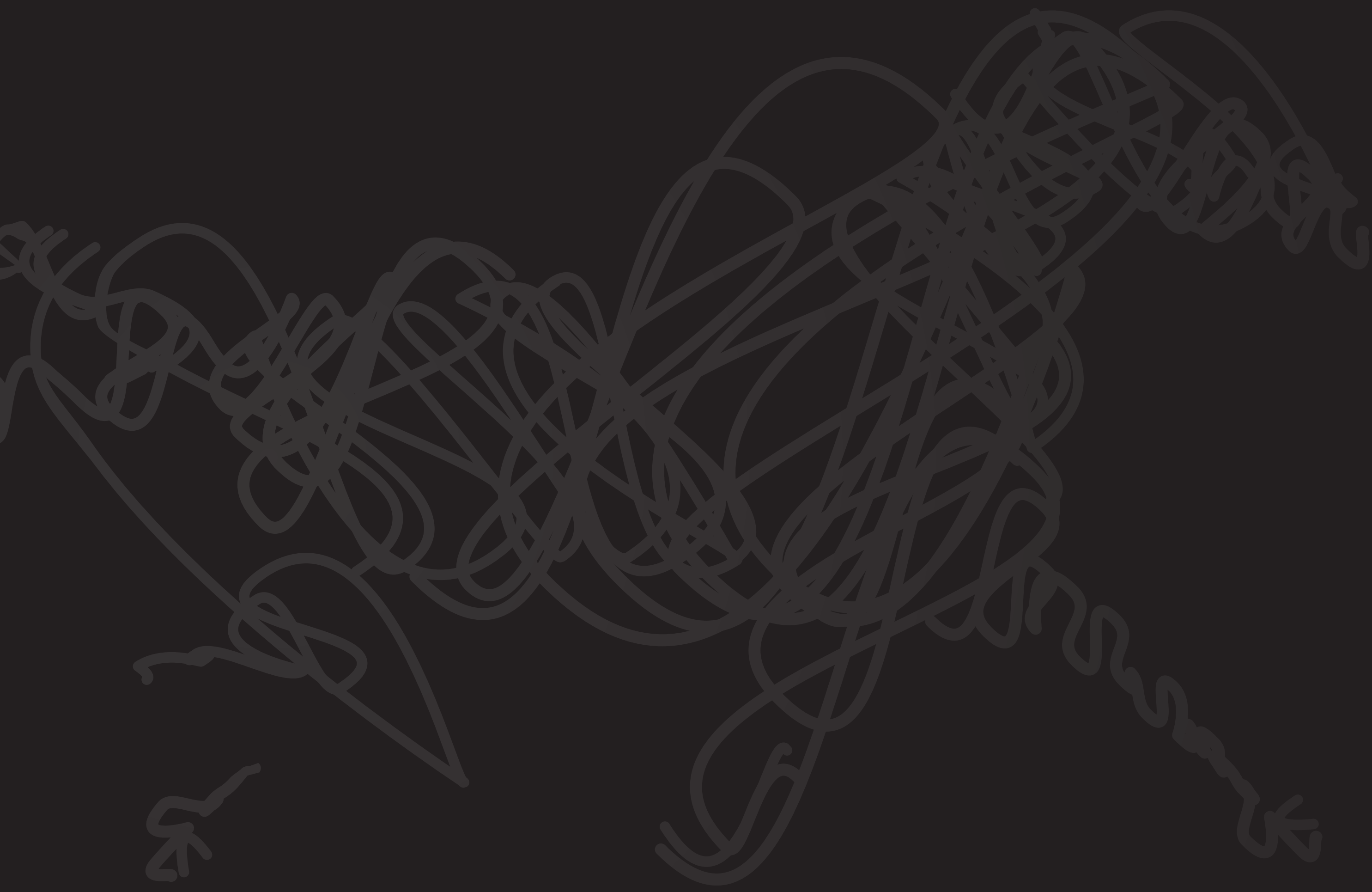

HARNESS RACING VICTORIA

2011 HARNESS RACING VICTORIA ANNUAL REPORT

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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Report *to the* ***Minister***

The Hon. Dr Denis Napthine MP
Minister for Racing

Dear Minister

On behalf of the Board I present this report on the current state of the industry, including a review of the 2010/11 year.

Financials

The 2010/11 financial year was a busy, challenging and rewarding financial year for harness racing in Victoria.

The financial performance for the year ended 30 June 2011 saw the consolidated result for the HRV group be a net profit of $0.100m.

Revenue for the year grew by 3.2% from $71.916m to $74.210m while operating expenses grew by 0.6% from $73.539m to $74.089m.

During the year HRV paid out $33.988m in stakemoney, maintaining the levels paid out the previous year of $33.699m.

HRV's market share of parimutuel wagering declined from 15.39% to 14.74% during the year.

Some of the factors influencing the result for 2010/11 include:

- The continued shift away from the Victorian parimutuel totalisator to States with favourable tax regimes, who in turn are able to offer discounted wagering products. Examples of these are the Northern Territory licensed internet bookmakers, Tote Tasmania and Racing & Wagering Western Australia. All these wagering operators recorded significant growth on harness racing wagering with little or no return to HRV.
- The shift away from the Victorian parimutuel totalisator to TAB fixed odds products, which provide a lower return to the industry.
- Legal fees associated with defending our position with regard to race field fees amounted to $0.846m.
- On a positive note we did receive $1.139m in transition fees in accordance with the revised race fields legislation.
- The financial result from Tabcorp Park operations improved by $0.323m over the previous year.

Strategic Plan

The Board and Management has engaged in a series of strategic planning sessions, and consulted on its proposed priorities with stakeholder organisations which has culminated in a Strategic Plan. The Plan is designed to steer the business through the next 5 years and will act as a blueprint for the management to implement over that time.

The HRV Board recognises that these are changing times in the wagering and racing business. Research is telling us that HRV needs to listen to a majority view that changes are required to make the sport more attractive and relevant.

With that in mind HRV's Plan has four key focus areas which are briefly summarised below:

1. The Racing Product

- Generate more international interest with a focus on the trotting gait.
- Provide incentives to breeders and owners with more emphasis on juvenile racing.
- Enhance the visual appeal of the product
- Creation of more industry events

2. Financial sustainability

- Continue to focus on wagering as the key driver of the business
- Development of 80ha of land owned by HRV at Melton

3. Melton

- Maximise the racing and commercial benefits from Tabcorp Park.

4. People

- Attract and retain people in the industry by providing training opportunities, syndication, use of Information Technology and community activities
- Rebrand and reposition harness racing perceptions

Major Racing Events During 2010/11

HRV continued to run excellent events during the year. The three major racing carnivals attracted big crowds and positive media attention:

- The Tabcorp Australasian Breeders Crown finals were run at Tabcorp Park in August 2010. Nine Group 1 races were conducted on Finals Day for a total stakes pool of $1.565m. The Breeders Crown overall paid a total stakes of $2.421m which means the Crown continues to be Australasia's premier racing series.
- The SEW Victoria Cup was run at Tabcorp Park a week before Christmas for $425,000, attracting a high class field from interstate and New Zealand. Queenslander Mr Feelgood was successful, edging out New Zealander The Sleepy Tripp and Western Australia's Im Themightyquinn. Victoria's main hopes Smoken Up and Melpark Major finished 6th and 7th respectively. Victoria's best finisher was Decorated Jasper who ran 4th at 100/1.
- The Big 6 Hunter Cup was also run at Tabcorp Park for $425,000 on February 5, 2011. New Zealand were again

to the fore with Stunnin Cullen successful over another Kiwi Smiling Shard and top Western Australian horse Im Themightyquinn again third.

- On Hunter Cup night the Alabar Victoria Derby was run and won by rising star Sushi Sushi. Since then Sushi Sushi has gone on to win the Great Northern Derby in New Zealand and the Alabar Breeders Challenge in NSW and he looms as the next 'big thing" in harness racing.

The Inter Dominion was run at Auckland's Alexandra Park in March 2011. The Carnival was originally scheduled for Christchurch however the devastating earthquake in February 2011 meant that the event had to be shifted to the North Island of New Zealand.

From a Victorian perspective, the highs and lows of harness racing were evident at the Inter Dominion. Champion horse Smoken Up, trained and driven by Lance Justice was magnificent in winning the Inter Dominion Pacing Final. The feat was celebrated by HRV with a 'welcome home' night attracting a big crowd to Tabcorp Park a week later. The celebrations were soured when it was announced Smoken Up had returned a positive swab to Dimethyl Sulfoxide (DMSO). The decision of the Judicial Control Authority in New Zealand is reserved.

Shortly after news broke of the positive swab. Smoken Up broke the mile rate record in Australasia winning the Len Smith Mile at Tabcorp Park Menangle with a rate of 1.48.5.

Major Industry Awards

The industry once again celebrated achievements at the following major events

- The industry's top award the Gordon Rothacker Medal was won by Arthur Graham. Arthur is the current Chairman of the Association of Victorian Harness Racing Clubs but he has also been a long servant of harness racing in the Swan Hill district – as an administrator and volunteer for the Nyah Club as well as a trainer and owner in his own right.

Note

I would like to acknowledge here the passing of Gordon Rothacker on November 16 2010 at the age of 81. Gordon is a legend of the sport of harness racing and it is a tribute to him that HRV's highest honour is named after him. A comprehensive obituary on Gordon was published in the December issue of the Harness Racer magazine.

- The Horse of the Year Awards were conducted at Tabcorp Park in September for the 2009/10 season. The top award went to outstanding trotter Sundons Gift, only the fourth square gaiter to achieve the honour since 1973. His credits during the year were winning the Inter Dominion Trotting Final, the Australian Trotting Grand Prix, New Zealands' Rowe Cup and NSW's Group 1 Sunnyfield Trotters Cup.
- The Harness Racing Weekly sponsored Vin Knight Medal was won by Glen Douglas.

Tabcorp Park Awards

During the year Tabcorp Park received excellent recognition with several awards.

- The Community Clubs Association of Victoria announced Tabcorp Park as the 2010 Victorian Club of the Year.
- At the Melton Shire Business Excellence Awards, Tabcorp Park was awarded the Best Hospitality and Tourism Business.
- In a survey of Melton residents Tabcorp Park was voted 2nd of 12 local 'icons' – runner up to the Botanic Gardens - which means the venue has been extremely well received in the local area.

Board Changes

During the year the Board underwent further change when two long serving members, Carl O'Dwyer and Peter Bourke, retired on 31 May 2011. Both Carl and Peter had given in excess of 10 years service to the Board, in addition to a life time participation in the sport. Their contribution at Board level has been significant and a detailed account of their achievements has been documented in the July 2011 edition of the *Harness Racer* magazine.

We welcome Geoff Kay to the Board who brings many years of industry experience to the table.

Legal Action

During the year HRV incurred significant expense in a court action defending its position with regard to Victoria's race fields legislation.

Under that legislation, wagering operators must seek approval from HRV for the publication and use of HRV's race fields. Under the legislation, a condition of approval that may be imposed by HRV is that the wagering operator pays HRV a fee.

Initially, Sportsbet Pty Ltd was granted approval by HRV on condition that they pay a fee, however that approval was revoked when Sportsbet Pty Ltd failed to pay the fee when due.

Sportsbet Pty Ltd then initiated legal action against HRV and the State Government, claiming the legislation is invalid and also objecting to HRV's turnover based fee.

The case is part heard, having been held in the Federal Court in Darwin for a week in March 2011. In the meantime Sportsbet Pty Ltd have not paid any fees whatsoever to HRV, yet they continue to display our race fields on their website and presumably bet on our product - in other words, Sportsbet Pty Ltd continue to 'free ride' on Victorian harness product.

HRV has also reported other wagering operators to the Victorian Casino and Gaming Regulator (VCGR) who are 'free riding' on Victorian harness product. The VCGR has advised that they have an open file "and regulatory action is pending, however inspectors are awaiting the outcome of various court decisions before proceeding".

The Year Ahead

The HRV Board has approved the budget for 2011/12. The budget forecasts another difficult year for wagering growth. As a result costs have been tightened to allow for some moderate increases in stake money.

Some of the increases provided for the coming year are:

- Increasing the stakes for restricted races from $2,000 to $3,000 (impacts 45 meetings)
- Paying Vicbred first win bonus on restricted race wins – on a pro-rata basis
- Increasing drivers fees from $60 to $65.
- Running the Inter Dominion Trotting Championship Final (for the last time) for $250,000, replacing last years Australasian Trotting Championship – run for $150,000.

As mentioned earlier the continued shift from the traditional tote betting, to low margin wagering operators or to interstate totes offering high rebates, has slowed revenue growth in recent years.

We understand you are aware of these issues and HRV is appreciative of the State's preparedness to resolve this funding issue. It remains HRV's view that a national approach to wagering fee arrangements is ultimately required to ensure a fair return to the industry for the use of its product for wagering purposes.

Appreciation

As I said last year in this report to the previous Minister, this is a vibrant industry providing both a livelihood and a proud participation to a large sector of the Victorian community across the State. There are many people who are passionate about their sport of harness racing.

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 strong future.
- Tabcorp, our Joint Venture partner and major sponsor of two of our biggest events, during the season, the Hunter Cup and Australasian Breeders Crown.
- Our media partners the Herald Sun, Sky Racing and Radio Sport National and the many individuals within the media who have keen views and a strong interest in the success of our industry and sport.
- The Shire of Melton who have been great supporters of our development at Tabcorp Park.
- My interstate colleagues through Harness Racing Australia.
- Several industry representatives who have contributed their time and expertise to various working parties during the year.
- 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, for the support you have given to harness racing since your election win in November last year. To your staff and the Office of Racing I thank them for the support provided to Board members, the management of HRV, and our sport and industry.

Ken Latta PSM
Chairman

the Racing Year *in Review*

If the 2009/10 harness racing year represented the changing of the guard as Moonee Valley staged its final ever meeting then 2010/11 signified Tabcorp Park's coming out party as our stand-alone metropolitan home.

Precisely 19 months after opening for racing, Melton's state-of-the-art 1040-metre track staged Victoria's only marquee meeting yet to be contested there when the BIG6 Hunter Cup and Alabar Victoria Derby were run and won in front of one of the largest crowds seen at the venue.

In making the shift to Melton, Hunter Cup night joined Victoria's other established feature programme's including SEW-Eurodrive Victoria Cup and Australian Trotting Grand Prix night (December 18) and Australasian Breeders Crown day (August 21) to find a new home at Tabcorp Park.

And with many of the biggest names in southern hemisphere harness racing flaunting their wares on Victorian soil this season, both Tabcorp Park and our bevy of brilliant regional venues witnessed many magnificent moments.

Metro Features

As is so often the case it was almost impossible to select an individual highlight that stood above all others in the 2010/11 Victorian harness racing season.

Reigning Victorian Horse of the Year Sundons Gift's effort to claim his first ever Aldebaran Park Bill Collins Trotters Mile on December 11 before breaking his own record when victorious in a fourth consecutive Australian Trotting Grand Prix seven days later must rate as a seasonal climax.

As must the breathtaking SEW-Eurodrive Victoria Cup success of former North American superstar and Inter Dominion winner Mr Feelgood on December 18 when rating 1:55.9 against one of the finest fields that race has hosted.

Tabcorp Park's maiden staging of the time honoured BIG6 Hunter Cup on February 5 also yielded plenty of highlights with three Group 1 classics decided in less than two hours and two superstars of the sport about to be born.

In the evening's feature race, Kiwi five-year-old Stunin Cullen overcame a horror draw and strong Australian contingent to gift champion reinsman Anthony Butt his fifth Hunter Cup following the successes of Blossom Lady (1994/95), Mister D G (2004) and Mr Feelgood (2009).

While in the SEW-Eurodrive Australasian Trotting Championship, gifted five-year-old Let Me Thru gave the first indication of his enormous talent when too strong for arch nemesis Down Under Muscles ahead of an Inter Dominion campaign which so nearly yielded the ultimate success.

But perhaps the piece de resistance of an extraordinary evening at Tabcorp Park was the breakthrough win of a three-year-old pacer soon to take two nations by storm.

Well supported despite his awkward second line draw, electric Art Major gelding Sushi Sushi produced a devastating display to claim the Alabar Victoria Derby before going on to become the first Australian pacer successful in the Great Northern Derby at Alexandra Park, Auckland.

But anybody who thought those wins would be the zenith of his classic season forgot all about Super Sunday and its nine Group 1 features on August 21.

Devastating throughout the preliminary stages of our most famous futurity series, it appeared only an incredibly awkward gate eight draw stood between Freddy Taiba's glamour three-year-old and Breeders Crown success.

But an inspired drive by gun, young horseman Greg Sugars to extricate him off the pegs and into the lead soon after the start ensured Sushi Sushi would complete his classic season unbeaten from 13 starts and ignite great debate about his standing among modern three-year-old immortals.

As has become customary, Super Sunday provided a plethora of other highlights including a wonderful training double for Kiwi horseman John Dickie with Paramount Geegee and Flying Isa.

There was also the emotional victory of teak tough filly Bellas Delight, the scintillating triumph of superstar Sandgroper David Hercules and the poignant success of juvenile Kiwi Cowgirls N Indians in the two-year-old fillies Final over La Machane.

An excellent ABC double for New South Wales courtesy of Three Over Three and Lilac Stride were other features of Victoria's richest race day along with the exciting local triumph of underrated four-year-old squaregaiter Tsonga.

Country Features

The continued evolution of the Choice Hotels Country Cups Carnival was one of the highlights of the 2010/11 season.

Comprised of 25 wonderful meetings, the Country Cup Circuit once again traversed Victoria's length and breadth and with the addition of some seminal changes this season, hosted the most incendiary six months of regional racing to date.

Chief among those changes was the elevation of Cranbourne's Decron Pacing Cup to Group 1 level for the first time.

Brilliantly claimed by the horse that would ultimately become 2010/11 Barastoc Grand Circuit Champion; Im Themightyquinn, the Cranbourne Cup joined Victoria's only regional Grand Circuit race; the PETstock Ballarat Cup as the Choice Hotels Country Cup Carnival's only elite-level features.

From a human perspective, ubiquitous Strathfieldsaye siblings Glenn and Daryl Douglas were the Carnival's dominant partnership this season, joining forces to win four regional titles.

After opening their account with Stirling Charmer in the Tooleybuc Sporting Club Nyah Pacing Cup and Make Mine Cullen in the SEW-Eurodrive Kilmore Pacing Cup, the Douglas brothers went on to claim two more provincial features with an underrated four-year-old named Our Hillview Gold.

With victories in the Greggs Electrical Ouyen Pacing Cup and Hankook 2011 Charlton Pacing Cup, Our Hillview Gold joined Australasia's fastest ever pacer Smoken Up (Group 2 PETstock Bendigo Cup, TAB Sportsbet Geelong Pacing Cup) as two of only three pacers to claim multiple Country Cups last term.

Star Smythes Creek five-year-old Village Of Dreams was the other to secure dual regional features with wins in the Warehouse Sales Wedderburn Pacing Cup and Loddon Valley Stud Boort Pacing Cup coupled with four other Country Cup placings enough to make him Melton Saddlery Victorian Country Cups Champion as our pre-eminent provincial pacer for 2010/11.

As usual the Melton Saddlery Maoris Idol Trophy Series for the trotters ran alongside the pacing series and resulted in a runaway win for iconic Bendigo squaregaiter Lenny Lewis.

First home in the River Gum Constructions Yarra Valley Trotters Cup, Charlton & Districts Community Bank 2011 Charlton Trotters Cup and Doyles Boomspraying Boort Trotters Cup, Alan McIntosh's nine-year-old son of Sundon was easily Victoria's best performed provincial trotter last term.

A fact that was confirmed when he was crowned our regional squaregaiting king during Redwood Day at Maryborough, which also saw the 26th running of the Redwood Classic for two-year-old trotters and the Seelite Windows and Doors Victoria Trotters Derby, both at Group 1 level on July 17.

As always, Carisbrook Raceway celebrated the squaregaiter in grand style with their marquee meeting of the season, which saw former Kiwi filly Maidstone Miss set a new race record of 2:04.7 in winning the Redwood Classic and The Bohemian claim Victoria Derby glory in dashing, dominant fashion.

Star Performers

A quality quartet of standout Standardbreds took the honours as our marquee performers last term and they were split evenly between the pacing and squaregaiting worlds.

After a pair of sensational Country Cup triumphs and wins in the Miracle Mile, Len Smith Mile, SA Cup and Auckland Inter Dominion (subject to Judicial Control Authority inquiry outcome in NZ) it would be difficult to argue against phenomenal pacer Smoken Up taking the title of Victoria's flagship performer.

However there was also no denying the extraordinary season of star local three-year-old, Sushi Sushi.

For anyone who witnessed the Sunbury speed machine demolish his rivals in the Alabar Victoria Derby prior to becoming the first Australian Great Northern Derby winner and dominant Breeders Challenge king in NSW, it was clear the new star of Victorian harness racing had taken flight.

But his effort to humble an all-star line-up on Super Sunday at Tabcorp Park and claim the Australasian Breeders Crown that so narrowly eluded him 12 months earlier confirmed that we had found a new hero of the track.

Reigning Victorian Horse of the Year Sundons Gift also enhanced his almost peerless standing in the squaregaiting world, winning his first Bill Collins Trotters Mile before snaring an unthinkable fourth Australian Trotting Grand Prix.

While his burgeoning stablemate Let Me Thru announced himself as heir apparent to the title of Australia's finest squaregaiter, claiming the SEW-Eurodrive Australasian Trotting Championship Final and V L Dullard Cup prior to a stunning silver medal in the penultimate Inter Dominion Trotting Final ever at Alexandra Park on April 8.

There were also plenty of human highlights on Victorian racetracks in the season just gone, including two career defining milestones at the same Northern Grampians track.

On December 27, iconic Great Western horsewoman Kerryn Manning became the eighth Australian pilot and the first female overall to partner 3000 winners aboard Hez Betterthalltherest at Stawell.

While Victoria's breakout reinsman of the season - Hopetoun Park horseman Greg Sugars - secured a millennium of victories when Romian Eagle was first past the post on June 3 at the very same course.

From a premiership perspective, champion Strathfieldsaye pilot Daryl Douglas claimed his sixth straight Statewide Drivers' Premiership with an incredible 369 successes.

While another of our most revered reinsman - Chris Alford – snapped Gavin Lang's three year winning streak to secure the Metropolitan Drivers' title with 41 wins.

In Victoria's training ranks it was back to Bendigo and a familiar family name where Glenn Douglas claimed his fourth consecutive Statewide Trainers' title while also earning his inaugural Metropolitan Trainers' Premiership with 27 victories.

Also worthy of recognition was gun, young Charlton reinswoman Ellen Tormey.

Not only did the 21-year-old represent Victoria in the Australasian Young Drivers' Championship in Christchurch, New Zealand, but she also found time to secure honours as our Leading Concession Driver with 57 wins in a promising harbinger of things to come.

Historical Financial Performance Summary

		2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
HRV Racing Operations						
Wagering	Income	54,094	53,835	52,594	48,583	49,702
Capital Grants RRIF	Income	1,958	1,408	213	1,159	1,575
Stake Money	Country Club Contributions	1,007	1,128	1,092	1,084	1,183
	HRV Contributions	(32,982)	(32,572)	(32,487)	(32,289)	(31,394)
	Country Club Contributions	(1,007)	(1,128)	(1,092)	(1,084)	(1,183)
		(32,982)	(32,572)	(32,487)	(32,289)	(31,394)
Metropolitan Racing	Income	275	495	449	953	426
	Expenses	(2,841)	(3,093)	(3,470)	(3,695)	(3,325)
		(2,566)	(2,597)	(3,021)	(2,742)	(2,899)
Country Clubs	Income	568	597	492	421	473
	Expenses	(8,135)	(8,185)	(8,319)	(8,050)	(8,102)
		(7,567)	(7,588)	(7,827)	(7,629)	(7,629)
Futurities	Income	2,914	2,295	2,893	2,615	2,282
Racing	Income	1,654	1,583	1,475	1,277	1,484
	Expenses	(4,698)	(5,027)	(4,943)	(4,471)	(3,826)
		(3,044)	(3,444)	(3,467)	(3,194)	(2,342)
Commercial Operations	Income	1,747	1,848	1,365	2,225	1,290
	Expenses	(4,087)	(4,331)	(3,362)	(4,163)	(3,196)
		(2,340)	(2,483)	(1,997)	(1,939)	(1,906)
Product Development	Income	0	0	0	552	0
	Expenses	(493)	(502)	(556)	(304)	(386)
		(493)	(502)	(556)	249	(386)
Development Fund	Expenses	(1,318)	(1,528)	(2,034)	(2,017)	(3,227)
Administration	Income	3,468	2,303	3,389	2,803	1,037
	Expenses	(11,775)	(10,174)	(9,398)	(5,746)	(4,308)
		(8,307)	(7,870)	(6,008)	(2,944)	(3,271)
Non Racing Operations						
RISE IT Operations	Income	1,187	1,187	1,300	930	825
	Expenses	(1,189)	(1,258)	(1,243)	(1,024)	(922)
		(2)	(71)	57	(94)	(97)
Tabcorp Park	Income	8,251	8,032	1,798	0	0
	Expenses	(8,497)	(8,599)	(2,562)	0	0
		(245)	(567)	(765)	0	0
Eliminations	Income	(2,933)	(2,854)	(851)	(205)	(217)
	Expenses	2,933	2,854	851	205	217
		0	0	0	0	0
TOTALS	Total Income	74,190	71,859	66,208	62,398	60,060
	Total Expenses	(74,090)	(73,543)	(68,614)	(62,639)	(59,652)
Profit/(Loss)		100	(1,684)	(2,406)	(240)	408

Race Meeting Statistics

	2011		2010		
	Aggregate $000's	Average $000's	Aggregate $000's	Average $000's	Average %
Metropolitan Meetings - All					
Total Meetings	76		51		49.0%
Off Course Tote	44,714	588.3	39,701	778.5	12.6%
On Course Tote	2,850	37.5	5,034	98.7	(43.4%)
Bookmakers	1,826	24.0	2,105	41.3	(13.3%)
Attendance (Not measured for all meetings)	13.4	0.2	21.4	0.4	(37.4%)
Metropolitan Meetings - Day					
Total Meetings	34		4		750.0%
Off Course Tote	13,973	411.0	3,156	789.0	342.8%
On Course Tote	521	15.3	659	164.9	(20.9%)
Bookmakers	383	11.3	295	73.6	30.0%
Attendance (Not measured for all meetings)	4.2	0.1	0.0	0.0	0.0%
Metropolitan Meetings - Night					
Total Meetings	42		46		(8.7%)
Off Course Tote	30,741	731.9	35,873	779.9	(14.3%)
On Course Tote	2,328	55.4	4,323	94.0	(46.1%)
Bookmakers	1,443	34.4	1,779	38.7	(18.9%)
Attendance (Not measured for all meetings)	9.2	0.2	21.4	0.5	(56.8%)
Metropolitan Meetings - Twilight					
Total Meetings	0		1		(100.0%)
Off Course Tote	0	0.0	672	672.4	(100.0%)
On Course Tote	0	0.0	52	51.9	(100.0%)
Bookmakers	0	0.0	32	32.1	(100.0%)
Attendance (Not measured)	0.0	0.0	0.0	0.0	0.0%
Country Club TAB Meetings - All					
Total Meetings	430		453		(5.1%)
Off Course Tote	157,326	365.9	177,291	391.4	(11.3%)
On Course Tote	8,412	19.6	10,087	22.3	(16.6%)
Bookmakers	1,673	3.9	1,878	4.1	(10.9%)
Attendance	158.8	0.4	169.6	0.4	(6.4%)
Country Club TAB Meetings - Day					
Total Meetings	155		183		(15.3%)
Off Course Tote	53,486	345.1	68,388	373.7	(21.8%)
On Course Tote	2,278	14.7	2,942	16.1	(22.6%)
Bookmakers	375	2.4	373	2.0	0.6%
Attendance	44.1	0.3	49.7	0.3	(11.2%)

(Includes 6 Country Club Meetings at Tabcorp Park)

Race Meeting Statistics

	2011		2010		
	Aggregate $000's	Average $000's	Aggregate $000's	Average $000's	Average %
Country Club TAB Meetings - Night					
Total Meetings	228		222		2.7%
Off Course Tote	89,891	394.3	93,653	421.9	(4.0%)
On Course Tote	5,329	23.4	6,164	27.8	(13.5%)
Bookmakers	1,125	4.9	1,327	6.0	(15.2%)
Attendance	97.2	0.4	98.2	0.4	(1.0%)
(Includes 19 Country Club Meetings at Tabcorp Park)					
Country Club TAB Meetings - Twilight					
Total Meetings	47		48		(2.1%)
Off Course Tote	13,949	296.8	15,251	317.7	(8.5%)
On Course Tote	805	17.1	982	20.4	(17.9%)
Bookmakers	173	3.7	178	3.7	(2.5%)
Attendance	17.4	0.4	21.7	0.5	(19.8%)
(Includes 3 Country Club Meetings at Tabcorp Park)					
Country Club Non-TAB Meetings					
Total Meetings	1		2		(50.0%)
Off Course Tote	0	0.0	0	0.0	0.0%
On Course Tote	34	34.3	289	144.5	(88.1%)
Bookmakers	24	23.7	144	72.1	(83.6%)
Attendance	0.7	0.7	12.1	6.0	(94.0%)
Victorian Performance on Victorian Meetings					
Total Meetings	507		506		0.2%
Off Course Tote	202,041	398.5	216,993	428.8	(6.9%)
On Course Tote	11,296	22.3	15,411	30.5	(26.7%)
Bookmakers	3,523	6.9	4,127	8.2	(14.6%)
Attendance	172.9	0.3	203.0	0.4	(14.8%)
Victorian Off Course Performance on Interstate/International Meetings					
Total Meetings	1,622		1,508		7.6%
Off Course Tote	315,720	194.6	337,302	223.7	(6.4%)
Victorian Performance on All Harness Meetings					
Total Meetings	2,129		2,014		5.7%
Off Course Tote	517,760	243.2	554,295	275.2	(6.6%)
On Course Tote	11,296	5.3	15,411	7.7	(26.7%)
Total Tote - On and Off Course	**529,056**	**248.5**	**569,706**	**282.9**	(7.1%)
Bookmakers	3,523	1.7	4,127	2.0	(14.6%)
Total Betting (Tote plus Bookmakers)	**532,579**	**250.2**	**573,833**	**284.9**	(7.2%)

Report of Operations

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 2011.

K Latta PSM
Chairman
26 August 2011

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. Dr Denis Napthine, MP

Members of Harness Racing Victoria Board
Ken Latta PSM – Chairman
Carl O'Dwyer – Deputy Chairman (Appointment expired 31 May 2011)
Peter Bourke (Appointment expired 31 May 2011)
Stephen Nash
Kate Roffey
Neale Wheat
Paul Horvath
Geoffrey Kay (Commenced 1 June 2011)

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 - Shane Larkins
Shane 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 (acting) - Renee Kinne
Renee leads the Finance and Administration unit and is responsible for Accounting and Finance, Risk Management and Country Club Compliance.

Audit Committee

The Audit Committee consists of the following members:
John Stewart (Chairman- Independent)
Geoff Tory (Independent)
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.

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.

Board

Chief Executive - John Anderson

CHIEF OPERATING OFFICER Brant Dunshea	GM COMMERCIAL OPERATIONS Lucy Brennan	LEGAL COUNSEL Craig Launder	CHAIRMAN OF STEWARDS Shane Larkins	GM TABCORP PARK Joe Ivisic	CHIEF FINANCIAL OFFICER (ACTING) Renee Kinne

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 ongoing 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, work life balance and a friendly non-discriminatory working environment.

During the year, HRV offered a range of programs to ensure all staff have the knowledge and skills required in the contemporary work environment. Particular focus his year was placed on reinforcing Integrity with all staff undertaking 'Managing Risks to Integrity' training through the States Services Authority. HRV continued its commitment to Stewards training by expanding the accredited vocational training program for Stewards.

HRV also continued with the strategy of ongoing skill development for track maintenance personnel via the accredited track maintenance training program. All employees are encouraged to extend their professional skills with individual development needs identified as part of the performance management process.

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. Negotiations for the new HRV Stewards Panel Enterprise Agreement are currently underway.

HRV continues to assist Tabcorp Park with the ongoing development of their human resources policies and procedures with a particular focus over the year on compliance and workplace behviour training.

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 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 HRV Chief Operating Officer.

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

- Assistance to HRV staff and registered racing club officials concerning rehabilitation and return to work related matters.
- On-going risk assessments covering all registered country racing clubs.
- Consultation and development of safety design features for selected race track infrastructure.
- 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.
- Providing technical assistance and support concerning a wide variety of HRV and Racing Club equipment.

Financial Review of Operations and Financial Conditions

For the financial year ended 30 June 2011 an operating profit of $0.10 million was recorded. This profit compares favourably to the prior year loss of $1.68 million and exceeded budgeted expectations.

In 2010/11 revenue grew by $2.3 million or 3.2% from $71.92 million to $74.21

STAFF PROFILE BY POSITION – FULL TIME	MALE		FEMALE		TOTAL FULL TIME	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Executive	7	7	1	1	8	8
Professionals	13	14	1	1	14	15
Paraprofessionals	25	24	1	2	26	26
Clerical Workers	3	8	11	7	14	15
Broadcasters & Country Clubs	9	7	0	0	9	7
TOTAL	**57**	**60**	**14**	**11**	**71**	**71**

In addition, the HRV Board employed 9 part time staff at 30 June 2011 and 18 casual staff were utilised during the year.

HRV STAFFING TRENDS – FULL TIME				
2011	**2010**	**2009**	**2008**	**2007**
71	71	70	67	63

million. The growth was driven by a $0.94 million increase in sponsorship on the back of recognition of a component of the Tabcorp Park naming rights sponsorship for $1.0 million. Also contributed to the uplift was higher income from Futurities race series (APG) of $0.63 million, revenue growth from Tabcorp Park operations of $0.44 million and higher Grants income of $0.44 million. Wagering income grew by $0.13 million with Tabcorp income declining $2.67 million year on year whilst income from racefields grew by $2.80 million on the back of a transition fee being charged to Wagering Service Providers for the period of 4 September 2008 to 31 December 2008.

During the year Harness Racing Victoria distributed a record total of $33.99 million in stakemoney to owners, trainers, drivers, breeders and studmasters. Other expenses from operations of $40.12 million were in line with the prior year expenditure of $39.90 million.

Cash Assets at 30 June 2011 of $1.7 million are $0.1 million higher than the same time last year whilst Total Assets of $71.4 million have grown by $7.8 million on the back of a $11.9 million revaluation increment to land and buildings. Total Liabilities over the year declined by $4.3 million to $45.9 million largely due to a reduction in current payables.

Future Outlook

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

Over the next twelve months 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.

Tabcorp Park operated at a loss in 2010/11 however revenue is expected to grow and operating costs are decreasing as the efficiency of the business continues to improve. In the year that passed, Tabcorp Park represented in excess of 12% of HRV's income and this is expected to grow into the future as the business continues to expand and the market in the local region grows.

Given the limited growth in revenue projected for the coming year stakemoney levels are budgeted to be maintained for the forthcoming year. This has been possible due to the identification of a number of operational efficiency across the business.

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 2010/11, 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 70% 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 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 to reduce overall fuel usage. 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

FIVE YEAR FINANCIAL SUMMARY					
	2011	2010	2009	2008	2007
	$'000	$'000	$'000	$'000	$'000
Tabcorp Revenue	47,319	49,988	48,652	48,264	49,219
Other Revenue	26,891	21,928	17,553	14,131	10,847
Total Revenue	**74,210**	**71,916**	**66,205**	**62,394**	**60,066**
Stake Money Expense	(33,988)	(33,699)	(33,579)	(33,373)	(32,577)
Other Expenses	(40,122)	(39,901)	(35,032)	(29,261)	(27,084)
Net Profit/(Loss)	**100**	**(1,684)**	**(2,406)**	**(240)**	**405**
Cash Assets	1,722	1,623	2,271	8,680	4,774
Total Assets	71,457	63,700	59,718	47,372	30,403
Current Liabilities	(10,331)	(14,222)	(13,797)	(15,496)	(10,511)
Total Liabilities	(45,860)	(50,165)	(44,499)	(29,747)	(12,537)

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 2010/11 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 engaged TechnologyOne to implement a new financial management system. The total cost paid to TechnologyOne for this engagement was $114,407.

In addition a further 26 consultancies during the year where the fees payable to the consultant was less than $100,000 were engaged during the year. The total cost of these consultancies was $243,794 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, Renee Kinne 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.

R Kinne
Chief Finance and Accounting Officer (acting)
Harness Racing Victoria
26 August 2011

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 2010/11 on 14 September 2010, 14 February 2011 (combined meeting - VBA not in attendance), 18, 20 and 21 June 2011.

- Association of Victorian Country Harness Racing Clubs Inc (AVCHRC)
- Harness Breeders (Vic) (HBV)
- Victorian Bookmakers Association (VBA)
- Victorian Harness Racing Sports Club (VHRSC) (representing Owners)
- Victorian Harness Racing Trainers and Drivers Association Inc (VHRTDA)
- Victorian Square Trotters Association (VSTA)

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

Association	Issues Discussed	Decision/Outcome
AVCHRC	AVCHRC provided updates on its Governance Restructure. Clubs would be divided into groups as opposed to regions. The new structure would enable the AVCHRC to employ a full time resource.	New Constitution was voted on and accepted.
AVCHRC/ VHRSC/ VHRTDA	Development of a harness/club membership card.	After consultation, arrangements for 2011/12 Harness Card finalised and agreed.
HBV	HBV would like to publish stallion fertility statistics in future editions of the Australasian Standardbred Stallion Guide. HRA would not release this information as it was their intellectual property.	HRV undertook to liaise with HRA on behalf of HBV to reach a satisfactory resolution.
HBV	HBV raised the Coalition Government's Policy commitment to government funding for the breeding industry.	HRV and HBV working together on a submission to be submitted to Government.
HBV	HBV requested HRV to explore opportunities for HBV members to be eligible for benefits at Tabcorp Park.	HRV to communicate options to HBV.
HBV	HBV would like to receive support from country clubs to conduct annual feature fillies/mares races.	HRV supported the initiative and advised HBV to consult with the AVCHRC to gain support and action from the clubs.
VBA	HRV provided an update on an issue raised by VBA in relation to an amendment to The Gambling Regulation Act which provides that Bookmakers Clerks are no longer required to be registered.	HRV has brought the issue to the attention of the Racing Integrity Commissioner.
VHRSC	VHRSC advised that it supported enhancing the Vicbred program to include a pro-rata first win bonus for winners of a graduation penalty race.	HRV advised this was already being considered as part of the 2011/12 budget process.
VHRTDA	HRV received a written suggestion that a program of sulky registration be introduced.	VHRTDA advised this was not necessary as there were no concerns with the quality and safety of sulkies.
VHRTDA	Concerns were raised by VHRTDA regarding the impact of Handicapping Rules on 2yos.	HRV agreed with VHRTDA and advised representations would be made to Harness Racing Australia (HRA).
VHRTDA	Concerns were raised regarding the importation of 2yo and 3yo horses from New Zealand and how they are assessed in Australia.	HRV had successfully negotiated with Harness Racing New Zealand to modify programming conditions.
VHRTDA	Several discussions took place regarding the application of the new Whip Rules.	HRV implemented the VHRTDA recommendation of complying with the National Rule.
VHRTDA	The potential to market harness racing internationally was discussed.	HRV will continue to explore international opportunities in conjunction with Sky Channel.
VHRTDA	VHRTDA requested information on a review regarding Australian Handicapping Rules for 2011/12.	HRV advised submissions should be made directly to HRA.
VHRTDA	VHRTDA requested information on insurance cover for trainers/ driver for 2011/12 and beyond.	HRV advised that HRA would be tendering for the national insurance coverage. Any issues of concern should be made directly to HRA. Note that insurance arrangements finalised in August 2011 for 2011/12 season.
VHRTDA	HRV offered to collaborate with VHRTDA to develop a resource to provide information and guidance to trainers regarding their responsibility to employees.	VHRTDA may contact HRV to pursue this initiative further.
VHRTDA	HRV raised concerns regarding participant conduct.	HRV and VHRTDA to work collaboratively to address the issue.
VHRTDA	HRV outlined a proposal to establish a permit system for Grade B drivers at Tabcorp Park Melton which was generally agreed to by the VHRTDA.	Permit system in place.
VHRTDA	VHRTDA advised that drivers' fees had not increased since 2008 and requested HRV to consider a CPI increase.	HRV is considering as part of the 2011/12 stakemoney budget process. Note that fees were increased for 2011/12 season.
VSTA	VSTA raised concerns regarding standing start procedures. HRV advised that new procedures had been adopted.	HRV will continue to monitor standing start procedures and make appropriate changes as they arise.
VSTA	The VSTA Review and Research Report revealed there was support for claiming races to be implemented for trotters.	One trotter's claiming race would be introduced during the months of January to March 2011.
VSTA	VSTA requested consideration be given to Vicbred and Australasian Breeders Crown age groups to be split into separate divisions by sex.	HRV advised this proposal had been explored and the option was not viable without significantly reducing stakemoney levels of the finals. If a split in sexes was considered, it would commence with Vicbred in the interim. Proposed for 2011/12 season.
VSTA	VSTA applied to be an official consultation body.	HRV granted approval in February 2011.

The following issues were discussed with all groups:

- HRV provided an update of Tabcorp Park's performance.
- HRV provided an update on industry performance in relation to wagering.
- HRV presented a draft of the new Strategic Plan which is to be released to the industry in the 2011/12 season.

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
FINANCIAL REPORT		
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SD 4.2(a)	Statement of Changes in Equity	25
SD 4.2(b)	Operating Statement	23
SD 4.2(b)	Balance Sheet	24
SD 4.2(b)	Cash Flow Statement	26
Other Requirements under Standing Direction 4.2		
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	28
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OTHER DISCLOSURES REQUIRED BY FRDS IN NOTES TO THE FINANCIAL STATEMENTS		
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Key Industry Statistics

	2011	2010	2009	2008	2007	2006	2005
Meetings (TAB)	506	504	509	498	505	493	498
Meetings (Non-TAB)	1	2	3	3	4	11	13
Races	4,069	4,084	4,122	4,088	4,375	4,076	4,158
Horses raced	4,418	4,440	4,458	4,442	4,672	4,612	4,637
Nominations	57,995	57,973	55,512	57,787	58,392	56,413	58,660
Starters	39,099	39,241	38,633	38,827	40,295	39,549	39,698
Drivers	872	897	887	878	847	930	950
Trainers	1,405	1,460	1,478	1,497	1,443	1,542	1,540
Stablehands	1,674	1,741	1,751	1,672	952	1,281	1,300
Sires	133	103	114	108	113	101	109
Foals	2,916	2,985	2,916	2,713	3,018	2,839	3,049
Namings	1,556	1,665	1,689	2,169	2,308	1,785	1,831
Services	4,875	4,863	5,042	4,876	4,473	4,617	4,198

2011 HARNESS RACING VICTORIA FINANCIAL STATEMENTS

Comprehensive Operating Statement
For The Financial Year Ended 30 June 2011

	Notes	Consolidated Entity		Parent Entity	
		2011 $'000	2010 $'000	2011 $'000	2010 $'000
INCOME FROM TRANSACTIONS					
Tabcorp income		47,319	49,988	47,319	49,988
Other income		26,891	21,928	20,386	15,563
Total Income from Transactions	2	**74,210**	**71,916**	**67,705**	**65,551**
EXPENSES FROM TRANSACTIONS					
Stakemoney expense		(33,988)	(33,699)	(33,988)	(33,699)
Employee benefits		(11,458)	(10,587)	(7,737)	(6,731)
Depreciation and amortisation expense		(2,487)	(2,260)	(2,407)	(2,198)
Finance costs		(2,269)	(1,990)	(2,242)	(1,977)
Other operating expenses		(23,758)	(24,967)	(20,836)	(21,897)
Total Expenses from Transactions	2	(73,960)	(73,503)	(67,210)	(66,502)
Net Result from Transactions (Net Operating Balance)		**250**	**(1,587)**	**495**	**(951)**
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT					
Bad and doubtful debt expense		(28)	(36)	(25)	(35)
Gain/(Loss) on sale of property, plant and equipment	2(a)	(21)	(61)	(21)	(61)
Revaluation decrement of property, plant and equipment	8	(101)	-	(101)	-
Total Other Economic Flows Included in Net Result		(150)	(97)	(147)	(96)
Net Result	19	**100**	**(1,684)**	**348**	**(1,047)**
OTHER ECONOMIC FLOWS - OTHER NON-OWNER CHANGES IN EQUITY					
Changes in physical asset revaluation surplus	18	11,962	-	11,962	-
Total Other Economic Flows - Other Non-Owner Changes in Equity		**11,962**	**-**	**11,962**	**-**
Comprehensive Result		**12,062**	**(1,684)**	**12,310**	**(1,047)**

The accompanying notes form part of these financial statements

Balance Sheet
As At 30 June 2011

	Notes	Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000	Parent Entity 2011 $'000	Parent Entity 2010 $'000
CURRENT ASSETS					
Cash and cash equivalents	25(a)	1,722	1,623	1,115	863
Receivables	4	4,334	8,356	4,899	8,754
Other financial assets	5	36	51	686	701
Inventories	7	75	58	-	-
Other assets	6	253	714	208	671
Total Current Assets		**6,420**	**10,802**	**6,908**	**10,989**
NON-CURRENT ASSETS					
Property, plant and equipment	8	63,594	51,420	63,447	51,258
Other financial assets	5	114	150	114	150
Investments	9	1,082	1,082	1,950	1,950
Intangible assets	10	247	246	-	-
Total Non-Current Assets		**65,037**	**52,898**	**65,511**	**53,358**
TOTAL ASSETS		**71,457**	**63,700**	**72,419**	**64,347**
CURRENT LIABILITIES					
Payables	11	6,203	9,174	6,239	9,023
Provisions	12	1,800	1,529	1,539	1,318
Borrowings	13	-	185	-	185
Prepaid income	15	565	1,559	478	1,502
Other liabilities	16	1,763	1,775	1,750	1,761
Total Current Liabilities		**10,331**	**14,222**	**10,006**	**13,789**
NON-CURRENT LIABILITIES					
Borrowings	13	29,100	29,100	29,100	29,100
Non interest bearing liabilities	14	464	437	-	-
Prepaid income	15	3,543	3,965	3,543	3,965
Provisions	12	174	141	141	122
Other liabilities	16	2,248	2,300	2,248	2,300
Total Non-Current Liabilities		**35,529**	**35,943**	**35,032**	**35,487**
TOTAL LIABILITIES		**45,860**	**50,165**	**45,038**	**49,276**
NET ASSETS		**25,597**	**13,535**	**27,381**	**15,071**
EQUITY					
Contributed capital	17	9,174	9,174	9,174	9,174
Reserves	18	15,333	3,371	15,333	3,371
Accumulated surplus	19	1,090	990	2,874	2,526
TOTAL EQUITY		**25,597**	**13,535**	**27,381**	**15,071**

The accompanying notes form part of these financial statements

Statements Of Changes In Equity
For The Financial Year Ended 30 June 2011

Consolidated Entity		Reserves	Accumulated surplus	Contributed capital	Total
		$'000	$'000	$'000	$'000
	Notes	18	19	17	
Balance at 1 July 2009		**3,371**	**2,674**	**9,174**	**15,219**
Net result for the year		-	(1,684)	-	(1,684)
Balance at 30 June 2010		**3,371**	**990**	**9,174**	**13,535**
Net result for the year		-	100	-	100
Other comprehensive income for the year		11,962	-	-	11,962
Balance at 30 June 2011		**15,333**	**1,090**	**9,174**	**25,597**

Parent Entity		Reserves	Accumulated surplus	Contributed capital	Total
		$'000	$'000	$'000	$'000
	Notes	18	19	17	
Balance at 1 July 2009		**3,371**	**3,572**	**9,174**	**16,117**
Net result for the year		-	(1,047)	-	(1,047)
Balance at 30 June 2010		**3,371**	**2,526**	**9,174**	**15,071**
Net result for the year		-	348	-	348
Other comprehensive income for the year		11,962	-	-	11,962
Balance at 30 June 2011		**15,333**	**2,874**	**9,174**	**27,381**

Cash Flow Statement

For The Financial Year Ended 30 June 2011

		Consolidated Entity		Parent Entity	
	Notes	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Cash flows from operating activities					
Receipts from operations		77,578	68,927	69,748	61,713
Payments to suppliers, employees & industry		(72,399)	(69,871)	(64,506)	(62,099)
Interest received		110	100	136	126
Interest paid		(2,242)	(1,977)	(2,242)	(1,977)
Net cash from/(used in) operating activities	25(b)	**3,047**	**(2,821)**	**3,136**	**(2,237)**
Cash flows from investing activities					
Payments for property, plant and equipment		(2,824)	(3,296)	(2,760)	(3,230)
Loans provided		-	(30)	-	(130)
Net cash from/(used in) investing activities		**(2,824)**	**(3,326)**	**(2,760)**	**(3,360)**
Cash flows from financing activities					
Proceeds from loan repayments		61	60	61	60
Proceeds from interest bearing liabilities		-	4,931	-	4,931
Proceeds from non interest bearing liabilities		-	508	-	-
Repayment of interest bearing liabilities		(185)		(185)	
Net cash from/(used in) financing activities		**(124)**	**5,499**	**(124)**	**4,991**
Net Increase/(decrease) in cash and cash equivalents held		**99**	**(648)**	**252**	**(606)**
Cash and cash equivalents at the beginning of the financial year		1,623	2,271	863	1,469
Cash and cash equivalents at the end of the financial year	25(a)	**1,722**	**1,623**	**1,115**	**863**

The accompanying notes form part of these financial statements


tabsportsbet

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 Subsidiaries (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.

Its principal address is:
Harness Racing Victoria
400 Epson Road
Flemington VIC 3031

(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 Accounting Preparation & Measurement

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

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

The financial statements were formally authorised for issue by the Harness Racing Victoria Board on 26 August 2011.

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.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

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 2011 and the comparative information presented for the year ended 30 June 2010.

(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 2011. 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 AASs.

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*.

Rounding of Amounts

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

(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 financial statements are authorised for issue, where those events provide information about conditions that existed in the reporting period. 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 as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in 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 from Transactions

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

The Group recognises income when the amount of income 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 income 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.

Income 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 Income 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 income 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 2011, for futurity series to be conducted in 2011/2012 are brought to account as a Current Liability. Fees and contributions received for series to be run after 30 June 2012 have been recorded as a Non-Current Liability.
- Gaming commission income is recognised when the right to receive the income has been established, generally on a daily basis based on the share of entitlement of gaming expenditure by customers.
- Hotel room rental income 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 income 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 from third parties (other than contribution by owners) are recognised as income 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 from Transactions

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 (other than contribution to owners) 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 (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums. 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, and adjustments made where appropriate.

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)

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. 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 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. Bad debts not written off by mutual consent and the allowance for doubtful receivables, are classified as "other economic flows" in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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 Non-Financial Assets

Goodwill and intangible assets not yet available for use or with indefinite useful lives are tested annually for impairment (as described below) 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;
- investment properties that are measured at fair value; 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.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in the prior years.

It is deemed that, in the event of the loss or destruction 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.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value;
- impairment and reversal of impairment for financial instruments at amortised cost; and
- disposals of financial assets.

(j) Financial Instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Group's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(k)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments 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.

Financial instrument liabilities measured at amortised cost include all payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through the comprehensive operating statement.

Offsetting financial instruments

Financial instrument assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(k) Assets

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

Cash and Deposits

Cash and deposits, including cash equivalents, comprise cash on hand and cash 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 of statutory receivables, which include GST input tax credits recoverable; and contractual receivables, which include mainly debtors in relation to goods and services, loans to third parties and accrued investment income.

Receivables that are contractual are classified as financial instruments. Statutory receivables are not classified as financial instruments.

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 may not be collected and 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. Any dividend or interest earned on the financial asset is recognised in the consolidated comprehensive operating statement as a transaction.

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 and deposits, loans and receivables and investment in Radio 3UZ Unit Trust.

Investment in Radio 3UZ Unit 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 Radio Sport National, formely 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.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
    - o has transferred substantially all the risks and rewards of the asset, or
    - o has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Impairment of Financial Assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes financial difficulties of the debtor, default payments, and changes in debtor credit ratings. All financial assets, except those measured at fair value through the comprehensive operating statement, 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. Bad debts not written off by mutual consent and allowance for doubtful receivables are classified as "other economic flows" in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets.*

Property, Plant and Equipment

All non-financial physical assets, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

The fair value of plant and equipment is normally determined by reference to the asset's depreciated replacement cost. Existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

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 the Financial Reporting Directions (FRDs) issued by the Minister for Finance. 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. Any interim revaluations are determined in accordance with the requirements of the FRDs.

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 economic flows – other movements in equity" and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is 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 other economic flows in the net result, except that the net revaluation decrease is recognised in "other economic flows – other movements in equity" to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. The net revaluation decrease recognised in "other economic flows – other movements in equity" reduces the amount accumulated in equity under the asset 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 asset revaluation surplus is not normally transferred to accumulated funds on derecognition 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.

Gaming machine entitlements

Intangible assets represent identifiable non-monetary assets without physical substance such as licences, patents, trademarks, and computer software and development costs (where applicable). In the case of the Trust, intangibles are limited to the value of gaming machine entitlements.

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is allocated to intangible assets with finite useful lives on a 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. 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. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

The value of gaming machine entitlements which are disclosed as an intangible asset is based on actual payments made to procure the entitlements. Future payments are disclosed as a commitment in Note 29 of the accounts.

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.

(l) Liabilities

Payables

Payables consist of:

- contractual payables, such as accounts payable, and unearned income including deferred income from concession arrangements. Accounts payable 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 in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer Note 1(j)). Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Interest Bearing Liabilities

Interest bearing liabilities are initially measured at fair value, being the cost of the interest bearing liabilities, 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 the net result 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 balance date.

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 liability is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rates that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

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 sick leave

Liabilities for wages and salaries, annual leave and accumulating sick leave are recognised in the provision for employee benefits, classified as current liabilities. Those liabilities which are expected to be settled within 12 months of the reporting period, are measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are also recognised in the provision for employee benefits as current liabilities, but are measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

(ii) Long service leave

Liability for long service leave ("LSL") is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the Group does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- nominal value-component that the Group expects to settle within 12 months; and
- present value-component that the Group does not expect to settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

The non-current LSL liability is measured at present value. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an 'other economic flow'.

(iii) Employee benefits on-costs

Employee benefits on-costs such as payroll tax, workers compensation and superannuation 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 the end of the reporting period 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 2011, for futurity series to be conducted in 2011/2012 are brought to account as a Current Liability. Fees and contributions received for series to be run after 30 June 2012 have been recorded as a Non-Current Liability.

(m) 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.

(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, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from use of the leased asset. 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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. All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period.

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

(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 Assumptions

In the application of AAS, judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstance. Actual results may differ from these estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the next year, are disclosed throughout the notes to the financial statements.

Estimates and judgements 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) AASs Issued that are Not Yet Effective

Certain new AASs have been published that are not mandatory for the 30 June 2011 reporting period. The Department of Treasury and Finance ("DTF") assesses the impact of all these new standards and advises HRV of their applicability and early adoption where applicable.

As at 30 June 2011, the following standards and interpretations that are applicable to the Group had been issued but are not mandatory for the financial year ended 30 June 2011. Standards and Interpretations that are not applicable to the Group have been omitted. The Group has not early adopted these standards.

(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,* 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 & 1038 and Interpretations 10 and 12], and* AASB 2010-7 *Amendments to Australian Accounting Standards Arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19, & 127]*	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 *Financial Instruments: Recognition and Measurement* (AASB 139 *Financial Instruments: Recognition and Measurement)*	Detail of impact is still being assessed.	Beginning 1 January 2013	Year ending 30 June 2014
AASB 124 *Related Party Disclosures* (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 January 2011	Year ending 30 June 2012
AASB 1053 *Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards Arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1055 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]*	This standards establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	The impact of this standard may affect disclosures in the financial reports of certain types of entities where reduced disclosure requirements may apply. The standard does not affect the operating result or financial position.	Beginning 1 July 2013	Year ending 30 June 2014
AASB 2010-4 *Further Amendments to Australian Accounting Standards Arising from the Annual Improvements Project [AASB 1, 7, 101 & 134 and Interpretation 13]*	Amendments generally clarify the disclosure requirements of other Australian Accounting Standards	Clarification of disclosures. Minimal impact.	Beginning 1 July 2011	Year ending 30 June 2012
AASB 2010-5 *Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 199, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]*	This standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the International Accounting Standards Board.	No impact	Beginning 1 July 2011	Year ending 30 June 2012

2. Income and Expenses from Transactions

	Consolidated Entity		Parent Entity	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
The Comprehensive Operating Statement consists of the following income and expense items:				
INCOME				
Tabcorp Income	**47,319**	**49,988**	**47,319**	**49,988**
Other Income				
Racefield fees	6,370	3,575	6,370	3,575
Registered bookmakers fees	52	59	52	59
Gaming commission	2,407	2,177	-	-
Food & beverage	3,442	3,525	-	-
Accommodation	658	531	-	-
Other venue revenue	490	328	-	-
Sponsorship, advertising & events	2,299	1,359	2,312	1,397
RISE IT charges	732	770	-	-
Grants	1,958	1,523	1,958	1,408
Registration & licencing fees	1,366	1,292	1,366	1,292
Raceday fees	526	695	526	695
Fines & appeals	257	255	257	255
Country Club contribution to stakemoney	1,007	1,128	1,007	1,128
Futurities Income				
- Vicbred Revenue	712	764	712	764
- Breeders Crown	1,496	1,458	1,496	1,458
- Race series subsidies	706	74	706	74
Sky vision fees	405	272	405	272
Property income	659	556	1,720	1,586
Industry programs	511	558	511	558
Management & service fee	465	523	649	654
Interest	112	184	138	126
Other income	261	322	201	262
Total Other Income	**26,891**	**21,928**	**20,386**	**15,563**
TOTAL INCOME FROM TRANSACTIONS	**74,210**	**71,916**	**67,705**	**65,551**

Note 2 Income and Expenses from Transactions (Continued)

	Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000	Parent Entity 2011 $'000	Parent Entity 2010 $'000
EXPENSES				
Stakemoney Expense				
Metropolitan stakes	11,053	9,941	11,053	9,941
Country stakes	19,060	20,155	19,060	20,155
Drivers fees	1,168	1,154	1,168	1,154
Vicbred win bonuses	1,924	1,737	1,924	1,737
Vicbred breeder bonuses	783	712	783	712
Total Stakemoney Expense	**33,988**	**33,699**	**33,988**	**33,699**
Employee Benefits				
Post employee benefits				
Defined contribution superannuation expense	760	766	456	457
Defined benefits superannuation expense	45	44	45	44
Salaries, wages and long service leave	10,653	9,777	7,236	6,230
Employee Benefits	**11,458**	**10,587**	**7,737**	**6,731**
Depreciation and Amortisation Expense (Refer Note 8)	**2,487**	**2,260**	**2,407**	**2,198**
Finance Costs	**2,269**	**1,990**	**2,242**	**1,977**
Other Operating Expenses				
Country Club funding	5,496	5,571	5,523	5,595
Marketing & sponsorship expenses	1,796	1,839	1,626	1,752
Vision & Audio	3,012	3,023	3,012	3,023
Property costs	2,880	2,960	1,650	1,650
Development fund **(Refer Note 20)**	1,199	1,419	1,199	1,419
Cost of goods sold	1,303	1,436	-	-
Fields, forms & comments	1,113	1,082	1,113	1,082
Swabs	468	460	468	460
Timing & photo finish	20	124	20	124
Registration	658	713	658	713
Integrity & licensing	151	196	151	196
Communication costs	148	187	105	135
Computer costs	359	496	375	381
Registered bookmaker costs	29	38	29	38
Training facilities	50	45	50	45
Insurance	552	452	508	403
Consulting/legal fees	1,311	805	1,285	785
Other expenses	3,213	4,121	3,064	4,096
Total Other Expenses	**23,758**	**24,967**	**20,836**	**21,897**
TOTAL EXPENSES FROM TRANSACTIONS	73,960	73,503	67,210	66,502

Note 2 Income and Expenses from Transactions (Continued)

	Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000	Parent Entity 2011 $'000	Parent Entity 2010 $'000
2(a). Gain/(Loss) on Sale of Property Plant and Equipment				
Gross proceeds	-	-	-	-
Less incidental cost of disposal	-	-	-	-
Carrying amount of property, plant and equipment disposed	(21)	(61)	(21)	(61)
Gain/(Loss) on sale of property, plant and equipment	**(21)**	**(61)**	**(21)**	**(61)**

3. Remuneration of Auditors

	Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000	Parent Entity 2011 $'000	Parent Entity 2010 $'000
Victorian Auditor General's Office - audit of the financial report	51	50	21	20
Pitcher Partners - internal audit services	37	51	37	51
Other audit services	1	2	-	-
Total Remuneration of Auditors	**89**	**103**	**58**	**71**

4. Receivables

	Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000	Parent Entity 2011 $'000	Parent Entity 2010 $'000
Current				
Contractual				
Trade receivables (i)	1,590	1,275	2,307	1,794
Provisions for doubtful debts (a)	(101)	(73)	(98)	(73)
	1,489	**1,202**	**2,209**	**1,721**
Tabcorp distribution receivable	374	5,259	374	5,259
Intercompany receivables	-	-	52	-
Sundry debtors	39	31	-	-
Accrued income	2,173	1,512	2,066	1,480
Statutory				
Goods and Services Tax (GST) recoverable	259	352	198	294
	2,845	**7,154**	**2,690**	**7,033**
Total Current Receivables	**4,334**	**8,356**	**4,899**	**8,754**

(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.

Note 4 Receivables (Continued)

	Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000	Parent Entity 2011 $'000	Parent Entity 2010 $'000
(a) Movement in the Provision for doubtful debts				
Balance at the beginning of the year	(73)	(54)	(73)	(54)
Amounts recovered during the year	5	7	5	7
(Increase) / decrease in allowance recognised in the net result	(33)	(37)	(30)	(37)
Reversal of provision for receivables written off during the year as uncollectible	-	11	-	11
Balance at end of the year	(101)	(73)	(98)	(73)

(b) Ageing analysis of contractual receivables
Please refer to tables 27.2c and 27.2d in Note 27 for the ageing analysis of contractual receivables.

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

5. Other Financial Assets

	Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000	Parent Entity 2011 $'000	Parent Entity 2010 $'000
Current				
Loan - Geelong Harness Racing Club Inc	29	27	29	27
Loan - Shepparton Harness Racing Club Inc	7	9	7	9
Loan - Terang Harness Racing Club Inc	-	6	-	6
Loan - Southern Speedways Light Harness Racing Club Inc	-	9	-	9
Loan - HRV Management Ltd ATF Melton Entertainment Trust*	-	-	650	650
Total Current Other Financial Assets	**36**	**51**	**686**	**701**
Non-Current				
Loan - Geelong Harness Racing Club Inc	98	127	98	127
Loan - Shepparton Harness Racing Club Inc	16	23	16	23
Total Non-Current Other Financial Assets	**114**	**150**	**114**	**150**
Total Other Financial Assets	**150**	**201**	**800**	**851**

* HRV provided HRV Management Ltd ATF Melton Entertainment Trust with a working capital facility of $700,000.

(a) Ageing analysis of other financial assets
Please refer to tables 27.2c and 27.2d 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

	Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000	Parent Entity 2011 $'000	Parent Entity 2010 $'000
Prepayments	253	714	208	671
Total Other Current Assets	**253**	**714**	**208**	**671**

7. Inventories

	Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000	Parent Entity 2011 $'000	Parent Entity 2010 $'000
Food at cost	16	10	-	-
Beverage at cost	59	48	-	-
Total Inventories	**75**	**58**	**-**	**-**

8. Property, Plant and Equipment

Consolidated Entity

2010/11 Year	Freehold Land	Buildings	Building Improvements	Moonee Valley Improvements	Plant and Equipment	Melton Project/ Track	Total
Gross Carrying Amount Balance as at 30 June 2010	**5,643**	**39,620**	**1,217**	**-**	**9,957**	**3,469**	**59,906**
Reclassification of opening balances	-	-	65	-	-	(65)	-
Additions	-	2,305	-	-	486	34	2,825
Disposals/writeoffs	-	-	-	-	(1,325)	(1)	(1,326)
Revaluation increments	11,707	(2,046)	-	-	-	-	9,661
Revaluation decrements	-	-	-	-	-	(101)	(101)
Balance as at 30 June 2011	**17,350**	**39,879**	**1,282**	**-**	**9,118**	**3,336**	**70,965**
Accumulated Depreciation							
Balance as at 30 June 2010	**-**	**(1,310)**	**(590)**	**-**	**(6,409)**	**(177)**	**(8,486)**
Disposals/writeoffs	-	-	-	-	1,300	-	1,300
Depreciation expense	-	(1,008)	(184)	-	(1,160)	(135)	(2,487)
Revaluation increments	-	2,302	-	-	-	-	2,302
Balance as at 30 June 2011	**-**	**(16)**	**(774)**	**-**	**(6,269)**	**(312)**	**(7,371)**
Net Book Value							
As at 30 June 2010	5,643	38,310	627	-	3,548	3,292	51,420
As at 30 June 2011	**17,350**	**39,863**	**508**	**-**	**2,849**	**3,024**	**63,594**

Note 8 Property, Plant and Equipment (Continued)

2009/10 Year	Freehold Land	Buildings	Building Improvements	Moonee Valley Improvements	Plant and Equipment	Melton Project/ Track	Total
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**
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	-	811	-	1,369	43,754	50,446
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.

Parent Entity

2010/11 Year	Freehold Land	Buildings	Building Improvements	Moonee Valley Improvements	Plant and Equipment	Melton Project/ Track	Total
Gross Carrying Amount Balance as at 30 June 2010	5,643	39,620	1,217	-	7,506	3,469	57,455
Reclassification of opening balances	-	-	65	-	-	(65)	-
Additions	-	2,305	-	-	421	34	2,760
Disposals/writeoffs	-	-	-	-	(1,325)	(1)	(1,326)
Revaluation increments	11,707	(2,046)	-	-	-	-	9,661
Revaluation decrements	-	-	-	-	-	(101)	(101)
Balance as at 30 June 2011	**17,350**	**39,879**	**1,282**	-	**6,602**	**3,336**	**68,449**

Note 8 Property, Plant and Equipment (Continued)

	Freehold Land	Buildings	Building Improvements	Moonee Valley Improvements	Plant and Equipment	Melton Project/ Track	Total
Accumulated Depreciation							
Balance as at 30 June 2010	-	(1,310)	(590)	-	(4,120)	(177)	(6,197)
Disposals/writeoffs	-	-	-	-	1,300	-	1,300
Depreciation expense	-	(1,008)	(184)	-	(1,080)	(135)	(2,407)
Revaluation increments	-	2,302	-	-	-	-	2,302
Balance as at 30 June 2011	-	(16)	(774)	-	(3,900)	(312)	(5,002)
Net Book Value							
As at 30 June 2010	5,643	38,310	627	-	3,386	3,292	51,258
As at 30 June 2011	**17,350**	**39,863**	**508**	-	**2,702**	**3,024**	**63,447**
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	-	811	-	1,210	43,754	50,287
As at 30 June 2010	**5,643**	**38,310**	**627**	-	**3,386**	**3,292**	**51,258**

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

Note 8 Property, Plant and Equipment (Continued)

	Consolidated Entity		Parent Entity	
	2011	2010	2011	2010
Aggregate Depreciation and Amortisation allocated during the year was as follows:	$'000	$'000	$'000	$'000
Buildings	1,008	897	1,008	897
Building improvements	184	184	184	184
Plant and equipment	1,160	1,066	1,080	1,004
Melton complex	135	113	135	113
TOTAL DEPRECIATION AND AMORTISATION	**2,487**	**2,260**	**2,407**	**2,198**
VALUE OF FREEHOLD LAND				
Freehold Land - 28-52 Ferris Rd Melton	2,757	893	2,757	893
Freehold Land - 92 -134 Abey Road Melton (Lot 1)	8,916	3,500	8,916	3,500
Freehold Land - 92 -134 Abey Road Melton (Lot 2)	5,677	1,250	5,677	1,250
	17,350	**5,643**	**17,350**	**5,643**

HRV land, buildings and race track have been revalued at 30 June 2011 by Mr Alan Bertacco of Bertacco Ferrier Pty Ltd, qualifications AAPI CPV, API Member No. 62355. The valuation of buildings and track is at fair value based on current replacement cost less accumulated depreciation at the date of the revaluation. The valuation of the land is at fair value, being on market value based on highest and best use permitted by relevant land planning provisions.

9. Investments

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 Consolidated entity'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 Consolidated entity'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 Radio Sport National (formerly 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

	Consolidated Entity		Parent Entity	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Goodwill	132	132	-	-
Gaming licence entitlements	115	114	-	-
Total Intangible Assets	**247**	**246**	-	-
Opening balance	**246**	**132**	-	-
Additions*	1	114	-	-
Closing Balance	**247**	**246**	-	-

* In 2009/10, HRV Management Ltd ATF the Melton Entertainment Trust 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 2011 and 30 June 2010 a 5% deposit has been paid. Refer to Note 29 for the remaining commitment outstanding as at year end.

(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	2011	2010
Growth rate used	5%	5%
Discount rate used	6%	6%

(d) Impact of possible changes in key assumptions
Even after allowing for a 50% reduction in the projected growth rate in revenue, the goodwill is still not impaired.

11. Payables

Current Payables

Contractual - Unsecured				
Trade creditors	2,026	3,253	2,439	3,426
Intercompany payables	-	-	2	-
Development fund accruals	172	261	172	261
Sundry creditors and accruals	4,005	5,660	3,626	5,336
Total Current Payables	**6,203**	**9,174**	**6,239**	**9,023**

(a) Maturity analysis of contractual payables
Please refer to tables 27.3a and 27.3b in Note 27 for the ageing analysis of contractual payables.

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

12. Provisions

	Consolidated Entity		Parent Entity	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Current				
Employee benefits (a)	1,504	1,271	1,299	1,100
Provisions related to employee benefit on-costs (a)	230	195	199	168
Statewide sulky fund	41	50	41	50
Bonus points liability	25	13	-	-
Total Current Provision	**1,800**	**1,529**	**1,539**	**1,318**
Non-Current				
Employee benefits (a)	151	122	122	105
Provisions related to employee benefit on-costs (a)	23	19	19	17
Total Non Current Provision	**174**	**141**	**141**	**122**
Total Provisions	**1,974**	**1,670**	**1,680**	**1,440**
(a) Employee benefits and related on-costs				
Current				
Annual leave entitlements	695	583	566	478
Long service leave entitlements	809	688	733	622
On-costs	230	195	199	168
	1,734	**1,466**	**1,498**	**1,268**
Current employee benefits that:				
Are expected to be utilised within 12 months after the end of the reporting period	621	522	520	440
Are expected to be utilised more than 12 months after the end of the reporting period	883	749	779	660
	1,504	**1,271**	**1,299**	**1,100**
On-costs that:				
Are expected to be utilised within 12 months after the end of the reporting period	95	80	80	67
Are expected to be utilised more than 12 months after the end of the reporting period	135	115	119	101
	230	**195**	**199**	**168**
Non-Current				
Long service leave entitlements	151	122	122	105
On-costs	23	19	19	17
	174	141	141	122
Total Employee benefits and related on-costs	**1,908**	**1,607**	**1,639**	**1,390**

Note 12 Provisions (Continued)

(b) Movement in provisions

Consolidated Entity	Employee Benefits 2011 $'000	On-costs 2011 $'000	Statewide Sulky Fund 2011 $'000	Bonus Points Liability 2011 $'000	Total 2011 $'000
Opening balance	**1,393**	**214**	**50**	**13**	**1,670**
Additional provisions recognised	306	46	39	17	408
Reductions arising from payments/other sacrifices of future economic benefits	(31)	(5)	(48)	(5)	(89)
Unwind of discount and effect of changes in the discount rate	(13)	(2)	-	-	(15)
Closing balance	**1,655**	**253**	**41**	**25**	**1,974**
Current	1,504	230	41	25	1,800
Non-Current	151	23	-	-	174
	1,655	**253**	**41**	**25**	**1,974**

Parent Entity	Employee Benefits 2011 $'000	On-costs 2011 $'000	Statewide Sulky Fund 2011 $'000	Total 2011 $'000
Opening balance	**1,205**	**185**	**50**	**1,440**
Additional provisions recognised	254	38	39	331
Reductions arising from payments/other sacrifices of future economic benefits	(31)	(4)	(48)	(83)
Unwind of discount and effect of changes in the discount rate	(7)	(1)	-	(8)
Closing balance	**1,421**	**218**	**41**	**1,680**
Current	1,299	199	41	1,539
Non-Current	122	19	-	141
	1,421	**218**	**41**	**1,680**

13. Borrowings

	Consolidated Entity		Parent Entity	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Current				
Secured - CBA overdraft	-	185	-	185
Secured - CBA loan facility	-	-	-	-
	-	**185**	-	**185**
Non-Current				
Secured - CBA long-term loan	29,100	29,100	29,100	29,100
	29,100	**29,100**	**29,100**	**29,100**
Total Interest Bearing liabilities	**29,100**	**29,285**	**29,100**	**29,285**

(a) Maturity analysis of borrowings
Please refer to tables 27.3a and 27.3b in Note 27 for the ageing analysis of borrowings.

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

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

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

(d) Facilities

HRV has access to the following financing facilities:				
Secured	29,100	29,100	29,100	29,100
Unsecured overdraft facility	2,000	-	2,000	-
Financial guarantee	150	150	150	150
Business card limit	89	89	39	39
Total Facilities Amount	**31,339**	**29,339**	**31,289**	**29,289**
Amount of Facility Unused	2,093	103	2,047	54

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).

14. Non Interest Bearing Liabilities

Non-Current				
Tabcorp interest free loan	464	437	-	-
Total Non-Current Non Interest Bearing Liabilities	**464**	**437**	-	-

(a) Maturity analysis of non interest bearing liabilities
Please refer to tables 27.3a and 27.3b 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Current				
Tabcorp Melton sponsorship	151	1,151	151	1,151
Tabcorp Harness Racing sponsorship agreement	272	272	272	272
Other revenue invoiced in advance	142	136	55	79
	565	**1,559**	**478**	**1,502**
Non-Current				
Tabcorp Melton Sponsorship	3,509	3,660	3,509	3,660
Tabcorp Harness Racing sponsorship agreement	34	305	34	305
	3,543	**3,965**	**3,543**	**3,965**
Total Prepaid Income	**4,108**	**5,524**	**4,021**	**5,467**

16. Other Liabilities

Current				
Vicbred fees invoiced in advance	215	248	215	248
Breeders Crown fees invoiced in advance	1,489	1,506	1,489	1,506
Other	59	21	46	7
	1,763	**1,775**	**1,750**	**1,761**
Non-Current				
Vicbred fees invoiced in advance	192	91	192	91
Breeders Crown fees invoiced in advance	2,056	2,209	2,056	2,209
	2,248	2,300	2,248	2,300
Total Other Liabilities	**4,011**	**4,075**	**3,998**	**4,061**

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
Increment/(decrement) on valuation of freehold land	11,707	-	11,707	-
Increment/(decrement) on valuation of building	255	-	255	-
Balance at end of financial year	**15,333**	**3,371**	**15,333**	**3,371**

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

19. Accumulated Surplus

Accumulated surplus at the beginning of the financial year	990	2,674	2,526	3,572
Net result	100	(1,684)	348	(1,047)
Accumulated Surplus at the end of the financial year	**1,090**	**990**	**2,874**	**2,526**

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 2011 expenditure on the following projects was incurred. No comparative for 2010 is shown due to the nature of the program. Each year the projects receiving funding change, therefore making any comparative not applicable.

		2011 $'000
Ballan	Track Resurfacing	1
Bendigo	Maximum Demand Tariff 2010/11	51
	Track Re-Lamping, Dimming, Provideo Cabling & Active Reactors	264
	Generator	42
	50% share Track Conditioner Repairs	6
Cranbourne	Tractor Contribution	6
Echuca	Swabbing Bay / Urinals	(2)
Geelong	Maximum Demand Tariff 2010/11	45
	Entrance Area with Tubular Fencing Contribution	4
Gunbower	Track Resurfacing	2
Hamilton	Track Upgrade	3
	Track Conditioner & Tractor	51
Horsham	Air-Conditioning to Stabling Area Contribution	5
Kilmore	Committee Room	45
	Repair Track Conditioner Half-Share	4
Mildura	Mobile Barrier	25
Moonee Valley	Removal of Fencing and Towers	37
Ouyen	Contribution to Truck & Water Tanker	10
Shepparton	Public Access Fencing in horse stalls OH&S	18
Swan Hill	Track & Lighting	52
Terang	Security Upgrade Contribution	2
	Tractor Contribution	33
Warragul	Share of Drivers Rooms	10
Yarra Valley	Share of Stripping Stalls OH&S	3
HRV	Track Conditioner for Tabcorp Park	25
	RASL Research & Equipment	105
	Track Maintenance Program	165
	Track Maintenance Supervisor	50
	Asbestos Register	14
	Flexible Posts	8
	Development Fund Expenses	115
Total Development Fund Expenses		**1,199**

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 Minister for Racing is The Hon. Dr Denis Napthine, MP from 2 December 2010 to 30 June 2011 (The Hon. Rob Hulls, MP from 1 July 2010 to 1 December 2010). The remuneration of the Minister is disclosed in the annual report of the Department of Premier and Cabinet.

Governing Board:

Ken Latta PSM (Board Chairman)
Carl O'Dwyer (Appointment expired 31 May 2011)
Peter Bourke (Appointment expired 31 May 2011)
Paul Horvath
Stephen Nash
Kate Roffey
Neale Wheat
Geoffrey Kay (Commenced 1 June 2011)

Accountable Officer:

John Anderson - Chief Executive

The following persons were directors of the subsidiaries:

John Anderson
Ken Latta PSM
Peter Bourke (Appointment expired 1 July 2011)
Stephen Nash
Dougall McBurnie
Kate Roffey
Neale Wheat
Cesare Tizi
Carl O'Dwyer (Appointment expired 28 June 2011)
Paul Horvath (Appointed 26 November 2010)
Geoff Kay (Appointed 8 July 2011)
Katherine Joel (Appointment expired 31 May 2011)

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.

	Total Remuneration		Base Remuneration	
Parent entity	**2011**	**2010**	**2011**	**2010**
Income Band	**No.**	**No.**	**No.**	**No.**
$0 - $9,999	1	-	1	-
$10,000 - $19,999	6	6	6	6
$20,000 - $29,999	-	1	-	1
$40,000 - $49,999	1	1	1	1
$220,000 - $229,999	-	-	1	1
$230,000 - $239,999	1	1	-	-
Total Numbers	9	9	9	9
	$'000	**$'000**	**$'000**	**$'000**
Total Remuneration Received or due and receivable by all responsible persons was:	399	408	387	393

Note 21 Responsible Persons (Continued)

	Total Remuneration		Base Remuneration	
Consolidated Entity	2011	2010	2011	2010
Income Range	No.	No.	No.	No.
$0 - $9,999	2	1	2	1
$10,000 - $19,999	7	7	7	7
$20,000 - $29,999	1	3	1	3
$40,000 - $49,999	1	1	1	1
$220,000 - $229,999	-	-	1	1
$230,000 - $239,999	1	1	-	-
Total Numbers	**12**	**13**	**12**	**13**
	$'000	$'000	$'000	$'000
Total Remuneration Received or due and receivable by all responsible persons was:	432	463	420	448

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	2011	2010	2011	2010
Income Range	No.	No.	No.	No.
$120,000 - $129,999	-	3	-	4
$130,000 - $139,999	-	1	-	-
$140,000 - $149,999	2	2	2	4
$150,000 - $159,999	3	2	3	-
Total Numbers	**5**	**8**	**5**	**8**
	$'000	$'000	$'000	$'000
Total Remuneration for the reporting period of executive officers included above amount to:	756	1,120	756	1,095

Note 22 Executive Officers Remuneration (Continued)

Consolidated Entity	Total Remuneration		Base Remuneration	
	2011	2010	2011	2010
Income Range	No.	No.	No.	No.
$120,000 - $129,999	-	3	-	4
$130,000 - $139,999	1	1	1	1
$140,000 - $149,999	2	3	2	4
$150,000 - $159,999	3	2	3	-
Total Numbers	6	9	6	9
	$'000	$'000	$'000	$'000
Total Remuneration for the reporting period of executive officers included above amount to:	895	1,260	895	1,230

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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Transactions:				
RISE IT & other charges to HRV	-	-	266	395
Rental charges	-	-	1,061	1,030
Goods and services received from Melton Entertainment Trust	-	-	436	547
Management charges/expense recoveries from/to subsidiaries	-	-	1,127	847
Finance charges on loans	-	-	44	44
Balances:				
Other Financial Assets	-	-	650	650
Receivables	-	-	901	715
Payables	-	-	753	400
Other Current Liabilities	-	-	-	2

Note 23 Related Party Transactions (Continued)

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) Up until 22nd July 2011 Charles Cutajar (Chief Finance and Accounting Officer) was 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 6.9% to 10%. The Victorian Superannuation Fund contributions are based on the Commonwealth Government Superannuation Guarantee and Board directives.

Note 24 Superannuation Arrangements (Continued)

	Consolidated Entity		Parent Entity	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
(c) Contributions made during the financial year:				
State Superannuation Fund				
Employee	24	22	24	22
Employer	46	45	46	45
Victorian Superannuation Fund				
Employee	92	89	92	89
Employer	315	304	270	263
Host Plus Superannuation Fund				
Employee	-	7	-	-
Employer	169	180	-	-
Various Other Funds as nominated by the employee				
Employee	59	69	50	66
Employer	275	281	185	193
Total Contributions				
Employee	175	187	166	177
Employer	805	810	501	501

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:

Deposits at call	1,600	1,536	1,113	862
Cash assets on hand	122	87	2	1
Closing cash and cash equivalents balance	**1,722**	**1,623**	**1,115**	**863**

Note 25 Cash Flow Statement (Continued)

	Consolidated Entity		Parent Entity	
	2011	2010	2011	2010
(b) Reconciliation of the net result for the year to the net cash from operating activities	$'000	$'000	$'000	$'000
Net Result for the Year	100	(1,684)	348	(1,047)
Add/(deduct) non cash items:				
Depreciation /amortisation of non-current assets	2,487	2,260	2,407	2,198
Revaluation of non-current assets	101	-	101	-
(Gain)/Loss on sale of property, plant and equipment	21	61	21	61
Other non cash items	46	(38)	16	32
Change in assets and liabilities:				
(Increase)/Decrease in receivables	5,113	(2,740)	3,832	(3,448)
(Increase)/Decrease in other current assets	444	(457)	462	(491)
(Increase)/Decrease in other non-current assets	-	(115)	-	-
Increase/(Decrease) in accounts payable & other liabilities	(5,570)	(206)	(4,292)	436
Increase/(Decrease) in provisions	305	98	241	22
Net cash provided by/(used in) operating activities	**3,047**	**(2,821)**	**3,136**	**(2,237)**

(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 motor vehicle fleet with lease terms ranging between 1 and 5 years.
- office equipment with lease terms ranging between 1 and 5 years.

Note 26 Leases (Continued)

	Consolidated Entity		Parent Entity	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Non-cancellable operating leases				
Not longer than one year	779	706	779	706
Longer than 1 year and not longer than 5 years	3,059	2,750	3,059	2,750
Longer than 5 years	2,486	2,883	2,486	2,883
	6,324	**6,339**	**6,324**	**6,339**

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	-	-	1,093	1,061
Longer than 1 year and not longer than 5 years	-	-	743	1,836
Longer than 5 years	-	-	-	-
	-	-	**1,836**	**2,897**

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 Group. 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.

(b) Table 27.1: Categorisation of financial instruments

			Consolidated Entity		Parent Entity	
	Note	Category	2011	2010	2011	2010
Financial assets			*Carrying amount ($ thousand)*			
Cash and cash equivalents	25a	N/A	1,722	1,623	1,115	863
Receivables (a)	4	Loans and receivables (at amortised cost)	1,902	6,492	2,635	6,980
Other financial assets - loans	5	Loans and receivables (at amortised cost)	150	201	800	851
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	6,203	9,174	6,239	9,023
Interest bearing liabilities	13	Financial liabilities measured at amortised cost	29,100	29,285	29,100	29,285
Non Interest bearing liabilities	14	Financial liabilities measured at amortised cost	464	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 recognised when there is objective evidence that the Group will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor 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.

Except as otherwise detailed in the following tables, 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)

Table 27.2a: Credit quality of the Group's contractual financial assets that are neither past due nor impaired

		($ thousand)		
		"Financial institutions (AAA credit rating)"	Other	Total
2011	Note			
Contractual financial assets				
Current Assets:				
Cash and cash equivalents	25a	1,466	256	1,722
Receivables	4	-	1,902	1,902
Other financial assets - loans	5	-	150	150
Investments	9	-	1,082	1,082
Total contractual financial assets		1,466	3,390	4,856
2010				
Current Assets:				
Cash and cash equivalents	25a	1,406	217	1,623
Receivables	4	-	6,492	6,492
Other financial assets - loans	5	-	201	201
Investments	9	-	1,082	1,082
Total contractual financial assets		1,406	7,992	9,398

Table 27.2b: Credit quality of the Parent's contractual financial assets that are neither past due nor impaired

		($ thousand)		
		"Financial institutions (AAA credit rating)"	Other	Total
2011	Note			
Contractual financial assets				
Current Assets:				
Cash and cash equivalents	25a	1,112	3	1,115
Receivables	4	-	2,635	2,635
Other financial assets - loans	5	-	800	800
Investments	9	-	1,950	1,950
Total contractual financial assets		1,112	5,388	6,500
2010				
Current Assets:				
Cash and cash equivalents	25a	861	2	863
Receivables	4	-	6,980	6,980
Other financial assets - loans	5	-	851	851
Investments	9	-	1,950	1,950
Total contractual financial assets		861	9,783	10,644

Note 27 Financial instruments (Continued)

Contractual financial assets that are either past due or impaired

There are no material financial assets which are individually determined to be impaired. Currently the Group does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

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

($ thousand)

2011	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	
Cash and cash equivalents	2.8%	1,722	-	1,600	122	1,722	-	-	-	-	-
Receivables:											
Trade debtors	-	1,489	-	-	1,489	972	173	16	(2)	330	-
Tabcorp distribution	-	374	-	-	374	374	-	-	-	-	-
Other receivables	-	39	-	-	39	39	-	-	-	-	-
Other financial assets:											
Loans	0.1%	150	23	-	127	150	-	-	-	-	-
Investements:											
Investment in 3UZ		1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**4,856**	**23**	**1,600**	**3,233**	**4,339**	**173**	**16**	**(2)**	**330**	-
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	-	-	-	-	-
Investements:											
Investment in 3UZ		1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**9,398**	**37**	**1,536**	**7,825**	**8,723**	**244**	**31**	**65**	**335**	-

Note 27 Financial instruments (Continued)

Contractual financial assets that are either past due or impaired

There are no material financial assets which are individually determined to be impaired. Currently the Group does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

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

($ thousand)

2011	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	
Cash and cash equivalents	3.2%	1,115	-	1,113	2	1,115	-	-	-	-	-
Receivables:											
Trade debtors	-	2,209	-	-	2,209	1,090	229	134	131	625	-
Tabcorp distribution	-	374	-	-	374	374	-	-	-	-	-
Other receivables	-	52	-	-	52	52	-	-	-	-	-
Other financial assets:											
Loans	5.7%	800	673	-	127	800	-	-	-	-	-
Investements:											
Investment in subsidiaries		868	-	-	868	868	-	-	-	-	-
Investment in 3UZ		1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**6,500**	**673**	**1,113**	**4,714**	**5,381**	**229**	**134**	**131**	**625**	-
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 receivables											
Other financial assets:	5.4%	851	687	-	164	851	-	-	-	-	-
Loans											
Investements:		868	-	-	868	868	-	-	-	-	-
Investment in 3UZ		1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**10,644**	**687**	**862**	**9,095**	**9,599**	**239**	**203**	**272**	**331**	-

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

(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:

Note 27 Financial instruments (Continued)

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

			($ thousand)							
	Weighted average effective interest rate		Interest rate exposure				Past due but not impaired			
2011	%	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing	Nominal Amount	Less than 1 month	1-3 Months	3 months - 1 year	1-5 years
Payables:										
Trade creditors	-	2,026	-	-	2,026	2,026	1,993	63	(30)	-
Other payables	-	4,177	-	-	4,177	4,177	4,177	-	-	-
Interest bearing liabilities:										
Secured - CBA overdraw	15.99%	-	-	-	-	-	-	-	-	-
Secured - CBA loan facility	8.13%	29,100	19,957	9,143	-	29,100	-	-	-	29,100
Non Interest bearing liabilities:										
Unsecured - interest free loan	-	464	-		464	464	-	-	-	464
Total		**35,767**	**19,957**	**9,143**	**6,667**	**35,767**	**6,170**	**63**	**(30)**	**29,564**
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**

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	Past due but not impaired			
2011	%		Fixed interest rate	Variable interest rate	Non-interest bearing		Less than 1 month	1-3 Months	3 months - 1 year	1-5 years
Payables:										
Trade creditors	-	2,439	-	-	2,439	2,439	1,907	112	420	-
Intercompany payables	-	2	-	-	2	2	2	-	-	-
Other payables	-	3,798	-	-	3,798	3,798	3,798	-	-	-
Interest bearing liabilities:										
Secured - CBA overdraw	15.99%	-	-	-	-	-	-	-	-	-
Secured - CBA loan facility	8.13%	29,100	19,957	9,143	-	29,100	-	-	-	29,100
		35,339	**19,957**	**9,143**	**6,239**	**35,339**	**5,707**	**112**	**420**	**29,100**
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**

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

		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*
2011									
Contractual financial assets:									
Cash and cash equivalents (a)	1,722	4	4	(4)	(4)	(14)	(14)	14	14
Receivables	1,902	-	-	-	-	-	-	-	-
Other financial assets	150	-	-	-	-	-	-	-	-
Investments	1,082	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	6,203	-	-	-	-	-	-	-	-
Interest bearing liabilities	29,100	-	-	-	-	91	91	(91)	(91)
Non interest bearing liabilities	464	-	-	-	-	-	-	-	-
Total impact		4	4	(4)	(4)	77	77	(77)	(77)
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	201	-	-	-	-	-	-	-	-
Investments	1,082	-	-	-	-	-	-	-	-
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)

Note 27 Financial instruments (Continued)

Table 27.4b: The Parent market risk exposure

		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*
2011									
Contractual financial assets:									
Cash and cash equivalents (a)	1,115	4	4	(4)	(4)	(11)	(11)	11	11
Receivables	2,635	-	-	-	-	-	-	-	-
Other financial assets	800	-	-	-	-	-	-	-	-
Investments	1,950	-	-	-	-	-	-	-	-
Financial liabilities:									
Payables	6,239	-	-	-	-	-	-	-	-
Interest bearing liabilities	29,100	-	-	-	-	91	91	(91)	(91)
Total increase/(decrease)		**4**	**4**	**(4)**	**(4)**	**80**	**80**	**(80)**	**(80)**
2010									
Financial assets:									
Cash and cash equivalents	863	4	4	(4)	(4)	(9)	(9)	9	9
Receivables	6,980	-	-	-	-	-	-	-	-
Other financial assets	851	-	-	-	-	-	-	-	-
Investments	1,950	-	-	-	-	-	-	-	-
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)**

Note:

(a) Cash and cash equivalents includes AUD$72k in cash held in a New Zealand bank account (NZD$94k @NZD/AUD 0.7686 at 30 June 2011).

(f) Fair value

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

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

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. The aggregate fair values and carrying amount of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

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

	2011 $'000				2010 $'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 Liabilities

Racefields Fees:

In 2010/11 HRV's operating statement recognised $6.370 million in revenue ($7.007 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 26 August 2011, 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 2012. As at balance date 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	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Other Expenditure Commitments				
Moonee Valley (Make Good and Early Exit Fee)				
Payable:				
Not longer than one year	550	-	550	-
Longer than 1 year and not longer than 5 years	660	1,210	660	1,210
	1,210	1,210	1,210	1,210
Gaming Machine Licence Entitlements [(a)]				
Payable:				
Longer than 1 year and not longer than 5 years	2,177	1,661	-	-
Longer than 5 years	-	516	-	-
	2,177	2,177	-	-
Tabcorp Gaming Solutions Service Agreement [(b)]				
Payable:				
Longer than 1 year and not longer than 5 years	4,362	3,271	-	-
Longer than 5 years	6,542	7,633	-	-
	10,904	10,904	-	-
Total Other Expenditure Commitments (inclusive of GST)	14,291	14,291	1,210	1,210
Total Commitments for Expenditure (inclusive of GST)	14,291	14,291	1,210	1,210
Less GST recoverable from the Australian Taxation Office	(1,101)	(1,101)	(110)	(110)
Total Capital Expenditure Commitments (exclusive of GST)	13,190	13,190	1,100	1,100

(a) In 2009/10, HRV Management Ltd ATF the Melton Entertainment Trust 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

There have been no 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.


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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 2011 and financial position of Harness Racing Victoria at 30 June 2011.

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 26 August 2011.

Ken Latta PSM
CHAIRMAN

Neale Wheat, CA
BOARD MEMBER

John Anderson B.Ec CA Dip Ed.
CHIEF EXECUTIVE

Renee Kinne, CPA
CHIEF FINANCE AND ACCOUNTING OFFICER (Acting)

Melbourne, 26 August 2011

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 2011 of Harness Racing Victoria which comprises the operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, 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 the 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*, and for such internal control as the Board Members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about 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, 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.

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.

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Auditing in the Public Interest

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Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Harness Racing Victoria as at 30 June 2011 and of its financial performance and its 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*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Harness Racing Victoria for the year ended 30 June 2011 included both in the Harness Racing Victoria's annual report and on the website. The Board Members of the Harness Racing Victoria are responsible for the integrity of the Harness Racing Victoria's website. I have not been engaged to report on the integrity of the Harness Racing Victoria's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
31 August 2011

for D D R Pearson
Auditor-General

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Auditing in the Public Interest

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