. Additionally, HRV has reviewed its motor vehicle fleet in order reduce overall fuel usage and is currently trialling the use of a hybrid vehicle. At Tabcorp Park, HRV is utilising A Class recycled water and has implemented light dimming technology for use on the race track.

Whistleblowers

Harness Racing Victoria is committed to the aims and objectives of the *Whistleblowers Protection Act* 2001 (the Act). It does not tolerate improper conduct by its employees or officers, nor the taking of reprisals against those who come forward to disclose such conduct.

Harness Racing Victoria recognises the value of transparency and accountability in its administrative and management practices, and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health or safety or the environment.

Detailed policies and procedures have been established and communicated in order to provide an effective system for reporting disclosures of improper conduct or detrimental action by Harness Racing Victoria or its employees.

	Number	**Type**
The number and types of disclosures made to the public body during the year	Nil	
The number of disclosures referred to the Ombudsman for determination as to whether they are public interest disclosures	Nil	
The number and types of disclosed matters referred to the public body by the Ombudsman for investigation	Nil	
The number and types of disclosures referred by the public body to the Ombudsman for investigation	Nil	
The number and types of investigations taken over from the public body by the Ombudsman	Nil	
The number of requests made by a whistleblower to the Ombudsman to take over an investigation by the public body	Nil	
The number and types of disclosed matters that the public body had declined to investigate	Nil	
The number and type of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation	Nil	
Any recommendations made by the Ombudsman that relate to the public body	Nil	

Implementation of the Victorian Industry Participation Policy

In October 2003, the Victorian Parliament passed the Victorian Industry Participation Policy Act 2003, which requires public bodies and departments to report on the implementation of the Victorian Industry Participation Policy. Departments and public bodies are required to apply VIPP in all tenders over $3 million in metropolitan Melbourne and $1 million in regional Victoria.

Contracts commenced to which VIPP applied:

- during 2009/10 HRV did not commence any contracts to which the VIPP applied.

Contracts completed to which VIPP applied:

- No contracts were completed to which VIPP applied.

Consultancies

During the year, HRV had no consultancies that cost in excess of $100,000 excluding GST.

There were 29 consultancies during the year where the fees payable for each consultancy was less than $100,000. The total cost of these consultancies was $211,826 excluding GST.

Additional Information Available On Request

In compliance with the requirements of the Ministerial Directions of the Minister for Finance, details in respect of the information items below have been retained by HRV and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the Freedom of Information requirements, if applicable).

a) A statement that declarations of pecuniary interests as completed by all relevant officers;
b) Details of publications produced by HRV and where they can be obtained;
c) Details of changes in prices, fees, charges, rates and levies charged by HRV for its services;
d) Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
e) Details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the Report of Operations

Attestation on compliance with the Australian/ New Zealand Risk Management Standard

I, Charles Cutajar certify that Harness Racing Victoria has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard (or equivalent designated standard) and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The audit committee verifies this assurance and that the risk profile of Harness Racing Victoria has been critically reviewed within the last 12 months.

C Cutajar
Chief Finance and Accounting Officer
Harness Racing Victoria
3 September 2010

Reporting on Consultation

Harness Racing Victoria has established proper procedures for consultation with harness racing industry participants in accordance with section 44B of the Racing Act 1958.

Section 44C requires HRV to include in its Annual Report details of its consultation meetings and decisions made following consultation with harness racing industry participants.

Meetings were held during 2009/10 on 15 September 2009 and 4 May 2010 (combined meeting - VBA not in attendance) with the following bodies.

- Association of Victorian Country Harness Racing Clubs Inc (AVCHRC)
- Harness Breeders (Vic) (HBV) formerly Victorian Standardbred Breeders and Studmasters Association Inc
- Harness Racing Owners Association Inc (HROA)
- Victorian Bookmakers Association (VBA)
- Victorian Harness Racing Trainers and Drivers Association Inc (VHRT&DA)

The matters arising out of those meetings are provided in the table below:

Association	Issues Discussed	Decision/Outcome
AVCHRC	AVCHRC expressed disappointment at the cessation of 25% loading to Clubs conducting 'away' meetings.	Budget had been approved and will not be discussed further.
AVCHRC	Charlton HRC submitted a proposal to run qualifying trials without the allocated number of horses. AVCHRC believed this was an integrity issue.	HRV agreed to look into the integrity and insurance issues with regard to the proposal.
AVCHRC HRT&DA	The possibility of a Harness Card for participants inclusive of Victorian Harness Racing Sports Club and Association of Victorian Country Harness Racing Club membership was raised.	A reasonable solution between all parties would be aimed for the commencement of the 2010/11 season.
AVCHRC	AVCHRC raised concern over the loss of Sulky Fund coverage for Category 2 Clubs.	HRV to revisit the issue and advise AVCHRC in due course.
AVCHRC	AVCHRC questioned why the Gordon Rothacker Medal and Horse of the Year Award nights were split.	HRV advised it was due to time constraints and room capacity.
AVCHRC HROA VHRT&DA	HRV advised that it would announce a loss of approximately $2m due to the write off of Moonee Valley assets and other one off costs.	Some of the equipment from Moonee Valley will be allocated to country tracks.
AVCHRC, HBV, HROA VHRT&DA	HRV submitted its preliminary review to Harness Racing Australia on National Handicapping.	HRV forwarded a copy of the review to all groups.
AVCHRC VHRT&DA	The groups requested the result of investigations in relation to Bacchus Marsh becoming a training centre.	HRV advised that Bacchus Marsh was unlikely to be a dedicated training centre.
HBV	HRV denied requests received to change the eligibility for the Breeders Crown for horses from the USA.	HBV agreed with HRV's decision.
HBV	HBV most satisfied with the sponsorship agreement with HRV.	Existing agreement to be extended.
HROA VHRT&DA	Possible stakemoney increases on Thursday, Friday and Saturday nights was raised.	HRV had committed to a 3.9% stakemoney increase in the 2009/10 season. Financial circumstances in the first half of the year would determine a further increase.
VBA	Request for bookmakers to field on Moonee Valley gallops meetings while fielding at Tabcorp Park.	Approval granted.
VHRT&DA	Amendments to the National Handicapping Rules were introduced on 1 September 2009.	A review would be undertaken by Harness Racing Australia in 12 months.
VHRT&DA	The level of insurance cover for trainers and drivers was discussed.	Insurance cover for the 2009/10 season had been enhanced.
VHRT&DA	The flexibility of penalties be given in days not weeks was raised.	HRV advised that stewards were trialing a penalty template.
VHRT&DA	It was suggested that sectional time requirements should not apply when mudguards are fitted.	Stewards have the discretion to relax time requirements given track and weather conditions.
VHRT&DA	The feasibility of consistently running trials at Tabcorp Park on a Monday night was raised.	VHRT&DA to make a submission to HRV.
VHRT&DA	Consideration for an increase in drivers' fees was requested.	An increase would be determined as part of the budget process.
VHRT&DA	Recommendation for fines to be reassessed in regard to new whip rules.	HRV advised fines were unlikely to be reassessed.

The following issues were discussed with all groups:

- Industry acceptance of Tabcorp Park.
- Harness Card holders to be admitted free of charge to future ticketed events at Tabcorp Park.

DISCLOSURE INDEX

The annual report of Harness Racing Victoria is prepared in accordance with all relevant Victorian legislations. This index has been prepared to facilitate identification of HRV's compliance with statutory disclosure requirements.

Legislation	**Requirement**	Page Ref

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KEY INDUSTRY STATISTICS

	2010	2009	2008	2007	2006	2005	2004
Meetings (TAB)	504	509	498	505	493	498	500
Meetings (Non-TAB)	2	3	3	4	11	13	15
Races	4,084	4,122	4,088	4,375	4,076	4,158	4,189
Horses raced	4,440	4,458	4,442	4,672	4,612	4,637	4,598
Nominations	57,973	55,512	57,787	58,392	56,413	58,660	57,088
Starters	39,241	38,633	38,827	40,295	39,549	39,698	38,828
Drivers	897	887	878	847	930	950	912
Trainers	1,460	1,478	1,497	1,443	1,542	1,540	1,520
Stablehands	1,741	1,751	1,672	952	1,281	1,300	1,265
Sires	103	114	108	113	101	109	121
Foals	2,985	2,916	2,713	3,018	2,839	3,049	2,718
Namings	1,665	1,689	2,169	2,308	1,785	1,831	1,583
Services	4,863	5,042	4,876	4,473	4,617	4,198	4,550

HARNESS RACING VICTORIA / FINANCIAL STATEMENTS 2010

COMPREHENSIVE OPERATING STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Notes	Consolidated Entity		Parent Entity	
		2010 $'000	2009 $'000	2010 $'000	2009 $'000
CONTINUING OPERATIONS					
INCOME FROM TRANSACTIONS					
Tabcorp income		49,988	48,652	49,988	48,652
Other revenue from ordinary activities		21,928	17,553	15,563	15,307
Total Income from Transactions	2	**71,916**	**66,205**	**65,551**	**63,959**
EXPENSES FROM TRANSACTIONS					
Stakemoney expense		(33,699)	(33,579)	(33,699)	(33,579)
Employee benefits		(10,587)	(8,462)	(6,731)	(6,622)
Depreciation and amortisation expense		(2,260)	(1,330)	(2,198)	(1,182)
Finance costs		(1,990)	(1,461)	(1,977)	(1,461)
Other expenses from ordinary activities		(24,967)	(22,742)	(21,897)	(21,776)
Total Expenses from Transactions	2	**(73,503)**	**(67,574)**	**(66,502)**	**(64,620)**
Net Result from Transactions (Net Operating Balance)		**(1,587)**	**(1,369)**	**(951)**	**(661)**
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT					
Bad and doubtful debt expense		(36)	(16)	(35)	(16)
Profit/(Loss) on sale of property, plant and equipment	2(a)	(61)	-	(61)	-
Impairment of property, plant and equipment	8	-	(1,021)	-	(1,021)
Total Other Economic Flows Included in Net Result		**(97)**	**(1,037)**	**(96)**	**(1,037)**
Net Result		**(1,684)**	**(2,406)**	**(1,047)**	**(1,698)**
OTHER ECONOMIC FLOWS - OTHER NON-OWNER CHANGES IN EQUITY					
Total Other Economic Flows - Other Non-Owner Changes in Equity		**-**	**-**	**-**	**-**
Comprehensive Result - Total Change in Net Worth	19	**(1,684)**	**(2,406)**	**(1,047)**	**(1,698)**

The Comprehensive Operating Statement should be read in conjunction with the accompanying notes included on pages 22 to 57.

BALANCE SHEET

AS AT 30 JUNE 2010

	Notes	Consolidated Entity		Parent Entity	
		2010 $'000	2009 $'000	2010 $'000	2009 $'000
CURRENT ASSETS					
Cash and cash equivalents	25(a)	1,623	2,271	863	1,469
Receivables	4	8,356	5,245	8,754	5,341
Other financial assets	5	51	81	701	631
Inventories	7	58	60	-	-
Other assets	6	714	256	671	179
Total Current Assets		**10,802**	**7,913**	**10,989**	**7,620**
NON-CURRENT ASSETS					
Property, plant and equipment	8	51,420	50,444	51,258	50,286
Other financial assets	5	150	147	150	147
Investments	9	1,082	1,082	1,950	1,950
Intangible assets	10	246	132	-	-
Total Non-Current Assets		**52,898**	**51,805**	**53,358**	**52,383**
TOTAL ASSETS		**63,700**	**59,718**	**64,347**	**60,003**
CURRENT LIABILITIES					
Payables	11	9,174	8,587	9,023	8,235
Provisions	12	1,529	1,394	1,318	1,274
Interest bearing liabilities	13	185	294	185	294
Prepaid income	15	1,559	1,708	1,502	1,613
Other liabilities	16	1,775	1,814	1,761	1,802
Total Current Liabilities		**14,222**	**13,797**	**13,789**	**13,218**
NON-CURRENT LIABILITIES					
Interest bearing liabilities	13	29,100	24,060	29,100	24,060
Non interest bearing liabilities	14	437	-	-	-
Prepaid income	15	3,965	4,402	3,965	4,402
Provisions	12	141	177	122	143
Other liabilities	16	2,300	2,063	2,300	2,063
Total Non-Current Liabilities		**35,943**	**30,702**	**35,487**	**30,668**
TOTAL LIABILITIES		**50,165**	**44,499**	**49,276**	**43,886**
NET ASSETS		**13,535**	**15,219**	**15,071**	**16,117**
EQUITY					
Contributed capital	17	9,174	9,174	9,174	9,174
Reserves	18	3,371	3,371	3,371	3,371
Accumulated surplus	19	990	2,674	2,526	3,572
TOTAL EQUITY		**13,535**	**15,219**	**15,071**	**16,117**

The Balance Sheet should be read in conjunction with the accompanying notes included on pages 22 to 57.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2010 - Consolidated Entity	Notes	Equity at 1 July 2009	Changes due to: Total comprehensive result	Changes due to: Transactions with owner in its capacity as owner	Equity at 30 June 2010
		$'000	$'000	$'000	$'000
Accumulated surplus/(deficit)	19	2,674	(1,684)	-	990
Total accumulated surplus/(deficit)	19	2,674	(1,684)	-	990
Contribution by owners		9,174	-	-	9,174
Total contribution by owners - contributed capital	17	9,174	-	-	9,174
Asset revaluation reserve		3,371	-	-	3,371
Total asset revaluation reserve	18	3,371	-	-	3,371
Total equity at the end of the financial year		15,219	(1,684)	-	13,535

2009 - Consolidated Entity	Notes	Equity at 1 July 2008	Changes due to: Total comprehensive result	Changes due to: Transactions with owner in its capacity as owner	Equity at 30 June 2009
		$'000	$'000	$'000	$'000
Accumulated surplus/(deficit)	19	5,081	(2,406)	-	2,674
Total accumulated surplus/(deficit)	19	5,081	(2,406)	-	2,674
Contribution by owners		9,174	-	-	9,174
Total contribution by owners - contributed capital	17	9,174	-	-	9,174
Asset revaluation reserve		3,371	-	-	3,371
Total asset revaluation reserve	18	3,371	-	-	3,371
Total equity at the end of the financial year		17,626	(2,406)	-	15,219

The Statement of Changes in Equity should be read in conjunction with the accompanying notes included on pages 22 to 57.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2010 - Parent Entity	Notes	Equity at 1 July 2009 $'000	Changes due to: Total comprehensive result $'000	Changes due to: Transactions with owner in its capacity as owner $'000	Equity at 30 June 2010 $'000
Accumulated surplus/(deficit)	19	3,572	(1,047)	-	2,526
Total accumulated surplus/(deficit)	19	3,572	(1,047)	-	2,526
Contribution by owners		9,174	-	-	9,174
Total contribution by owners - contributed capital	17	9,174	-	-	9,174
Asset revaluation reserve		3,371	-	-	3,371
Total asset revaluation reserve	18	3,371	-	-	3,371
Total equity at the end of the financial year		16,117	(1,047)	-	15,071

2009 - Parent Entity	Notes	Equity at 1 July 2008 $'000	Changes due to: Total comprehensive result $'000	Changes due to: Transactions with owner in its capacity as owner $'000	Equity at 30 June 2009 $'000
Accumulated surplus/(deficit)	19	5,271	(1,698)	-	3,572
Total accumulated surplus/(deficit)	19	5,271	(1,698)	-	3,572
Contribution by owners		9,174	-	-	9,174
Total contribution by owners - contributed capital	17	9,174	-	-	9,174
Asset revaluation reserve		3,371	-	-	3,371
Total asset revaluation reserve	18	3,371	-	-	3,371
Total equity at the end of the financial year		17,816	(1,698)	-	16,117

The Statement of Changes in Equity should be read in conjunction with the accompanying notes included on pages 22 to 57.

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

		Consolidated Entity		Parent Entity	
	Notes	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Cash flows from operating activities					
Receipts from operations		68,927	62,919	61,713	60,140
Payments to suppliers, employees & industry		(69,871)	(66,445)	(62,099)	(63,823)
Interest received		100	295	126	292
Interest paid		(1,977)	(1,461)	(1,977)	(1,461)
Net cash from/(used in) operating activities	25(b)	**(2,821)**	**(4,692)**	**(2,237)**	**(4,852)**
Cash flows from investing activities					
Payments for property, plant and equipment		(3,296)	(19,259)	(3,230)	(19,166)
Loans provided		(30)	-	(130)	(550)
Net cash from/(used in) investing activities		**(3,326)**	**(19,259)**	**(3,360)**	**(19,716)**
Cash flows from financing activities					
Proceeds from loan repayments		60	354	60	354
Proceeds from interest bearing liabilities		4,931	17,188	4,931	17,188
Proceeds from non interest bearing liabilities		508	-	-	-
Net cash from/(used in) financing activities		**5,499**	**17,542**	**4,991**	**17,542**
Net Increase/(decrease) in cash and cash equivalents held		**(648)**	**(6,409)**	**(606)**	**(7,026)**
Cash and cash equivalents at the beginning of the financial year		2,271	8,680	1,469	8,680
Derecognition of controlled entity assets*		-	-	-	(185)
Cash and cash equivalents at the end of the financial year	25(a)	**1,623**	**2,271**	**863**	**1,469**

The Cash Flow Statement should be read in conjunction with the accompanying notes included on pages 22 to 57.

* With HRV preparing consolidated financial statements for the first time in 2008/09, management made the determination that it would not re-state the financial information reported in the previous financial year in respect to its Controlled Entity RISE Pty Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following explains the significant accounting policies that have been adopted in the preparation of these financial statements by Harness Racing Victoria ("the Parent entity") as an individual entity and the consolidated entity of the Parent and its Controlled Entities (referred to as "the Group" or "Consolidated entity").

(a) Reporting Entity Information

The Parent entity is a statutory body established pursuant to section 39(1) of the *Racing Act 1958*. It is a statutory authority for which the Minister for Racing is responsible. It controls HRV Management Ltd, Melton Entertainment Trust and RISE Pty Ltd. HRV Management Ltd acts as the corporate trustee of the Melton Entertainment Trust, the sole beneficiary of which is the Parent entity.

(b) Objectives and Funding

The Parent entity's objectives are to administer, develop and promote Harness Racing in Victoria. The Parent entity is self-funded and utilises the revenues it derives to fund expenses incurred.

(c) Basis of Preparation

These financial statements are general purpose financial statements which have been prepared on an accruals basis in accordance with the *Financial Management Act 1994,* applicable Australian Accounting Standards ("AAS"), which include the Australian Accounting Standards issued by the *Australian Accounting Standards Board* ("AASB"), Interpretations and other mandatory professional reporting requirements.

Where applicable, those paragraphs of the AAS applicable to not-for-profit entities have been applied.

The financial statements also comply with relevant Financial Reporting Directions ("FRD") issued by the Department of Treasury and Finance, and relevant Standing Directions ("SD") authorised by the Minister for Finance.

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that 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.

The accounting polices set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented for the year ended 30 June 2009, except as follows:

Accounting Standards Not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standard issued by the AASB which is mandatory to the current reporting period from 1 July 2009. Disclosures required by this standard that are deemed material have been included in these financial statements on the basis that they represent a significant change in information from that previously made available.

AASB 7 *Financial Instruments: Disclosures*

The amended Standard requires additional disclosures about their fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 27 (f). The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 27 (d).

AASB 101 *Presentation of Financial Statements*

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new comprehensive operating statement. The comprehensive operating statement presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to adopt the one statement approach.

AASB 2008-7 Amendments to Australian Accounting Standards – *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The amendments delete the reference to the "cost method" making the distinction between pre and post acquisition profits no longer relevant. All dividends received are now recognised in profit or loss rather than having to be split between a reduction in the investment and profit and loss. However, the receipt of such dividends requires an entity to consider whether there is an indicator of impairment of the investment in that subsidiary. The Parent entity did not receive dividends during the year which could affect the recoverability of investments in the subsidiaries.

The amendments further clarify cases or reorganisations where a new parent is inserted above an existing parent of the Group. It states that the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 January 2009

In May 2008 and April 2009 the AASB issued an omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- AASB 101 *Presentation of Financial Statements*: assets and liabilities classified as held for trading in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the balance sheet. The Group amended its accounting policy accordingly and analysed whether management's expectation of the period of realisation of financial assets and liabilities is in accordance with AASB 101. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.
- AASB 116 *Property, Plant and Equipment*: replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.
- AASB 120 *Accounting for Government Grants and Disclosures of Government Assistance*: loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This amendment did not impact the Group, as the government assistance received was by way of direct grants and not loans.
- AASB 136 *Impairment of Assets*: when discounted cash flows are used to estimate "fair value less cost to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use".
- AASB 138 *Intangible Assets*: expenditure on advertising and promotional activities is

recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group as it does not enter into such promotional activities.

(d) Basis of Consolidation

Controlled Entities

The consolidated financial statements comprise the financial statements of the Parent entity and its subsidiaries (refer to Note 31) as at 30 June 2010. Subsidiaries are all those entities over which the Parent entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent entity controls another entity.

The financial statements of the Controlled Entities are prepared for the same reporting period as the Parent entity, using consistent accounting policies. The assets, liabilities, incomes and expenses of all controlled entities of the Parent entity have been included at the values shown in their audited Annual Financial Reports. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Parent entity.

(e) Scope and Presentation of Financial Statements

Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

'Transactions' and 'other economic flows' are defined by the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005* Cat. No. 5514.0 published by the Australian Bureau of Statistics.

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

'Other economic flows' are changes arising from market re-measurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

The net result is equivalent to profit or loss derived in accordance with AAS.

Balance Sheet

The classification between current and non-current is determined with reference to the operating cycle of HRV, which is presumed to be 12 months, even when they are not expected to be realised and settled within 12 months from reporting date. An exception to this is when HRV does not have an unconditional right to defer settlement of a liability for at least 12 months after the reporting date, in which case, the liability would be classified as current.

Statement of Changes in Equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

Cash Flow Statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

(f) Events After Reporting Date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Group and other parties, the transactions are only recognised when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the statements are authorised for issue, where those events provide information about conditions that existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period and which may have a material impact on the results of subsequent reporting periods.

(g) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The amount of GST recoverable from, or payable to, the taxation authority is included as other receivables and payables respectively within the balance sheet.

Cash flows are presented on the gross basis. The GST components of cash inflows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Commitments and contingent assets or liabilities are presented on a gross basis.

(h) Income Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

- Tabcorp Distributions are brought to account in the financial year that such amounts are earned by the Group.
- Fees charged to wagering service providers are brought to account in the financial year in which the race meeting on which the fee was charged is conducted.
- Acceptance and scratching fees are brought to account after the race that they relate to is conducted.
- Sponsorship Revenue is recognised in the same accounting period in which the sponsorship services are performed by the Group.
- Racing Fees are brought to account in the accounting period in which the related service is performed.

- Interest revenue is recognised on a time proportionate basis that takes into account the effective yield of the financial asset.
- Profits/(losses) on the sale of property, plant and equipment are recognised when the Group relinquishes control of the asset.
- Rental income is recognised over the period of the related rental.
- Industry contributions received relating to a particular futurity series are carried forward in the Balance Sheet until the year that each series is conducted when they are brought to account in the comprehensive operating statement as revenue. Fees and contributions received prior to 30 June 2010, for futurity series to be conducted in 2010/2011 are brought to account as a Current Liability. Fees and contributions received for series to be run after 30 June 2011 have been recorded as a Non-Current Liability.
- Gaming commission revenue is recognised when the right to receive the revenue has been established, generally on a daily basis based on the share of entitlement of gaming expenditure by customers.
- Hotel room rental revenue is recognised on each night of guest stay.
- Function income is recognised when it is earned (generally when the event is hosted).
- Food, beverage and sale of goods revenue are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of sale.
- Grants are recognised as revenue in the reporting period in which they are received or become receivable.
- Amounts received but not earned at year end are recognised as a liability in the balance sheet.

(i) Expenses

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

Grants and Other Payments

Grants and other payments to third parties are recognised as an expense in the reporting period in which they are paid or become payable.

Employee Benefits

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments and superannuation contributions. These are recognised when incurred, except for contributions in respect of defined benefits plans.

Employee expenses include superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans. In relation to defined contribution (i.e. accumulation) superannuation plans, the associated expense is simply the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period. Employer superannuation expenses in relation to employees who are members of defined benefit superannuation plans are described below.

Superannuation - State superannuation defined benefit plans

The amount recognised in the comprehensive operating statement in relation to employer contributions for members of defined benefit superannuation plans is simply the employer contributions that are paid or payable to these plans during the reporting period. The level of these contributions will vary depending upon the relevant rules of each plan, and is based upon actuarial advice.

The Department of Treasury and Finance (DTF) in their Annual Financial Statements, recognise on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans. DTF's Annual Financial Statements contains more detailed disclosures in relation to these plans.

Depreciation and Amortisation

Depreciation and amortisation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is generally calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation and they have not changed from the previous year.

- Buildings (40 years)
- Plant & Equipment
  - Motor Vehicles (5-14 years)
  - Computers & Computer Equipment (3-5 years)
  - Furniture & Fittings (2-10 years)
  - Equipment (3-20 years)
  - Library (8 years)
  - Timing & Photo Finish Equipment (10 years)
  - Office Improvements (7 years)
  - Roads (40 years)
  - Software (3-10 years)
  - Track (25 years)

No changes were made to the useful life of the Group's fixed assets during the year.

Intangible assets with finite useful lives are amortised as an expense on a systematic (typically straight-line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation of an intangible asset with a finite useful life is not classified as a transaction and is included in the net result as an other economic flow. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period.

Interest expense

Interest expenses are recognised as expenses in the period in which they are incurred and include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;
- the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time; and
- finance lease charges.

Other operating expenses

Other operating expenses generally represent the day to day running costs incurred in normal operations.

Supplies and services

Supplies and services expenses are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

Bad and doubtful debts

Bad and doubtful debts are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Those written off unilaterally and the allowance for doubtful receivables, are classified as other economic flows.

Disposal of Non-Financial Assets

Any gain or loss on the sale of non-financial assets is recognised at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

Impairment of Assets

Goodwill and intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (i.e. as to whether their carrying value exceeds their recoverable amount, and so require write-downs) and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for:

- inventories;
- financial assets; and
- non-current physical assets held-for-sale.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an other economic flow, except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

In 2009, the Group assessed that the carrying value of the Moonee Valley Improvements assets as having been impaired after an agreement was reached with the Moonee Valley Racing Club (MVRC) for HRV to discontinue Harness Racing at Moonee Valley effective 27 February 2010. The value of the impairment charged was $1.021 million. The recoverable amount was calculated using the value in use method based on the expected net proceeds to be generated by HRV from holding race meetings at MVRC between July 2009 to February 2010. The amount was not discounted.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held-for-trading;
- impairment and reversal of impairment for financial instruments at amortised cost; and
- disposals of financial assets.

(j) Assets

All non-current assets controlled by the Group are reported in the balance sheet.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as interest-bearing liabilities on the balance sheet.

Receivables

Receivables consist predominately of debtors in relation to goods and services, accrued investment income and GST input tax credits recoverable.

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

A provision for doubtful receivables is made when there is objective evidence that the debts will not be collected. Bad debts are written off when identified.

Investments and Other Financial Assets

Investments are recognised and de-recognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs. Investments are classified in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- Available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. The Group assesses at each end of the reporting period whether a financial asset or group of financial assets is impaired. The Group's financial asset instruments included: cash & cash equivalents, loans and receivables and investments in Radio 3UZ Trust.

The investment in Radio 3UZ Unit Trust has been recognised at cost instead of fair value as required by *AASB 139 Financial Instruments: Recognition and Measurement* because the fair value of this investment cannot be determined and measured reliably. The Group's investment in Radio 3UZ Unit Trust consists of an 18% unitholding in this trust which fully owns all of the issued shares in 3UZ Pty Ltd. 3UZ Pty Ltd operates commercial radio station Sport 927 and a network of regional relay stations.

Radio 3UZ Unit Trust is an unlisted trust and its units are not readily traded in an open market. The value of the Broadcasting licence (which is an intangible asset) owned by 3UZ Pty Ltd is extremely difficult to measure reliably because of the infrequent sale of radio broadcasting licences. Accordingly, the Group's investment in Radio 3UZ Unit Trust has been brought to account at cost.

Details in relation to investments are disclosed in Note 9.

Loans and Receivables

Term deposits with maturity greater than three months, trade receivables, loans and other receivables are recorded at amortised cost, using the effective interest method, less impairment. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. The bad debts not written off by mutual consent and allowance for doubtful receivables are classified as "other economic flows".

Property, Plant and Equipment

Land and buildings are measured initially at cost, then subsequently at fair value less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the comprehensive operating statement during the reporting period in which they are incurred.

Revaluations of non-current physical assets

After initial recognition, non-current physical assets are measured at fair value in accordance with FRD 103D. A full revaluation normally occurs every five years, based on the asset's government purpose classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRD.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in other comprehensive income and accumulated in equity under the revaluation surplus, except that the net revaluation increase shall be recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised immediately as expenses in the net result, except that the net revaluation decrease shall be recognised in other comprehensive income to the extent that a credit balance exists in the revaluation surplus in respect of the same class of property, plant and equipment. The net revaluation decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes. Any revaluation surplus is not normally transferred to accumulated funds on de-recognition of the relevant asset.

Intangible Assets

Goodwill arising from business combinations

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Impairment is determined by assessing the recoverable amount of the goodwill. Impairment losses recognised for goodwill are not subsequently reversed.

Inventories

Inventories including raw materials and finished goods are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Food and Beverages – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price, transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Prepayments

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

(k) Liabilities

Payables

Payables predominantly consist of creditors and other sundry liabilities. Payables are initially recognised at fair value, then subsequently carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid, and arise when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

Interest Bearing Liabilities

Interest bearing liabilities are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability using the effective interest rate method.

Prepaid Income

Monies and deposits received in respect of sponsorships and future bookings are recognised as prepaid income in the Balance Sheet as the Group is required to provide the service to clients after 30 June 2010.

Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risk of uncertainties surrounding the obligation. Where a provision is estimated using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

(i) Wages and salaries, annual leave and long service leave

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

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rates expected to apply at the time of settlement inclusive of on costs and are recognised as current liabilities.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date inclusive of on costs.

(ii) Classification of employee benefits as current and non-current liabilities

Employee benefit provisions are reported as current liabilities where the Group does not have an unconditional right to defer settlement for at least 12 months. Consequently, the current portion of the employee benefit provision can include both short-term benefits, that are measured at nominal values, and long-term benefits, that are measured at present values.

Employee benefit provisions that are reported as non-current liabilities also include long-term benefits such as non vested long service leave (i.e. where the employee does not have a present entitlement to the benefit) that do not qualify for recognition as a current liability, and are measured at present values.

(iii) Employee benefits on-costs

Employee benefits on-costs (payroll tax, workers compensation, superannuation, annual leave and long service leave accrued while on long service leave taken in service) are recognised and included with provisions for employee benefits.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for those benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance date are discounted to present value.

Development Fund

Development Fund Liabilities are brought to account as expenses and a liability is recognised in the year that the funding is approved by the Group and the Group has an obligation to make payment to external parties.

Other Liabilities

Industry contributions received relating to a particular futurity series are carried forward in the Balance Sheet until the year that each series is conducted when they are brought to account in the comprehensive operating statement as revenue. Fees and contributions received prior to 30 June 2010, for futurity series to be conducted in 2010/2011 are brought to account as a Current Liability. Fees and contributions received for series to be run after 30 June 2011 have been recorded as a Non-Current Liability.

(l) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

Operating leases

(i) The Group as a lessee

Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the term of the lease. The leased asset is not recognised in the balance sheet. The Group is not a party to any finance leases.

(ii) The Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(m) Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources. Commitments are disclosed at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated.

(n) Contingent Assets and Liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(o) Country Club Contributions to Stakemoney

Country Club Contributions to Stakemoney are brought to account as revenue in the comprehensive operating statement. These amounts are then distributed as Stakemoney, which is recognised as an expense in the comprehensive operating statement.

(p) Foreign Currency Translation and Balances

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Parent entity's functional and presentation currency.

Transaction and balances

The Group utilises a New Zealand bank account for the purpose of collecting Futurities Fees from New Zealand owners and breeders. Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate.

Exchange differences arising on the translation of monetary items are recognised in the comprehensive operating statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

(q) Rounding of Amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated.

(r) Income Tax

The Parent entity is Income Tax Exempt. RISE Pty Ltd is also exempt from income tax pursuant to Division 50 of the *Income Tax Assessment Act 1997*.

As HRV Management Ltd does not trade, no tax balances have been recognised in respect HRV Management Ltd.

Distributions from the Melton Entertainment Trust to HRV are tax exempt.

(s) Critical Accounting Estimates and Assumption:

In the application of AAS, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The directors evaluate estimates and judgments based on historical knowledge and best available current information. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The estimates and assumptions made concerning the future will by definition seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Impairment of Non-Financial Assets Other than Goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product performance, technology, economic and political environments and future product expectations.

If an impairment trigger exists the recoverable amount of the asset is determined. Management does not consider that the triggers for impairment testing have been significant enough and as such these assets have not been tested for impairment in this financial period.

Impairment of Goodwill

The factors used are outlined in Note 10 of the financial statements.

Estimation of Useful Lives of Assets

The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets are assessed at least annually and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Valuation of investments in 3UZ Unit Trust

The factors considered are outlined in Note 9 of the financial statements.

(t) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting period. The Department of Treasury and Finance (DTF) assesses the impact of these new standards and advises HRV of their applicability and early adoption where applicable. As at 30 June 2010, the following standards and interpretations (applicable to the Group) had been issued but were not mandatory for the financial year ending 30 June 2010. The Group has not early adopted these standards and does not expect them to have any material effect on its financial statements.

(u) Equity

Contributions by owners

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

Amendment	Summary	Impact	Applicable for annual reporting periods beginning on	Application date for Group
AASB 9 Financial instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 with AASB 139 (*Financial instruments: recognition & measurement*)	Detail of impact is still being assessed.	Beginning 1 Jan 2013	Year ending 30 June 2014

Amendment	Summary	Impact	Applicable for annual reporting periods beginning on	Application date for Group
AASB 124 Related Party Disclosures (revised December 2009)	Government related entities have been granted partial exemption with certain disclosure requirements.	Preliminary assessment suggests that impact is insignificant. However, the Group is still assessing the detailed impact and whether to early adopt.	Beginning 1 Jan 2011	Year ending 30 June 2012
Erratum General *Terminology changes*	Editorial amendments to a range of Australian Accounting Standards and Interpretations	Terminology and editorial changes. Impact minor.	Beginning 1 Jan 2010	Year ending 30 June 2011
AASB 2009-5 Further amendments to Australian Accounting Standards arising from the annual improvements project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]	Some amendments will result in accounting changes for presentation, recognition or measurement purposes, while other amendments will relate to terminology and editorial changes.	Terminology and editorial changes. Impact minor.	Beginning 1 Jan 2010	Year ending 30 June 2011
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	This gives effect to consequential changes arising from the issuance of AASB 9.	Detail of impact is still being assessed.	Beginning 1 Jan 2013	Year ending 30 June 2014
AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052]	This standard also makes numerous editorial amendments to a number of other AAS.	Impacts of editorial amendments are not expected to be significant.	Beginning 1 Jan 2011	Year ending 30 June 2012
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a minimum funding requirement [AASB Interpretation 14]	Amendment to Interpretation 14 arising from the issuance of *Prepayments of a minimum funding requirement*	Expected to have no significant impact	Beginning 1 Jan 2011	Year ending 30 June 2011

2. Income and Expenses from Transactions

	Consolidated Entity		Parent Entity	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
The Comprehensive Operating Statement consists of the following income and expense items:				
INCOME				
Tabcorp Income	**49,988**	**48,652**	**49,988**	**48,652**
Other Income				
Racefield fees	3,575	3,625	3,575	3,625
Bookmakers licence levy and fielding fees	59	61	59	61
Racetrack & entertainment complex	6,993	1,767	-	-
RISE IT charges	667	869	-	-
Regional Racing Infrastructure Fund	1,408	213	1,408	213
Registration fees - licences, foal notifications, stallion fees, imports, exports, leases, ownerships transfers, DNA testing etc	1,196	1,219	1,196	1,219
Sponsorship income	1,224	2,700	1,224	2,700
Country Club contributions to stakemoney	1,128	1,092	1,128	1,092
Nomination, acceptance and scratching fees	515	443	515	443
Sky Channel international rights fees	272	317	272	317
Admissions, group bookings and racebook sales	312	253	312	253
Country Club service fees	168	111	168	111
Interdominion marketing levy & interstate contributions	43	42	43	42
Futurities income				
- Vicbred revenue	764	694	764	694
- Breeders Crown	1,458	1,395	1,458	1,395
- Australian Pacing Gold subsidies	65	787	65	787
- G Board & Co/Ausco subsidies	8	17	8	17
Harness card sales, Harness Racer subscriptions and advertising	656	653	656	653
Leasing income- Junction Tabaret	556	462	556	462
Leasing income- racetrack & entertainment complex (Tabcorp Park)	-	-	1,030	340
Management & service fee	-	60	387	143
Interest income	183	295	126	292
Other administration and racing income	426	329	426	329
Other marketing revenue - calendar sales, social functions, big screen external hiring and promotional goods	252	149	187	119
Total Other Income	**21,928**	**17,553**	**15,563**	**15,307**
TOTAL INCOME FROM TRANSACTIONS	**71,916**	**66,205**	**65,551**	**63,959**

Note 2 Income and Expenses from Transactions (Continued)

	Consolidated Entity		Parent Entity	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
EXPENSES				
Stakemoney				
Metropolitan stakes	9,941	9,044	9,941	9,044
Country stakes	19,027	20,108	19,027	20,108
Drivers fees	1,154	1,090	1,154	1,090
Vicbred win bonuses	1,737	1,589	1,737	1,589
Vicbred breeder bonuses	712	656	712	656
Country Club contributions to stakemoney	1,128	1,092	1,128	1,092
Total Stakemoney	**33,699**	**33,579**	**33,699**	**33,579**
Employee Benefits				
Post employee benefits				
Defined contribution superannuation expense	766	521	457	400
Defined benefits superannuation expense	44	50	44	50
Salaries, wages and long service leave	9,777	7,891	6,230	6,172
Employee Benefits	**10,587**	**8,462**	**6,731**	**6,622**
Depreciation and Amortisation Expense (Refer Note 8)	**2,260**	**1,330**	**2,198**	**1,182**
Finance Costs	**1,990**	**1,461**	**1,977**	**1,461**
Other Expenses				
Payments to Country Clubs (excluding stakemoney)	5,603	5,684	5,603	5,684
Marketing expenses - TV, radio, advertising/promotion, big screen, sponsorship and entertainment expenses	2,486	2,133	2,703	2,107
On Course TV and stewards video patrol	2,225	2,155	2,225	2,155
Development fund **(Refer Note 20)**	1,523	2,024	1,523	2,024
Cost of goods sold	1,436	412	-	-
Metropolitan racing expenses				
- MVRC administration costs	331	254	331	254
- Cleaning	112	272	112	272
- MVRC rental	1	89	1	89
- MVRC service charges	149	162	149	162
- Light & power	86	106	86	106
- Racecourse preparation charges	163	159	163	159
- Track maintenance	94	55	94	55
- Racebook printing costs	128	92	128	92

Note 2 Income and Expenses from Transactions (Continued)

	Consolidated Entity		Parent Entity	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
- Ambulance, vet, doctor, landline hire & other	188	125	188	125
- Other MVRC - audio, security, insurance, R&M and sundry	271	116	271	116
Herald Sun - publication of fields and form comment	995	984	995	984
Sport 927 deficit funding and direct activity costs	740	514	740	514
RASL swab analysis	460	422	460	422
Photo finish & timing services	159	467	159	467
Freezebranding costs, DNA testing & other racing & registration expenses	333	491	333	491
HRA funding & expenses	474	393	474	393
Harness Racer printing costs	275	249	275	249
Appeal costs and legal fees	339	305	339	299
Stewards travel expenses	151	154	151	154
Bio/OH&S security costs/feature race security	106	240	106	240
Interdominion subsidy	88	85	88	85
Rental & outgoings	981	810	926	810
Other property expenses	774	276	39	39
Security	389	217	100	125
Repairs & maintenance buildings	268	40	36	10
Telephone & facsimile, printing & stationery, FBT, postage	596	616	503	577
Computer	498	444	381	346
Motor vehicle expenses	256	299	256	299
Insurance - HRV and Country Clubs	462	336	413	336
Consultancy expenses	520	210	500	177
Board members & staff travel expenses	121	158	118	150
Board members remuneration	163	137	163	137
Entertainment complex supplies	226	103	-	-
Management & service charges	-	-	164	150
Audit fees **(Refer Note 3)**	103	74	71	49
Bank charges	88	61	66	54
Sulky fund	39	92	39	92
Melton transitional expenses	3	307	3	307
Other - light & power, taxi & courier, sundries, supplies, repairs and maintenance, cleaning, rates and taxes, staff training, photo-copier, security etc	564	420	422	420
Total Other Expenses	**24,967**	**22,742**	**21,897**	**21,776**
TOTAL EXPENSES FROM TRANSACTIONS	**73,503**	**67,574**	**66,502**	**64,620**

Note 2 Income and Expenses from Transactions (Continued)

2(a). Profit/(Loss) on Sale of Assets

	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Gross proceeds	-	-	-	-
Less incidental cost of disposal	-	-	-	-
Carrying amount of assets disposed	(61)	-	(61)	-
Profit/(Loss) on sale of assets	**(61)**	**-**	**(61)**	**-**

3. Remuneration of Auditors

	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Victorian Auditor General's Office - audit of the financial report	50	45	20	20
Moore Stephens - internal audit services	-	29	-	29
Pitcher Partners - internal audit services	51	-	51	-
Other audit services	2	-	-	-
Total Remuneration of Auditors	**103**	**74**	**71**	**49**

4. Receivables

	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Current				
Trade receivables (i)	1,275	1,975	1,794	2,165
Provisions for doubtful debts (a)	(73)	(54)	(73)	(54)
	1,202	**1,921**	**1,721**	**2,111**
Tabcorp distribution receivable	5,259	2,096	5,259	2,096
Sundry debtors	31	15	-	-
Goods and Services Tax (GST) recoverable	352	343	294	277
Accrued income	1,512	870	1,480	857
	7,154	**3,324**	**7,033**	**3,230**
Total Current Receivables	**8,356**	**5,245**	**8,754**	**5,341**

(i) the average credit period on sale of goods and services is 30 days. Generally, interest is not charged on outstanding receivables. A provision has been made for estimated irrecoverable amounts from the sales of goods and services. This has been determined by reference to an individual account by account assessment. The increase in provision was recognised in the operating result for the current financial year.

(a) Movement in the Provision for doubtful debts	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Balance at the beginning of the year	(54)	(49)	(54)	(49)
Amounts recovered during the year	7	8	7	8
(Increase) / decrease in allowance recognised in the net result	(37)	(18)	(37)	(18)
Reversal of provision for receivables written off during the year as uncollectible	11	5	11	5
Balance at end of the year	**(73)**	**(54)**	**(73)**	**(54)**

(b) Aging analysis of receivables
Please refer to table 27.2a in Note 27 for the aging analysis of receivables.

(c) Nature and extent of risk arising from receivables
Please refer to Note 27 (c) and Note 27 (e) for the nature and extent of credit risk and market risk arising from receivables.

5. Other Financial Assets

	Consolidated Entity		Parent Entity	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Current				
Loan - Geelong Harness Racing Club Inc	27	63	27	63
Loan - Shepparton Harness Racing Club Inc	9	4	9	4
Loan - Terang Harness Racing Club Inc	6	6	6	6
Loan - Southern Speedways Light Harness Racing Club Inc	9	8	9	8
Loan - HRV Management Ltd ATF Melton Entertainment Trust	-	-	650	550
Total Other Current Financial Assets	**51**	**81**	**701**	**631**
Non-Current				
Loan - Geelong Harness Racing Club Inc	127	130	127	130
Loan - Shepparton Harness Racing Club Inc	23	2	23	2
Loan - Terang Harness Racing Club Inc	-	6	-	6
Loan - Southern Speedways Light Harness Racing Club Inc	-	9	-	9
Total Other Non-Current Financial Assets	**150**	**147**	**150**	**147**
Total Other Financial Assets	**201**	**228**	**851**	**778**

(a) Aging analysis of other financial assets
Please refer to table 27.2 (a) in Note 27 for the ageing analysis of other financial assets.

(b) Nature and extent of risk arising from other financial assets
Please refer to Note 27(c) for the nature and extent of risk arising from other financial assets.

6. Other Assets - Current

Prepayments	714	256	671	179
Total Other Current Assets	**714**	**256**	**671**	**179**

7. Inventories

Food at cost	10	20	-	-
Beverage at cost	48	40	-	-
Total Inventories	**58**	**60**	**-**	**-**

8. Property, Plant and Equipment

Consolidated Entity

	Freehold Land	Buildings	Building Improvements	Moonee Valley Improvements	Plant and Equipment	Melton Project/ Track	Total
2009/10 Year							
Gross Carrying Amount							
Balance as at 30 June 2009	**4,512**	**-**	**1,217**	**2,449**	**6,583**	**44,404**	**59,165**
Reclassification of opening balances*	-	38,535	-	-	2,686	(41,221)	-
Additions	1,131	1,085	-	-	825	286	3,327
Disposals	-	-	-	(2,449)	(137)	-	(2,586)
Balance as at 30 June 2010	**5,643**	**39,620**	**1,217**	**-**	**9,957**	**3,469**	**59,906**

Note 8. Property, Plant and Equipment (Continued)

	Freehold Land	Buildings	Building Improvements	Moonee Valley Improvements	Plant and Equipment	Melton Project/	Total
Accumulated Depreciation							
Balance as at 30 June 2009	**-**	**-**	**(406)**	**(2,449)**	**(5,214)**	**(650)**	**(8,719)**
Reclassification of opening balances*	-	(413)	-	-	(173)	586	-
Disposals	-	-	-	2,449	44	-	2,493
Depreciation expense	-	(897)	(184)	-	(1,066)	(113)	(2,260)
Balance as at 30 June 2010	**-**	**(1,310)**	**(590)**	**-**	**(6,409)**	**(177)**	**(8,486)**
Net Book Value							
As at 30 June 2009	4,512	-	810	-	1,369	43,754	50,444
As at 30 June 2010	**5,643**	**38,310**	**627**	**-**	**3,548**	**3,292**	**51,420**

*during 2009/10 the Melton Project assets were reclassified into the appropriate property, plant & equipment asset class.

	Freehold Land	Buildings	Building Improvements	Moonee Valley Improvements	Plant and Equipment	Melton Project/	Total
2008/09 Year							
Gross Carrying Amount							
Balance as at 30 June 2008	**4,393**	**-**	**1,217**	**2,449**	**6,413**	**25,435**	**39,906**
Additions	119	-	-	-	170	18,969	19,259
Balance as at 30 June 2009	**4,512**	**-**	**1,217**	**2,449**	**6,583**	**44,404**	**59,164**
Accumulated Depreciation							
Balance as at 30 June 2008	**-**	**-**	**(223)**	**(1,308)**	**(4,838)**	**-**	**(6,369)**
Impairment	-	-	-	(1,021)	-	-	(1,021)
Depreciation expense	-	-	(184)	(120)	(376)	(650)	(1,330)
Balance as at 30 June 2009	**-**	**-**	**(406)**	**(2,449)**	**(5,214)**	**(650)**	**(8,720)**
Net Book Value							
As at 30 June 2009	**4,512**	**-**	**810**	**-**	**1,369**	**43,754**	**50,444**
Parent Entity							
2009/10 Year							
Gross Carrying Amount							
Balance as at 30 June 2009	**4,512**	**-**	**1,217**	**2,449**	**4,197**	**44,404**	**56,779**
Reclassification of opening balances**	-	38,535	-	-	2,686	(41,221)	-
Additions	1,131	1,085	-	-	758	286	3,260
Disposals	-	-	-	(2,449)	(135)	-	(2,584)
Balance as at 30 June 2010	**5,643**	**39,620**	**1,217**	**-**	**7,506**	**3,469**	**57,455**
Accumulated Depreciation							
Balance as at 30 June 2009	**-**	**-**	**(406)**	**(2,449)**	**(2,987)**	**(650)**	**(6,492)**
Reclassification of opening balances**	-	(413)	-	-	(173)	586	-
Disposals	-	-	-	2,449	44	-	2,493
Depreciation expense	-	(897)	(184)	-	(1,004)	(113)	(2,198)
Balance as at 30 June 2010	**-**	**(1,310)**	**(590)**	**-**	**(4,120)**	**(177)**	**(6,197)**
Net Book Value							
As at 30 June 2009	4,512	-	810	-	1,210	43,754	50,286
As at 30 June 2010	**5,643**	**38,310**	**627**	**-**	**3,386**	**3,292**	**51,258**

* these assets were recognised at cost as at 30 June 2008. With the implementation of FRD 103D in 2008/09, they were revalued to their fair value.
** during 2009/10 the Melton Project assets were reclassified into the appropriate property, plant & equipment asset class.

Note 8. Property, Plant and Equipment (Continued)

	Freehold Land	Buildings	Building Improvements	Moonee Valley Improvements	Plant and Equipment	Melton Project/ Track	Total
Gross Carrying Amount							
Balance as at 30 June 2008	**4,393**	**-**	**1,217**	**2,449**	**6,413**	**25,435**	**39,906**
Derecognition of subsidiary assets**	-	-	-	-	(2,293)	-	(2,293)
Additions	119	-	-	-	77	18,969	19,166
Balance as at 30 June 2009	**4,512**	**-**	**1,217**	**2,449**	**4,197**	**44,404**	**56,778**
Accumulated Depreciation							
Balance as at 30 June 2008	**-**	**-**	**(223)**	**(1,308)**	**(4,838)**	**-**	**(6,368)**
Derecognition of subsidiary assets**	-	-	-	-	2,078	-	2,078
Impairment	-	-	-	(1,021)	-	-	(1,021)
Depreciation expense	-	-	(184)	(120)	(228)	(650)	(1,182)
Balance as at 30 June 2009	**-**	**-**	**(406)**	**(2,449)**	**(2,987)**	**(650)**	**(6,493)**
Net Book Value							
As at 30 June 2008	4,393	-	994	1,141	1,575	25,435	33,538
As at 30 June 2009	**4,512**	**-**	**810**	**-**	**1,210**	**43,754**	**50,286**

* these assets were recognised at cost as at 30 June 2008. With the implementation of FRD 103D in 2008/09, they were revalued to their fair value.
**With HRV preparing consolidated financial statements for the first time in 2008/09, management made the determination that it will not re-state the financial information reported in previous financial year in respect to its subsidiary RISE Pty Ltd.

	Consolidated Entity		**Parent Entity**	
Aggregate Depreciation and Amortisation allocated during the year was as follows:	**2010 $'000**	**2009 $'000**	**2010 $'000**	**2009 $'000**
Buildings	897	-	897	-
Building improvements	184	184	184	184
Moonee Valley improvements	-	120	-	120
Plant and equipment	1,066	376	1,004	228
Melton complex	113	650	113	650
TOTAL DEPRECIATION AND AMORTISATION	**2,260**	**1,330**	**2,198**	**1,182**
VALUE OF FREEHOLD LAND AND BUILDINGS				
Freehold Land at 2005 Independent Valuation: 28-52 Ferris Rd Melton	893	893	893	893
Freehold Land at 2007 Independent Valuation: 92 -134 Abey Road Melton (Lot 1)	3,500	3,500	3,500	3,500
Freehold Land at fair value: 92 -134 Abey Road Melton (Lot 2)	1,250	119	1,250	119
	5,643	**4,512**	**5,643**	**4,512**

Land at 28 - 52 Ferris Road was purchased on 1 February 2005 and was recognised at its fair value as determined by the Valuer General.

Land at 92 - 134 Abey Road (Lot 1) was purchased on 16 March 2007 and was revalued at 30 June 2007 by Rodney L Stephens, FAPI of Matherson Stephen Valuations.

Land at 92 - 134 Abey Road (Lot 2) was settled on 14 July 2009 and is carried at cost.

9. Investments

	Consolidated Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Investment in subsidiaries - at cost *	-	-	868	868
Shares in radio 3UZ Pty Ltd - at cost	2	2	2	2
Units in radio 3UZ Unit Trust - at cost	1,080	1,080	1,080	1,080
Total Investments	**1,082**	**1,082**	**1,950**	**1,950**

* refer to Note 31 for the listing of subsidiaries.

The Group's investment in Radio 3UZ Unit Trust has been brought to account at cost from 1 July 2005 on adoption of AASB 132 "Financial Instruments: Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement". The investment in Radio 3UZ Unit Trust has been brought to account at cost instead of fair value in accordance with AASB 139 Financial Instruments: Recognition and Measurement as at 1 July 2005 because the fair value of this investment cannot be measured reliably. The Group's investment in Radio 3UZ Unit Trust consists of an 18% unitholding in this trust, which fully owns all of the issued shares in 3UZ Pty Ltd. 3UZ Pty Ltd operates a commercial radio station Sport 927 and a network of regional relay stations.

Radio 3UZ Unit Trust is an unlisted trust and its units are not readily traded in an open market. The value of the Broadcasting licence (which is an intangible asset) owned by 3UZ Pty Ltd is extremely difficult to measure reliably because of the infrequent sale of radio broadcasting licences in Australia. As an accurate fair value of this investment cannot be measured reliably, the Group's investment in Radio 3UZ Unit Trust has been brought to account at its cost value of $1.08m.

10. Intangible Assets

Goodwill	132	132	-	-
Gaming licence entitlements	114	-	-	-
Total Intangible Assets	**246**	**132**	**-**	**-**
Opening balance	**132**	**-**	**-**	**132**
Additions*	114	-	-	-
Re-classified (to) investment in subsidiaries **	-	-	-	(132)
Re-classified due to preparation of consolidated financial statements for the first time **	-	132	-	-
Closing Balance	**246**	**132**	**-**	**-**

* HRV Management Ltd ATF the Melton Entertainment Trust has acquired 90 gaming machine entitlements to enable it to operate gaming machines at Tabcorp Park for a period of 10 years following the cessation of the current arrangements in 2012. As at 30 June 2010 a 5% deposit has been paid. Refer to Note 29 for the remaining commitment.

** During the 2006/07 financial year, HRV acquired the 50% ownership interest it did not own in the RISE Pty Ltd joint venture and elected not to prepare consolidated financial statements on the basis that the effect of not preparing consolidated financial statements was immaterial. With HRV preparing consolidated financial statements for the first time in 2008/09, management made the determination that it will not re-state the financial information reported in previous financial year in respect to its subsidiary RISE Pty Ltd. Instead, it has adjusted for the effect of not preparing consolidated financial statements prospectively.

(a) Description of the Group's goodwill
After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment (refer to section (b) of this note).

(b) Impairment test for goodwill
The recoverable amount of the goodwill balance has been determined using a value in use calculation, with reference to the present value of cash flow projections over a period of five years. The cash flows are discounted using a discount rate as listed below. Management has determined the value in use on plans prepared for the cash generating unit. These plans use a combination of contracted and historical weighted average growth rates to project revenue. Costs are determined taking into historical factors as well as estimated weighted average inflation rate which are consistent with CPI increases applicable to the CGU.

(c) Key assumptions used	2010	2009
Growth rate used	5%	4%
Discount rate used	6%	6%

(d) Impact of possible changes in key assumptions
Even after allowing for a 30% reduction in the projected growth rate in revenue, the goodwill is still not impaired.

11. Payables

	Consolidated Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current Payables				
Trade creditors	3,253	5,828	3,426	5,719
Development fund accruals	261	184	261	184
Sundry creditors and accruals	5,660	2,575	5,336	2,332
Total Current Payables	**9,174**	**8,587**	**9,023**	**8,235**

(a) Maturity analysis of payables
Please refer to table 27.3 in Note 27 for the aging analysis of payables.

(b) Nature and extent of risk arising from payables
Please refer to Note 27(e) for the nature and extent of risks arising from payables.

12. Provisions

Current				
Employee benefits [(a)]	1,271	1,167	1,100	1,064
Provisions related to employee benefit on-costs [(a)]	195	178	168	163
Statewide sulky fund [(i)]	50	47	50	47
Bonus points liability [(i)]	13	2	-	-
Total Current Provision	**1,529**	**1,394**	**1,318**	**1,274**
Non-Current				
Employee benefits [(a)]	122	154	105	124
Provisions related to employee benefit on-costs [(a)]	19	23	17	19
Total Non Current Provision	**141**	**177**	**122**	**143**
Total Provisions	**1,670**	**1,571**	**1,440**	**1,417**

(a) Employee benefits and related on-costs

Current				
Annual leave entitlements	583	573	478	509
Long service leave entitlements	688	594	622	555
On-costs	195	178	168	163
	1,466	**1,345**	**1,268**	**1,227**
Current employee benefits that:				
Are expected to be utilised within 12 months after the end of the reporting period	522	497	440	447
Are expected to be utilised more than 12 months after the end of the reporting period	749	670	660	617
	1,271	**1,167**	**1,100**	**1,064**
On-costs that:				
Are expected to be utilised within 12 months after the end of the reporting period	80	76	67	68
Are expected to be utilised more than 12 months after the end of the reporting period	115	102	101	95
	195	**178**	**168**	**163**

Note 12 Provisions (Continued)

	Consolidated Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Non-Current				
Long service leave entitlements	122	154	105	124
On-costs	19	23	17	19
	141	**177**	**122**	**143**
Total Employee benefits and related on-costs	**1,607**	**1,522**	**1,390**	**1,370**

(a) Movement in provisions

Consolidated Entity	Employee Benefits 2010 $'000	On-costs 2010 $'000	Statewide Sulky Fund 2010 $'000	Bonus Points Liability 2010 $'000	Total 2010 $'000
Opening balance	**1,321**	**201**	**47**	**2**	**1,571**
Additional provisions recognised	86	15	39	16	156
Reductions arising from payments/other sacrifices of future economic benefits	(35)	(5)	(36)	(5)	(81)
Unwind of discount and effect of changes in the discount rate	21	3	-	-	24
Closing balance	**1,393**	**214**	**50**	**13**	**1,670**
Current	1,271	195	50	13	1,529
Non-Current	122	19	-	-	141
	1,393	**214**	**50**	**13**	**1,670**

Parent Entity	Employee Benefits 2010 $'000	On-costs 2010 $'000	Statewide Sulky Fund 2010 $'000	Total 2010 $'000
Opening balance	**1,188**	**182**	**47**	**1,417**
Additional provisions recognised	20	3	40	63
Reductions arising from payments/other sacrifices of future economic benefits	(23)	(3)	(37)	(63)
Unwind of discount and effect of changes in the discount rate	20	3	-	23
Closing balance	**1,205**	**185**	**50**	**1,440**
Current	1,100	168	50	1,318
Non-Current	105	17	-	122
	1,205	**185**	**50**	**1,440**

13. Interest Bearing Liabilities

	Consolidated Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current				
Secured - CBA overdraft	185	133	185	133
Secured - CBA loan facility	-	161	-	161
	185	**294**	**185**	**294**
Non-Current				
Secured - CBA long-term loan	29,100	24,060	29,100	24,060
	29,100	**24,060**	**29,100**	**24,060**
Total Interest Bearing liabilities	**29,285**	**24,354**	**29,285**	**24,354**

(a) Maturity analysis of interest bearing liabilities
Please refer to table 27.3 in Note 27 for the ageing analysis of interest bearing liabilities.

(b) Nature and extent of risk arising from interest bearing liabilities
Please refer to Note 27(e) for the nature and extent of risks arising from interest bearing liabilities.

(c) Defaults and breaches
During the current and prior year, there were no defaults and breaches of any of the loans.

(d) Facilities HRV has access to the following financing facilities:

HRV has access to the following financing facilities:				
Secured	29,100	29,100	29,100	29,100
Financial guarantee	150	150	150	150
Business card limit	89	79	39	39
Total Facilities Amount	**29,339**	**29,329**	**29,289**	**29,289**
Amount of Facility Unused	103	4,980	54	4,940

Security over the CBA loan facility comprises:

- A guarantee unlimited as to the amount by HRV Management Limited supported by a registered company charge by HRV Management Limited; and
- A registered mortgage by Harness Racing Victoria over commercial property situated at Melton (lot 2 Ferris Road, Melton South, Victoria and Lot 1 92-134 Abey Road, Melton South, Victoria).

There are no financial covenants attached to the $29,100k CBA loan facility.

14. Non Interest Bearing Liabilities

Non-Current				
Tabcorp interest free loan	437	-	-	-
Total Non-Current Non Interest Bearing Liabilities	**437**	**-**	**-**	**-**

(a) Maturity analysis of non interest bearing liabilities
Please refer to table 27.3 in Note 27 for the ageing analysis of non interest bearing liabilities.

(b) Nature and extent of risk arising from non interest bearing liabilities
Please refer to Note 27(e) for the nature and extent of risks arising from non interest bearing liabilities.

(c) Defaults and breaches
During the current and prior year, there were no defaults and breaches of any of the loans.

15. Prepaid Income

	Consolidated Entity		Parent Entity	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Current				
Tabcorp Melton sponsorship	1,151	1,140	1,151	1,140
Tabcorp Harness Racing sponsorship agreement	272	272	272	272
Other revenue invoiced in advance	136	296	79	201
	1,559	**1,708**	**1,502**	**1,613**
Non-Current				
Tabcorp Melton Sponsorship	3,660	3,825	3,660	3,825
Tabcorp Harness Racing sponsorship agreement	305	577	305	577
	3,965	**4,402**	**3,965**	**4,402**
Total Prepaid Income	**5,524**	**6,110**	**5,467**	**6,015**

16. Other Liabilities

Current				
Vicbred fees invoiced in advance	248	286	248	286
Breeders Crown fees invoiced in advance	1,506	1,462	1,506	1,462
Other	21	66	7	54
	1,775	**1,814**	**1,761**	**1,802**
Non-Current				
Vicbred fees invoiced in advance	91	66	91	66
Breeders Crown fees invoiced in advance	2,209	1,997	2,209	1,997
	2,300	**2,063**	**2,300**	**2,063**
Total Other Liabilities	**4,075**	**3,877**	**4,061**	**3,865**

17. Contributed Capital

Contributed capital	9,174	9,174	9,174	9,174
	9,174	**9,174**	**9,174**	**9,174**

18. Reserves

Asset Revaluation Reserve				
Balance at beginning of financial year	3,371	3,371	3,371	3,371
Balance at end of financial year	**3,371**	**3,371**	**3,371**	**3,371**

The asset revaluation reserve arises on the revaluation of non-current assets.

19. Accumulated Surplus

	Consolidated Entity		Parent Entity	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Accumulated surplus at the beginning of the financial year	2,674	5,081	3,572	5,081
Effect of preparing consolidated financial statements:*	-	-	-	190
Restated balance and beginning of financial year	2,674	5,081	3,572	5,271
Net operating profit/(loss)	(1,684)	(2,406)	(1,047)	(1,698)
Accumulated Surplus at the end of the financial year	**990**	**2,674**	**2,526**	**3,572**

* During the 2006/07 financial year, HRV acquired the ownership interest it did not own in the RISE Pty Ltd joint venture and elected not to prepare consolidated financial statements on the basis that the effect of not preparing consolidated financial statements was immaterial. With HRV preparing consolidated financial statements for the first time in 2008/09, management made the determination that it will not re-state the financial information reported in previous financial year in respect to its subsidiary RISE Pty Ltd. Instead, it has adjusted for the effect of not preparing consolidated financial statements prospectively.

20. Development Fund

On the incorporation of Tabcorp Holdings Limited, HRV formed a development fund for the purpose of providing the industry with a source of income to fund capital projects. Income allocated to the fund and associated expenses are included in the Comprehensive Operating Statement.

During the year ended 30 June 2010 expenditure on the following projects was incurred. No comparative for 2009 is shown due to the nature of the program. Each year the projects receiving funding change therefore making any comparative not applicable.

		2010 $'000
Ballarat	Tractor with front end loader	30
Bendigo	Maximum demand tariff 2009/10	49
Charlton	Training centre	20
Cobram	Track conditioner, tractor, water tank pump	11
Cranbourne	Track upgrade	1
Echuca	Complex feature survey	2
	Track redevelopment master plan	3
	Water truck	18
	Swabbing bay / urinals	19
Geelong	Stalls roofing	37
	Maximum demand tariff 2009/10	43
Hamilton	Track upgrade	365
Kilmore	Perimeter fencing	37
Maryborough	Swab box	6
	Upgrade secretary's office / drivers rooms	45
Mildura	Tractor	19
Nyah	OH&S fencing and building repairs	9
Shepparton	Security fencing	7
	Machinery shed	24
	Tractor	33
Terang	Judges staircase	74

Note 20 Development Fund (Continued)

		2010 $'000
Warragul	Mobile standing start tower	5
Yarra Valley	Perimeter fencing	11
HRV Projects	Photo finish and timing upgrade 09/10	(20)
	OH&S	10
	HRV- anti slip treatment for towers	34
	Track maintenance supervisor	46
	RASL research & equipment	122
	Track maintenance program	177
	Development fund expenses	286
Total Development Fund Expenses		**1,523**

21. Responsible Persons

Responsible persons in accordance with Financial Reporting Direction 21 of the Financial Management Act 1994, during the reporting period were:

Responsible Minister - The Hon. Rob Hulls, MP Minister for Racing. His remuneration is disclosed in the annual report of the Department of Premier & Cabinet.

The following persons were Acting Responsible Minister during the year.
The Hon. Tony Robinson, MP (1/7/09 -11/7/09); The Hon. Bob Cameron, MP (11/1/10 - 15/1/10); The Hon. John Lenders, MLC (16/1/10 - 31/1/10).

Governing Board:
Ken Latta PSM (Board Chairman) (Appointed 6 April 2010)
Neil Busse (Appointment expired 31 March 2010)
Peter Bourke
Paul Horvath (Appointed 8 September 2009)
Stephen Nash
Carl O'Dwyer
Neale Wheat
Kate Roffey

Accountable Officer:
John Anderson - Chief Executive

The following persons were directors of the subsidiaries:

John Anderson

Philip Bentley (Resigned 24 May 2010)

Peter Bourke (Appointed 28 May 2010)

Neil Busse (Resigned 17 May 2010)

Shane Gloury (Resigned 10 November 2009)

Katherine Joel

Ken Latta PSM (Appointed 28 May 2010)

Dougall McBurnie

Stephen Nash (Appointed 28 May 2010)

Carl O'Dwyer

Kate Roffey

Cesare Tizi

Neale Wheat

Remuneration
Remuneration received and receivable by responsible persons, excluding the Minister, in connection with the management of the Group and HRV are shown below in their relevant income bands. Their total remuneration during the reporting period is shown in the first two columns and the base remuneration is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

Note 21 Responsible Persons (Continued)

	Total Remuneration		Base Remuneration	
Parent entity	**2010**	**2009**	**2010**	**2009**
Income Band	**No.**	**No.**	**No.**	**No.**
$0 - $9,999	-	1	-	1
$10,000 - $19,999	6	4	6	4
$20,000 - $29,999	1	1	1	1
$40,000 - $49,999	1	-	1	-
$50,000 - $59,999	-	1	-	1
$210,000 - $219,999	-	-	-	1
$220,000 - $229,999	-	-	1	-
$230,000 - $239,999	1	1	-	-
Total Numbers	**9**	**8**	**9**	**8**
	$'000	**$'000**	**$'000**	**$'000**
Total Remuneration Received or due and receivable by all responsible persons was:	408	377	393	359

Consolidated Entity Income Range				
$0 - $9,999	1	2	1	2
$10,000 - $19,999	7	5	7	5
$20,000 - $29,999	3	3	3	3
$40,000 - $49,999	1	-	1	-
$50,000 - $59,999	-	1	-	1
$210,000 - $219,999	-	-	-	1
$220,000 - $229,999	-	-	1	-
$230,000 - $239,999	1	1	-	-
Total Numbers	**13**	**12**	**13**	**12**
	$'000	**$'000**	**$'000**	**$'000**
Total Remuneration Received or due and receivable by all responsible persons was:	463	440	448	423

22. Executive Officers Remuneration

The number of executive officers, other than ministers and Responsible Persons, and their total remuneration during the reporting period exceeding $100,000 are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

	Total Remuneration		Base Remuneration	
Parent Entity	**2010**	**2009**	**2010**	**2009**
Income Range	**No.**	**No.**	**No.**	**No.**
$100,000 - $109,999	-	1	-	1
$120,000 - $129,999	3	2	4	3
$130,000 - $139,999	1	3	-	2
$140,000 - $149,999	2	2	4	1
$150,000 - $159,999	2	-	-	-
Total Numbers	**8**	**8**	**8**	**7**
	$'000	**$'000**	**$'000**	**$'000**
Total Remuneration for the reporting period of executive officers included above amount to:	1,120	1,049	1,095	979

Consolidated Entity Income Range				
$100,000 - $109,999	-	1	-	1
$110,000 - $119,999	-	1	-	1
$120,000 - $129,999	3	2	4	3
$130,000 - $139,999	1	3	1	2
$140,000 - $149,999	3	2	4	1
$150,000 - $159,999	2	-	-	-
Total Numbers	**9**	**9**	**9**	**8**
	$'000	**$'000**	**$'000**	**$'000**
Total Remuneration for the reporting period of executive officers included above amount to:	1,260	1,165	1,230	1,095

23. Related Party Transactions

(a) Parent Entity
The Parent entity within the Group is Harness Racing Victoria

(b) Subsidiaries & related party transactions
Details and ownership interests in subsidiaries of the Parent Entity are set out in Note 31. Details of related party transactions with entities within the Group and outstanding balances as at period end are set out below. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties, unless otherwise stated.

	Consolidated Entity		Parent Entity	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Transactions:				
RISE IT & other charges to HRV	-	-	395	361
Rental charges	-	-	1,030	340
Goods and services received from Melton Entertainment Trust			547	-
Management charges/expense recoveries from/to subsidiaries	-	-	847	150
Finance charges on loans	-	-	44	13
Balances:				
Other financial assets	-	-	650	550
Accounts receivable	-	-	715	487
Accounts payable	-	-	400	266
Other current liabilities	-	-	2	10

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad and doubtful debts due from related parties.

Details of the lease agreement between HRV and the Melton Entertainment Trust are outlined in Note 26.

(c) Key Management Personnel information
Refer to Notes 21 and Note 22 for further information.

(d) Other related parties transactions
(i) Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties, unless otherwise stated.
(ii) John Anderson (Chief Executive Officer) is a director of Vic Racing Pty. Ltd. This company is an industry body and is not personal or family related.
(iii) Charles Cutajar (Chief Finance and Accounting Officer) is a director of Racing Products Victoria Pty. Ltd. This company is an industry body and is not personal or family related.
(iv) On 15 March 1994, the Victorian Racing Industry entered into a Memorandum of Understanding to create an unincorporated joint venture with Tabcorp Holdings Limited. The unincorporated joint venture conducts the businesses of Wagering, Gaming, approved betting compositions and Keno, in Victoria.

Through Vic Racing Pty Ltd, Harness Racing Victoria together with Racing Victoria Ltd and Greyhound Racing Victoria hold an equity interest in the joint venture. Vic Racing Pty Ltd is entitled to 25% of the joint venture profit and must contribute 25% of any joint venture losses.

Through Racing Products Victoria Pty Ltd, the codes supply racing information to the joint venture pursuant to the Racing Program Agreement and Product Supply Agreement, in return for fees.

Income derived from these sources is included as part of "Tabcorp Revenue" in the Comprehensive Operating Statement and Note 2 to the financial statements.

24. Superannuation Arrangements

All schemes are controlled by outside parties. HRV has no outstanding loans from any of the named schemes and all contributions are fully paid.

Employees of the Group are entitled to receive superannuation benefits and the Group contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary. The Group does not recognise any defined benefit liability in respect of the plan(s) because it has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its financial statements.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Group. The name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by the Group are as follows:

(a) Funds

- Permanent employees before 1/1/95 - State Superannuation Fund (New Scheme) – Defined Benefit Scheme
- Permanent employees after 1/1/95 - VicSuper Pty Ltd or choice of funds – Defined Contribution Scheme

(b) Contributions

State Superannuation Fund contributions are based on the schemes' policies and are dependent upon the election of the staff member. Employer contributions range from 7.3% to 10.2%. The Victorian Superannuation Fund contributions are based on the Commonwealth Government Superannuation Guarantee and Board directives.

	Consolidated Entity		Parent Entity	
	2010	2009	2010	2009
(c) Contributions made during the financial year:	$'000	$'000	$'000	$'000
State Superannuation Fund				
Employee	22	26	22	26
Employer	45	50	45	50
Victorian Superannuation Fund				
Employee	89	132	89	132
Employer	304	299	263	263
Host Plus Superannuation Fund				
Employee	7	2	-	-
Employer	180	59	-	-
Various Other Funds as nominated by the employee				
Employee	69	60	66	59
Employer	281	163	193	137
Total Contributions				
Employee	187	220	177	217
Employer	810	571	501	450

25. Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	Consolidated Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Deposits at call	1,536	2,114	862	1,468
Cash assets on hand	87	157	1	1
Closing cash and cash equivalents balance	**1,623**	**2,271**	**863**	**1,469**

(b) Reconciliation of the net result for the year to the net cash from operating activities

Net Result for the Year	(1,684)	(2,406)	(1,047)	(1,698)
Add/(deduct) non cash items:				
Depreciation /amortisation of non-current assets	2,260	1,330	2,198	1,182
Impairment of non-current assets	-	1,021	-	1,021
(Profit)/Loss on sale of property, plant and equipment	61	-	61	-
Other non cash items	(38)	1	32	1
Change in assets and liabilities:				
(Increase)/Decrease in receivables	(2,740)	(1,943)	(3,448)	(2,260)
(Increase)/Decrease in other current assets	(457)	(219)	(491)	(85)
(Increase)/Decrease in other non-current assets	(115)	-	-	-
Increase/(Decrease) in accounts payable & other liabilities	(206)	(2,676)	436	(3,090)
Increase/(Decrease) in provisions	98	200	22	77
Net cash provided from/(used in) operating activities	**(2,821)**	**(4,692)**	**(2,237)**	**(4,852)**

(c) Loan Facilities

Details of loan facilities and security granted are detailed in Note 13(d)

26. Leases

Disclosure as Lessee - Operating Leases

Operating leases relate to the following items:

- a lease for the ground floor at 740 Mount Alexander Road, Moonee Ponds (to 30 June 2022).
- a lease for office premises at 400 Epsom Rd Flemington (to 31 October 2010).
- a motor vehicle fleet with lease terms ranging between 1 and 5 years.
- office equipment with lease terms ranging between 1 and 5 years.

	Consolidated Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Non-cancellable operating leases				
Not longer than one year	706	874	706	874
Longer than 1 year and not longer than 5 years	2,750	2,747	2,750	2,747
Longer than 5 years	2,883	3,356	2,883	3,356
	6,339	**6,977**	**6,339**	**6,977**

Sub-leasing:
On 3 July 2007 HRV entered into an agreement with the Victorian Harness Racing Sports Club to receive annual lease payments of $448,500 (for 6 years expiring 2 July 2013 with annual increase of 3.5% per annum).

Disclosure as a Lessor - Operating Leases

Operating lease relates to the Melton Racetrack and Entertainment Complex owned by HRV, which is leased to the Melton Entertainment Trust. (The lease term is for a period of 4 years with annual increase of 3% per annum).

Disclosure as Lessor				
Non-cancellable operating leases				
Not longer than one year	-	-	1,061	1,030
Longer than 1 year and not longer than 5 years	-	-	1,836	2,930
Longer than 5 years	-	-	-	-
	-	**-**	**2,897**	**3,960**

27. Financial instruments

(a) Significant accounting policies

This note presents information about the Group's financial instrument risk management objectives, policies and processes for measuring and managing risk. The Governing Board is responsible for the establishment and oversight of the risk management framework to identify and analyse the risks faced by the Group. The Governing Board's overall risk management approach seeks to minimise potential adverse effects on the financial performance of the Governing Board. The Governing Board uses different methods to measure different types of risk to which the Group is exposed. These methods include monitoring interest rate and other price risks, and ageing analysis for credit risk.

Risk management is carried out by management and reported on an exception basis to the Governing Board. The Governing Board reviews and agrees policies for managing each of these risks in consultation with management and undertakes regular monitoring of the performance of the Group's financial assets and liabilities. The Group does not enter into or trade financial instruments including derivative financial instruments for speculative purposes. The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability are disclosed in Note 1 to the financial statements. The Group's financial instruments are limited to those listed in Table 27.1.

Note 27 Financial instruments (Continued)

(b) Table 27.1: Categorisation of financial instruments

			Consolidated Entity		Parent Entity	
			2010	2009	2010	2009
	Note	Category	Carrying amount ($ thousand)			
Financial assets						
Cash and cash equivalents	25a	N/A	1,623	2,271	863	1,469
Receivables (a)	4	Loans and receivables (at amortised cost)	6,492	4,031	6,980	4,206
Other financial assets - loans	5	Loans and receivables (at amortised cost)	201	228	851	778
Investments (c)	9	Available for sale	1,082	1,082	1,950	1,950
Financial liabilities						
Payables (b)	11	Financial liabilities measured at amortised cost	9,174	8,587	9,023	8,235
Interest bearing liabilities	13	Financial liabilities measured at amortised cost	29,285	24,354	29,285	24,354
Non Interest bearing liabilities	14	Financial liabilities measured at amortised cost	437	-	-	-

Note:
(a) The amount of receivables disclosed here exclude statutory amounts (e.g. GST input tax credit recoverable).
(b) The amount of payables disclosed here exclude statutory amounts (e.g. GST payables).
(c) Investments in subsidiaries are recorded cost, less impairment.

(c) Credit risk
Credit risk arises from the contractual financial assets of the Group, which comprise cash and deposits, non-statutory receivables and available for sale contractual financial assets. The Group's exposure to credit risk arises from the potential default of counter party on their contractual obligations resulting in financial loss to the Group. Credit risk is monitored on a regular basis.

Credit risk associated with the Group's contractual financial assets is minimal because the main debtor is Tabcorp, being the Victorian Racing Industry's Joint Venture partner. For debtors other than Tabcorp, it is the Group's policy to only deal with entities assessed as being credit worthy and to obtain sufficient collateral or credit enhancements where appropriate. In addition, the Group does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash assets, which are mainly cash at bank. As with the policy for debtors, the Group's policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial assets is calculated based on past experience, and current and expected changes in client credit ratings.

Credit risk is managed at the Group level. Credit risk arises from the contractual financial assets of the Group, which comprise cash and cash equivalents, and trade and other receivables. The Group's exposure to credit risk arises from the potential default of counter party on their contractual obligations resulting in financial loss to the Group. Credit risk is measured at fair value and monitored on a regular basis.

The carrying amount of contractual financial assets recorded in the Financial Statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Note 27 Financial instruments (Continued)

Contractual financial assets that are either past due or impaired
Currently the Group does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

As at the reporting date, there is no event to indicate that any of the financial assets were impaired.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. The following table discloses the ageing only of financial assets that are past due but not impaired:

Table 27.2a: The Group's interest rate exposure and ageing analysis of financial assets (a)

($ thousand)

	Weighted average effective interest rate	Carrying amount	Interest rate exposure			Not past due and not impaired	Past due but not impaired				Impaired financial assets
			Fixed interest rate	Variable interest rate	Non-interest bearing		31-60 Days	61-90 Days	91-120 Days	>121 Days	
2010	%										
Cash and cash equivalents	3.0%	1,623	-	1,536	87	1,623	-	-	-	-	-
Receivables:											
Trade debtors	-	1,202	-	-	1,202	527	244	31	65	335	-
Tabcorp distribution	-	5,259	-	-	5,259	5,259	-	-	-	-	-
Other receivables	-	31	-	-	31	31	-	-	-	-	-
Other financial assets:											
Loans	0.2%	201	37	-	164	201	-	-	-	-	-
Total		**8,316**	**37**	**1,536**	**6,743**	**7,641**	**244**	**31**	**65**	**335**	**-**
2009											
Cash and cash equivalents	2.0%	2,271		2,114	157						
Receivables:											
Trade debtors		1,921	-	-	1,921	983	689	113	75	61	-
Tabcorp distribution		2,096	-	-	2,096	2,096	-	-	-	-	-
Other receivables		15	-	-	15	15	-	-	-	-	-
Other financial assets:											
Loans	0.1%	228	12	-	216	228	-	-	-	-	-
Total		**6,531**	**12**	**2,114**	**4,405**	**3,322**	**689**	**113**	**75**	**61**	**-**

Table 27.2b: The Parent's interest rate exposure and ageing analysis of financial assets (a)

Note: *(a) Ageing analysis of financial assets excludes statutory amounts (e.g. GST input tax credit recoverable).*

($ thousand)

	Weighted average effective interest rate	Carrying amount	Interest rate exposure			Not past due and not impaired	Past due but not impaired				Impaired financial assets
			Fixed interest rate	Variable interest rate	Non-interest bearing		31-60 Days	61-90 Days	91-120 Days	>121 Days	
2010	%										
Cash and cash equivalents	3.4%	863	-	862	1	863	-	-	-	-	-
Receivables:											
Trade Debtors	-	1,721	-	-	1,721	676	239	203	272	331	-
Tabcorp Distribution	-	5,259	-	-	5,259	5,259	-	-	-	-	-
Other financial assets:											
Loans	5.4%	852	687	-	165	852	-	-	-	-	-
Total		**8,696**	**687**	**862**	**7,147**	**7,651**	**239**	**203**	**272**	**331**	**-**
2009											
Cash and cash equivalents	2.3%	1,469	-	1,468	1	1,469	-	-	-	-	-
Receivables:											
Trade Debtors	-	2,111	-	-	2,111	898	783	206	165	59	-
Tabcorp Distribution	-	2,096	-	-	2,096	2,096	-	-	-	-	-
Other financial assets:											
Loans	4.9%	778	562	-	216	778	-	-	-	-	-
Total		**6,454**	**562**	**1,468**	**4,424**	**5,241**	**783**	**206**	**165**	**59**	**-**

Note 27 Financial instruments (Continued)

(d) Liquidity risk

Liquidity risk arises when the Group is unable to meet its financial obligations as and when they fall due. The Group operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, makes payments within 30 days from the date of resolution. It also continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of cash reserves.

The Group's exposure to liquidity risk is deemed insignificant based on HRV's business model with the Group maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short term obligations; having sufficient line of credit available; and careful maturity planning of its financial obligations based on forecasts of future cash flows. Cash for unexpected events is generally sourced from accumulated reserves. If necessary, the Group has the capacity to reduce expenditure in the form of stakemoney to manage its liquidity.

The Group's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet.

The following table discloses the contractual maturity analysis for the Group's contractual financial liabilities:

Table 27.3a: The Group's interest rate exposure and maturity analysis of financial liabilities (b)

($ thousand)

	Weighted average effective interest rate	Carrying amount	Interest rate exposure			Nominal Amount	Maturity dates (a)			
			Fixed Interest Rate	Variable interest rate	Non-interest bearing		Less than 1 month	1-3 Months	3 months – 1 year	1-5 years
2010	%									
Payables:										
Trade creditors	-	3,253	-	-	3,253	3,253	3,121	98	33	-
Other payables	-	5,921	-	-	5,921	5,921	5,921	-	-	-
Interest bearing liabilities:										
Secured - CBA overdraw	15.99%	185	-	185	-	185	185	-	-	-
Secured - CBA loan facility	8.09%	29,100	20,164	8,936	-	29,100	-	-	-	29,100
Non Interest bearing liabilities:										
Unsecured - interest free loan	-	437	-		437	437	-	-	-	437
Total		**38,896**	**20,164**	**9,121**	**9,611**	**38,896**	**9,227**	**98**	**33**	**29,537**
2009										
Payables:										
Trade creditors	-	5,828	-	-	5,828	5,828	4,910	862	56	-
Other payables	-	2,759	-	-	2,759	2,759	2,759	-	-	-
Interest bearing liabilities:										
Secured - CBA overdraw	15.99%	133	-	133	-	133	133	-	-	-
Secured - CBA loan facility	6.97%	24,221	13,550	10,671	-	24,221	161	-	-	24,060
Total		**32,941**	**13,550**	**10,804**	**8,587**	**32,941**	**7,962**	**862**	**56**	**24,060**

Note:

(a) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities

(b) The carrying amounts disclosed exclude statutory amounts (e.g. GST payables)

Note 27 Financial instruments (Continued)

Table 27.3b: The Parent's Interest rate exposure and maturity analysis of financial liabilities (b)

($ thousand)

	Weighted average effective interest rate	Carrying amount	Interest rate exposure			Nominal Amount	Maturity dates (a)			
			Fixed Interest Rate	Variable interest rate	Non-interest bearing		Less than 1 month	1-3 Months	3 months – 1 year	1-5 years
2010	%									
Payables:										
Trade creditors	-	3,426	-	-	3,426	3,426	3,029	172	225	-
Other payables	-	5,597	-	-	5,597	5,597	5,597	-	-	-
Interest bearing liabilities:										
Secured - CBA overdraw	15.99%	185	-	185	-	185	185	-	-	-
Secured - CBA loan facility	8.09%	29,100	20,164	8,936	-	29,100	-	-	-	29,100
		38,308	**20,164**	**9,121**	**9,023**	**38,308**	**8,811**	**172**	**225**	**29,100**
2009										
Payables:										
Trade creditors	-	5,719	-	-	5,719	5,719	4,605	1,094	20	-
Other payables	-	2,516	-	-	2,516	2,516	2,516	-	-	-
Interest bearing liabilities:										
Secured - CBA overdraw	15.99%	133	-	133	-	133	133	-	-	-
Secured - CBA loan facility	6.97%	24,221	13,550	10,671	-	24,221	161	-	-	24,060
		32,589	**13,550**	**10,804**	**8,235**	**32,589**	**7,415**	**1,094**	**20**	**24,060**

Note:
(a) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities
(b) The carrying amounts disclosed exclude statutory amounts (e.g. GST payables)

(e) Market risk
The Group's exposures to market risk are primarily through interest rate risk with only an insignificant exposure to foreign currency and other price risks. Objectives, policies and processes used to manage each of these risks are disclosed below.

Foreign currency risk
HRV is exposed to insignificant foreign currency risk through a bank account held in New Zealand dollars used to have New Zealand based participants pay for fees to enter into Victorian based events. The balance of the bank account at any point in time is relatively immaterial and therefore results in minimal exposure. Given the minimal exposure to foreign currency risk HRV does not actively manage its risk in this area.

The Group's exposure to foreign currency risk is set out in the Table 27.4

Interest rate risk
Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Group does not hold any interest bearing financial instruments that are measured at fair value, therefore has nil exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to cash flow interest rate risk arises primarily through the Group's interest bearing liabilities. Minimisation of this risk is achieved by entering into a combination of fixed rate and capped variable interest bearing financial instruments.

Equity price risk
The Group is exposed to a low level equity price risk through its investments in 3UZ, which is an unlisted entity. Given that the investment's classification as a strategic asset central to the business operation, it is not traded and has been recognised at cost due to the factors outlined in Note 9.

Note 27 Financial instruments (Continued)

The carrying amounts of financial assets and financial liabilities that are exposed to interest rate risk are set out in Tables 27.2 & 27.3. In addition, the Group's sensitivity to interest rate and foreign exchange risk is also set out in the table 27.4a.

Sensitivity disclosure analysis

Table 27.4 discloses the impact on the Group and parent entity's net operating result and equity for each category of financial instrument held by the Group at year-end if the following movements were to occur.

* A parallel shift of +1 per cent and -1 per cent in market interest rates (AUD) from year-end rates;

* Proportional exchange rate movement of -5 per cent (depreciation of AUD) and +5 per cent (appreciation of AUD) against the NZD.

Table 27.4a: The Group market risk exposure

	($ thousand)								
		Foreign exchange risk				Interest rate risk			
		-5%		5%		-1% (100 basis points)		1% (100 basis points)	
	Carrying amount	Net Result	Equity	Net Result	Equity	Net Result	Equity	Net Result	Equity
2010									
Contractual financial assets:									
Cash and cash equivalents (a)	1,623	4	4	(4)	(4)	(14)	(14)	14	14
Receivables	6,492	-	-	-	-	-	-	-	-
Other financial assets	202	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	9,174	-	-	-	-	-	-	-	-
Interest bearing liabilities	29,285	-	-	-	-	91	91	(91)	(91)
Non interest bearing liabilities	437	-	-	-	-	-	-	-	-
Total impact		**4**	**4**	(4)	(4)	**77**	**77**	(77)	(77)
2009									
Contractual financial assets:									
Cash and cash equivalents (a)	2,271	6	6	(6)	(6)	(20)	(20)	20	20
Receivables	4,031	-	-	-	-	-	-	-	-
Other financial assets	228	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	8,587	-	-	-	-	-	-	-	-
Interest bearing liabilities	24,354	-	-	-	-	108	108	(108)	(108)
Total impact		**6**	**6**	(6)	(6)	**88**	**88**	(88)	(88)

Note 27 Financial instruments (Continued)

Table 27.4b: The Parent market risk exposure

	($ thousand)								
		Foreign exchange risk				Interest rate risk			
		-5%		5%		-1% (100 basis points)		1% (100 basis points)	
	Carrying amount	Net Result	Equity	Net Result	Equity	Net Result	Equity	Net Result	Equity
2010									
Financial assets:									
Cash and cash equivalents	863	4	4	(4)	(4)	(9)	(9)	9	9
Receivables	6,980	-	-	-	-	-	-	-	-
Other financial assets	851	-	-	-	-	-	-	-	-
Financial liabilities:									
Payables	9,023	-	-	-	-	-	-	-	-
Interest bearing liabilities	29,285	-	-	-	-	91	91	(91)	(91)
Total increase/(decrease)		4	4	(4)	(4)	82	82	(82)	(82)
2009									
Financial assets:									
Cash and cash equivalents	1,469	6	6	(6)	(6)	(15)	(15)	15	15
Receivables	4,206	-	-	-	-	-	-	-	-
Other financial assets	778	-	-	-	-	-	-	-	-
Financial liabilities:									
Payables	8,235	-	-	-	-	-	-	-	-
Interest bearing liabilities	24,354	-	-	-	-	108	108	(108)	(108)
Total increase/(decrease)		6	6	(6)	(6)	93	93	(93)	(93)

Note:
(a) Cash and cash equivalents includes AUD$69k in cash held in a New Zealand bank account (NZD$85k @NZD/AUD 0.81093 at 30 June 2010).

(f) Fair value

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

- the fair value of financial instrument assets and liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial instrument assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short term nature of the financial instruments and the expectation that they will be paid in full.

A number of methods are available when estimating the fair value of a financial instrument. The methods comprise:
Level 1 – the fair value is calculated using quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Note 27 Financial instruments (Continued)

Fair value estimates recognised in respect of financial instruments in the balance sheet are all estimated and categorised as Level 1, with the exception of the investments in 3UZ. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

Table 27.5a: The Group	2010 $'000				2009 $'000			
Financial assets:	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Other financial assets - units in 3UZ	-		1,082	1,082			1,082	1,082
	-	**-**	**1,082**	**1,082**	**-**	**-**	**1,082**	**1,082**

Table 27.5b: The Parent entity								
Financial assets:	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Other financial assets - units in 3UZ	-		1,082	1,082			1,082	1,082
	-	**-**	**1,082**	**1,082**	**-**	**-**	**1,082**	**1,082**

Transfer between categories
There were no transfers between Level 1, 2 and 3 during the year.

28. Contingent Assets and Liabilities

Contingent Assets

Racefields Transition Fee:
Amendments to the race fields provisions of the Gambling Regulation Act (GRA) commenced on 1 July 2010.

Amongst other things, the effect of the amendments allows HRV to determine a transitional fee for publication or use of race fields between 4 September 2008 and 1 July 2010.

If HRV determines a transitional fee should be charged the estimated revenue to be generated by the fee is $1,622k.

Contingent Liabilities

Bank Guarantee:
On 1 August 2010, HRV provided a bank guarantee to Clymon Pty Ltd. The bank guarantee for $136,647 relates to an operating lease of the ground floor at 740 Mount Alexander Road and covers rental for a three month period. The guarantee expires on 31 July 2011.

Racefields Fees:
In 2009/10 HRV's operating statement recognised $4.855 million in revenue ($5.341 million inc GST) for fees charged to Wagering Service Providers in accordance with HRV's racefields policy which came into effect on 1 January 2009.

HRV is directly involved in legal proceedings as respondent to a claim by Sportsbet Pty Ltd filed with the Federal Court of Australia on 15 May 2009 effectively challenging HRV's ability to charge a fee.

Various legal proceedings, either directly involving HRV, or although not directly involving HRV however dealing with racefields fees, are being conducted throughout Australia. Subject to the outcome from the various legal proceedings, if a court ultimately determines that the charging of a fee by HRV was unlawful, HRV may be required to refund a part or all of the fees received by it under this policy.

Letter of Comfort:
On 30 July 2010, HRV provided the Melton Entertainment Trust (HRV is the sole beneficiary), a letter of comfort stipulating that HRV will support the Trust in meeting its obligations to 30 June 2011. HRV is comfortable that the performance of the Trust will be sufficient for it to meet its external obligations in its own right.

29. Commitments for Expenditure

	Consolidated Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Capital Expenditure Commitments				
Plant and Equipment				
Payable:				
Not longer than one year	-	183	-	183
	-	**183**	**-**	**183**
Land				
Payable:				
Not longer than one year	-	1,170	-	1,170
	-	**1,170**	**-**	**1,170**
Total Capital Expenditure Commitments (inclusive of GST)	**-**	**1,353**	**-**	**1,353**
Other Expenditure Commitments				
Moonee Valley (Make Good and Early Exit Fee)				
Payable:				
Not longer than one year	-	303	-	303
Longer than 1 year and not longer than 5 years	1,210	1,760	1,210	1,760
	1,210	**2,063**	**1,210**	**2,063**
Gaming Machine Licence Entitlements[(a)]				
Payable:				
Longer than 1 year and not longer than 5 years	1,661	-	-	-
Longer than 5 years	516	-	-	-
	2,177	**-**	**-**	**-**
Tabcorp Gaming Solutions Service Agreement [(b)]				
Payable:				
Longer than 1 year and not longer than 5 years	3,271	-	-	-
Longer than 5 years	7,633	-	-	-
	10,904	**-**	**-**	**-**
Total Other Expenditure Commitments (inclusive of GST)	**14,291**	**2,063**	**1,210**	**2,063**
Total Commitments for Expenditure (inclusive of GST)	**14,291**	**3,416**	**1,210**	**3,416**
Less GST recoverable from the Australian Taxation Office	(1,101)	(321)	(110)	(321)
Total Capital Expenditure Commitments (exclusive of GST)	**13,190**	**3,095**	**1,100**	**3,095**

(a) HRV Management Ltd ATF the Melton Entertainment Trust has acquired 90 gaming machine entitlements to enable it to operate gaming machines at Tabcorp Park for a period of 10 years following the cessation of the current arrangements in 2012.

HRV Management Ltd has signed two agreements with the State of Victoria which provide these entitlements and the obligation to pay. These agreements are known as the Entitlement Related Agreement for Venues and Entitlement Related Agreement for Payment (Club Entitlements).

The total cost of gaming machine entitlements of $2,292k will need to be funded progressively commencing in mid 2010.

(b) On commencement of the new gaming arrangements in 2012, the infrastructure, services and functions currently supplied by Tabcorp become the responsibility of the gaming venues. The ten year agreement entered into is an all encompassing offering covering a range of services for a daily fee per machine.

30. Subsequent Events

On 11 August 2010 HRV revised its banking facilities to establish an overdraft facility limit of $2 million. This facility is unsecured.

There have been no further subsequent events post balance date that will have a material affect on the operation and financial performance of the Group.

31. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1.

Name of entity	Country of incorporation	Equity Holding
Racing Information Services Enterprises Pty Ltd	Australia	100%
HRV Management Ltd (company limited by guarantee)	Australia	a
Melton Entertainment Trust	Australia	b

a) Control exists as HRV is the sole member of the company and controls directorship of the company.

b) Control exists as HRV is the sole beneficiary of the trust.

ACCOUNTABLE OFFICER'S AND CHIEF FINANCE AND ACCOUNTING OFFICER'S DECLARATION

We certify that the attached financial statements for Harness Racing Victoria have been prepared in accordance with Standing Direction 4.2 of the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards, including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2010 and financial position of Harness Racing Victoria at 30 June 2010.

We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 3 September 2010

Ken Latta PSM
CHAIRMAN

Neale Wheat, CA
BOARD MEMBER

John Anderson B.Ec CA Dip Ed.
CHIEF EXECUTIVE

Charles Cutajar B.Com CA
CHIEF FINANCE AND ACCOUNTING OFFICER

Melbourne, 3 September 2010

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Harness Racing Victoria

The Financial Report

The accompanying financial report for the year ended 30 June 2010 of Harness Racing Victoria which comprises the comprehensive operating statement, balance sheet, statements of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the accountable officer's and chief finance and accounting officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of Harness Racing Victoria are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of Harness Racing Victoria for the year ended 30 June 2010. The Board Members of Harness Racing Victoria are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Harness Racing Victoria web site.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Harness Racing Victoria as at 30 June 2010 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

M. Pamett

MELBOURNE
7 September 2010

for D D R Pearson
Auditor-General

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Auditing in the Public Interest

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