



Mission

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

Vision

Acknowledge the significance and diversity of our grass root participants, families, professionals and stakeholders that make up our Harness Racing Industry.

In partnership with Victorian Harness Racing Clubs, and kindred bodies, encourage industry participation and promote, foster and reward excellence.

Lead, manage, develop and unite the Harness Racing Industry to achieve growth, profitability and greater returns to owners.

Provide innovative marketing and promotional initiatives that will maximise Harness Racing's appeal and total entertainment value.

Increase wagering through improved branding, product presentation and by ensuring that the industry operates with integrity.

Effectively consult and communicate with all harness racing participants and stakeholders.

Provide a focused, user-friendly and cost effective administration that will support the changing needs of the Harness Racing Industry and will respond effectively to emerging business challenges and opportunities.

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Report To The Minister

The Hon. Rob Hulls 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 2007/08 financial year and the challenges we face in the coming year.

At the commencement of the financial year, we were anticipating a slowing in wagering growth on harness racing as a result of smoking bans being imposed on all licensed premises from July 1. What we were not expecting was the onset of an Equine Influenza (EI) outbreak which would have an enormous impact on the industry across Australia.

For the financial year ended 30 June 2008, HRV has recorded a loss of \$240,000. If we add back depreciation, HRV will have recorded a cash trading surplus of \$544,000 for the year despite the significant loss of revenue during the EI affected period. HRV revenue grew from \$60.1m to \$62.4m while expenditure increased from \$59.7m to \$62.6m.

During the year we paid out an amount of \$33.4m in stakemoney to owners, breeders, trainers and drivers, an increase of \$0.8m on 2006/07 despite being forced to cut nearly \$2m in stakes during the year.

At the end of the year, HRV's market share had declined to 14.43%, due to the EI impact on the equine codes. At the end of the financial year, Harness Racing Australia (formerly Australian Harness Racing Council) engaged independent financial experts PricewaterhouseCoopers (PwC) to assess the impact of EI on harness racing in each of the States. PwC calculated that harness racing in Victoria lost \$3.5m in revenue.

While we sympathise with the northern States for dealing with the disease directly, due to the funding arrangements in place whereby 40% of HRV revenue is derived from NSW and QLD, the impact on Victorian turnover on interstate product was significant.

While the NSW, QLD and Federal Governments compensated the industry in NSW and QLD substantially, in Victoria we received no State or Federal Government compensation, therefore the financial impacts were partially passed on to participants via limited stakes cuts announced in September 2007.

Despite the impact of EI during the year, there were several positive areas for the industry. HRV hosted the highly successful 2008 Watpac Inter Dominion (ID08) in February/March this year. This appeared unlikely when, back in September 2007, the Board was faced with the decision of whether or not to proceed with the Inter Dominion as it was virtually certain no horses would be able to participate from New Zealand or other States of Australia.

At its October 2007 meeting, HRV made the decision to proceed as normal with ID08, rather than postpone for several months or even a year. HRV then set about implementing procedures whereby elite horses could be quarantined both in their home state and at a specially established quarantine centre at the Geelong harness complex.

A tremendous amount of organisation went into bringing 16 horses across the borders for our feature races and I compliment the HRV staff involved and, in particular Dr Hugh Millar, Victoria's Chief Veterinary Officer, whose professional advice and assistance through the whole EI period proved invaluable.

It is worth noting that without this extraordinary effort, the winner and runner up in the Melbourne Inter Dominion would not have been able to compete.

I have no doubt that given the impact of EI, Victoria was the only State which could have hosted ID08. With only a limited number of interstate competitors and virtually no New Zealand representatives, the depth of open class horses in Victoria enabled us to assemble full fields for the opening round of heats at Geelong.

The choice of Geelong as the first regional venue to host Inter Dominion heats in Victoria, proved very successful with a capacity crowd on hand to see a great night's racing.

The new format initiated by HRV also assisted in generating atmosphere and publicity for the event. The heats and semi finals were all competitive events (something not normally the case in Inter Dominions) and the Grand Final field was outstanding with virtually the top four fancies at the start of the series finishing one to four in the Final.

During the series, two track records were broken at Geelong and one at Moonee Valley, indicating the quality of the racing during the series.

Two other major events hosted by HRV during 2007/08 were:

- i. The continued growth of the Australasian Breeders Crown. For the second year at Ballarat, the Breeders Crown paid out \$2.060m in stakes including a record \$1.301m on Grand Final day. After two highly successful years at Ballarat, Bendigo is now charged with the responsibility of delivering a top quality event in 2008;
- ii. Heats of the World Drivers Championship were staged at a number of venues around Victoria in November, attracting the best reinsmen from 10 countries around the world.

Another important positive for the industry during the year has been the development of the Melton site. Following the lengthy planning, approval and tender processes and yourself Minister, turning the first sod in April 2007, work commenced on the site in July 2007 following the appointment of Kane Constructions to build the Melton Complex.

The sequence of critical events at Melton in 2007/08:

- Stage 1 of the track construction completed in July 2007;
- Following the completion of the track, Kane Constructions commenced building works on the site, with an expected 18 months duration and completion date of December 2008;
- In September 2007, HRV entered into a \$7m naming and sponsorship agreement with Tabcorp, clearly the largest sponsorship in harness racing's history and a tremendous vote of confidence in Victorian harness racing by our joint venture partner;
- In March 2008, announcement by yourself of \$465,000 funding under the RIDP scheme for function facilities.

Key dates in the coming year include:

- March 2009 - expected opening of the commercial facilities;
- May 2009 - first trials on the Melton track;
- July 2009 - commencement of metropolitan stakes racing at Melton.

At the end of the financial year, the Melton project remains on time and on budget. The 2008/09 financial year will be a milestone year for HRV in that the Melton Complex will open and commencement of racing will follow soon after.

Melton will be the most significant development for harness racing in Victoria for many years and should provide the foundation for the future growth of the sport in Victoria.

The \$1.6m development of facilities at Shepparton is close to completion and will open in September 2008. The Greater City of Shepparton contributed \$1m towards the redevelopment of the facilities as part of the arrangement HRV entered into in respect of the relocation of the Shepparton greyhound track to Kialla.

The Year Ahead

The racing industry is facing a period of uncertainty. There are a number of serious challenges which face HRV when planning for the future:

- Relicensing - The State Government announced on April 10 that, from 2012, the industry would no longer receive a share of Victoria's gaming machine profits. HRV is also aware several of our harness Clubs are seeking clarification of post 2012 arrangements in gaming;
- There is increasing competition, currently being left unchecked, from corporate bookmakers and betting exchanges which are betting on Victorian product yet not contributing financially to our industry. A significant shift in wagering to corporate bookmakers, and betting exchanges, for no return, is denying participants increased stake money and deferring capital infrastructure improvement;
- The economic climate which has seen increased interest rates and fuel prices, is affecting discretionary spend on wagering and increasing costs to participants;
- We have not fully recovered from EI. Despite racing returning to normal, the wagering business has not returned to pre EI levels;
- Government withdrawal of \$1.4m per annum in regional funding via the Racing Industry Development Program;
- HRV is also managing cash flows in a year when we are incurring substantial expenses at Melton before significant revenue starts to be generated.

Notwithstanding the above facts, HRV was pleased to be able to announce several positive budget outcomes for 2008/09:

● Stakes:

- From April 1, 2008 the minimum stake for country front races increased to \$5,000, therefore we have a full year impact in 2008/09;
- Drivers fees will increase from \$55 to \$60 (except for restricted races);
- Metropolitan stakes will return to \$15,000 from September 1, 2008;
- Vicbred heats will increase from \$8,000 to \$10,000;
- The Vicbred Breeder Bonus will be modified whereby a \$5,000 Bonus is payable for the first win, effective from 2008 foals;

- SEW-Eurodrive Victoria Cup to increase by \$25,000 to \$375,000.

● Other:

- Country Club Meeting Fee payments will increase by 12% in 2008/09;
- Capital developments including track reconstructions at Cranbourne and Cobram retained and will be completed by March next year.

Despite the setbacks the industry has faced, HRV is committed to generating efficiencies which will continue to deliver increased stakes and positive outcomes for the industry.

Even though there are many short term challenges for the racing industry, HRV is confident that we can again grow the business in 2008/09. Confidence in the Victorian product continues to be high. We have seen a shift by several trainers into Victoria and it is also encouraging that several top stallions will be relocated to Victoria giving the breeding industry in Victoria a much needed boost.

Subject to wagering turnover recovering during the year HRV will carry out a further review of the industry's capacity to increase stakes and continue to manage the financial future of the industry in a responsible way ensuring the interests of all stakeholders are addressed.

The HRV Board wishes to express its appreciation to many people who have served us well during the year:

- To our major sponsors for their support, in particular SEW-Eurodrive for their extensive support of HRV events, including the SEW-Eurodrive Victoria Cup;
- To our major business partners in Tabcorp, Sky Channel, Sport 927 and the Herald Sun. HRV has strong, loyal and long term relationships with each of these organisations, who have all given excellent coverage to our code this year;
- To Tony Britt who has represented HRV on the Racing Analytical Services Ltd (RASL) Board, again with distinction. Tony was also invaluable support to the industry during the EI outbreak;
- To my fellow Board members and senior management team, I thank them for their professional support and commitment through this very challenging year.

Finally, on behalf of the Board, I would like to thank you Minister, your staff and the Office of Racing for the support you have given harness racing during the year and we look forward to a prosperous 2008/09 season.



Neil Busse LLB, B.Com

Chairman

2007-2008 Victorian Racing Review

Racing Highlights

THERE'S never been a season like the 2007/08 one. And we can thank a little bug called Equine Influenza for that.

It might have actually been during the 2006/07 season that all hell broke loose – August 25, 2007 to be exact – when the disease was confirmed as being in Australia, but the brunt of the infection was felt in 2007/08.

That was when turnover dropped, prizemoney had to be cut and exclusion zones were implemented, robbing racegoers of the valued experience of being able to get up close and personal with the horses.

But harness racing in Victoria survived. In fact, considering what it was up against, the 2007/08 season can be considered one of Harness Racing Victoria's finest achievements.

When New South Wales and Queensland harness racing was stagnant, Victoria shouldered the load.

It was back up and racing a little over a week after the nationwide standstill was put in place and still managed to conduct its regular SEW-Eurodrive Victoria Cup Carnival in December and Hunter Cup Carnival in February along with taking its turn to host the time-honoured Watpac Inter Dominion.

Before the end of the season it was somehow in a position to announce that metropolitan prizemoney would return to pre-EI levels in 2008/09, country stakes would reach record highs and the 2008 SEW-Eurodrive Victoria Cup would be worth a record stake of \$375,000.

Moonee Valley Features

ON the track, the 2007/08 season will be remembered as the year that Blacks A Fake equalled Our Sir Vancelot's record of three-straight Inter Dominion grand final wins.

And it happened at Moonee Valley.

What could be the final Trans-Tasman championship decided at the venue that has been Victoria's home for more than 30 years could go down as the most historically-significant Inter Dominion final run in Victoria.

Quite simply, a Blacks A Fake win was what the bumper crowd that turned out for the first Moonee Valley Inter Dominion final since 2000 went to Moonee Valley to see and that is what they got.

The Natalie Rasmussen-trained-and-driven champ followed up initial wins in Tasmania in 2006 and Adelaide in 2007 with his best victory of the lot in Melbourne in 2008.

As he has been for most of his career, the seven-year-old son of Fake Left was unstoppable in the premier event on the Australasian harness racing calendar.

As the recipient of one of the semi final ballot exemptions allotted to the winners of certain races, the horse affectionately known as "Blackie" wasn't required to contest the heat round at Geelong but he was there when the semi finals were conducted at the Valley on February 23.

And he booked his grand final spot with a hollow victory. He didn't smash the clock like Safari did in his 1:56.3 track record win in the other semi, but he never looked like being beaten.

It was a similar story once Rasmussen was allowed to stroll to the front aboard the gelding 1800m from home in the \$750,000 final. After that he was never headed, going home to beat unlucky New South Wales raider Divisive and local stars Smoken Up and Safari.

But the Watpac Inter Dominion grand final success wasn't the champion Queenslander's only major Victorian win during the season.

He also rewrote the record books with his win in the time-honoured Hunter Cup.

Heading into the 2008 edition, only once since 1954 had a horse – Blossom Lady in 1996 – been able to win off 30 metres or more in Australia's toughest staying test.

But Blackie made it two. And just for good measure he smashed the track record in the process of getting up to edge out Smoken Up and Report For Duty.

His time of 1:58.9 stripped a staggering 1.7 seconds off Moonee Valley's previous 3050-metre record.

But that wasn't the only record that fell by the wayside on Hunter Cup Day. The \$270,000 he picked up for victory took his career earnings to \$2,329,564, which surpassed Shakamaker's \$2,229,634 as the most money earned by an Australasian pacer.

Blackie's earnings swelled to \$2,831,814 a month later with the \$438,750 he pocketed on Inter Dominion grand final night.

But the 2007/08 feature race circuit wasn't solely about Blacks A Fake.

The trotters shared centre stage over the Watpac Inter Dominion carnival and that series was a triumph for Australia's undisputed king of the squaregaiters, Chris Lang.

The Nagambie horseman joined his legendary father Graeme and equally recognisable brother Gavin as Inter Dominion winners when he trained former Kiwi gelding Galleons Sunset to victory in the \$250,000 final.

The six-year-old, who just two months earlier won the Bill Collins Trotters Mile while in the care of original trainer Derek Balle (who maintained the drive for the Inter Dominion series), made it a Group 1 double with his win over Will Trapper and My Rhythm Of The Night.

The win completed a fairytale couple of months for Lang, who the week before the Bill Collins Trotters Mile won the Group 1 Australian Trotting Grand Prix with the star of his stable, Sundons Gift.

But it was evergreen entire Robin Hood who stole the show in December's SEW-Eurodrive Victoria Cup Carnival.

Just when many were starting to question whether the former Kilmore Cup winner still had what it took to compete at the highest level, he came out and blew his rivals away in the \$350,000 banner event of the carnival.

It was emotional win for Robin Hood's trainer Peter Tonkin, who just two days before the Grand Circuit feature lost close friend and stable owner Paul Jobe.

Tonkin was in a better frame of mind when he was next in the Group 1 winner's circle – following Maffioso's Groundhog Day-like win in the Vicbred Super Series 3YO Final.

Just as he did 12 months earlier in the two-year-old finale, the robust son of Presidential Ball capitalised on the raceday scratching of intimidating gelding Greg Kelly to claim the \$100,000 event.

That was one of the many highlights of another hugely successful \$5.2 million Vicbred Super Series.

The other three-year-old finals saw Staccato (fillies) and Danny Bouchea (trotters) back up their wins in the previous season's Breeders Crown finals with more Group 1 success.

But perhaps the biggest talking point to come from this year's Vicbred series was Lombo Pocket Watch's shock defeat in the four-year-old colts and geldings final.

Father-daughter trainer-driver combo Alan and Amy Tubbs denied "The Grey Bullet" his place alongside Colbruce as the only horses to have won their two, three and four-year-old finals when they teamed for victory with Melpark Major.

The four-year-old mares final presented Lisa Miles with her first elite-level success as a trainer when Beloka Diamond won at better than 60-1, but it was a favourite's title in the four-year-old trotting section with Just Glorious scoring a runaway win for Maree and John Caldwell.

While untapped colt Living On Fire kept his unbeaten record in tact with a convincing win in an eventful two-year-old colts and geldings final and Trottn On The Ritz provided Keith Douglas with a maiden Group 1 win in the trotting final, the fillies series was responsible for Ananz's first defeat of her career.

The Peter Manning-trained iron filly tasted defeat for the first time in her semi final – at her 13th career start – and while she bounced back to win the New South Wales Sires Stakes Final at Menangle just 41 hours later, she again went down in the Vicbred final, no match for Tasmanian star Shez Ryleymak.

Country Features

THE Australasian Breeders Crown made a return to its original home in August 2008 and the people of Bendigo responded by making the series one of the best-attended in its 11-year history.

Turnover was at its best levels in years as almost 4200 excited patrons crammed into Lord's Raceway for finals day.

The harness racing and local communities couldn't get enough of Australia's richest country raceday, where six Group 1s and more than \$1.3 million in prizemoney went on the line.

And the big prizes on offer brought out the best in Australasia's premier young talent.

But it was a 49-year-old who stole the show. Incomparable reinsman Gavin Lang etched his name into the Breeders Crown record books when he won three of the day's six elite-level events.

First cab off the rank was regally-bred trotter Skyvalley, trained by his brother Chris, who won the three-year-old trotters final. Further stamping the Lang family's mark on the day was the fact Chris also trained, and drove, the runner-up, Aldebaran Maori.

Lang went outside the family for his next two wins, first teaming with the Emma Stewart-trained Keppel Bay to win the two-year-old fillies final before winning the two-year-old colts and geldings final aboard the Susan Hunter-trained Captain Joy.

The wins saw Lang equal Chris Alford as the most successful driver in Breeders Crown history with five wins apiece. They also played a part in the Melton reinsman equalling his career-best haul of Group 1 winners in a season (11), which he first achieved in the 2003/04 season.

The other three Breeders Crown trophies were shared around. Husband and wife driver-trainer combo John and Maree Caldwell made up for near misses in the previous two two-year-old trotters finals to score with Magic Interest.

The three-year-old deciders were a triumph for New South Wales horsemen. Muscle Beach, in the name of Brian Hancock but looked after by caretaker Howard James, won the fillies final, while the Neil Day-trained-and-driven Magic Operative condemned Maffioso to a second-placed finish for the second-straight year in the boys final.

As impressive as the youngsters were at Bendigo, they had nothing on one of our open-age stars who set that track alight earlier in the year.

The Emma Stewart-trained Safari turned in a performance that had to be seen to be believed when he obliterated a field made up of Victoria's premier pacing talent in the \$50,000 Bendigo Cup on December 29, 2007.

In his first start for almost seven months, the eight-year-old son of Fake Left won by more than 14 metres in what was a world record 1:55.7 mile rate for the 2650-metre trip.

But it wasn't just at Bendigo that Safari stood out. He also did what only two horses had been able to do in the 12 months prior and beat Blacks A Fake in the \$125,000 Ballarat Pacing Cup on Australia Day 2008.

He might not have set any world records that night, but his time of 1:58.3 established a new mark for the quickest time record over the 2710-metre trip at Ballarat.

They were Safari's only two wins on the country circuit during the 2007/08 season, but it was still enough to seal victory in the Melton Saddlery Victorian Country Cup Championship.

They weren't the only amazing performances turned in on country tracks during the 2007/08 season.

Injury might have curtailed Sting Lika Bee's career before the Inter Dominion came around, but Brian Tuddenham's crowd favourite still managed to add a couple more country cups to his overflowing feature-race resume.

The veteran emulated the great Popular Alm when he won the time-honoured Kilmore Cup off 30 metres in late October 2007, having just a short half head to spare over Penny Veejay at the end of an amazing 3050m marathon.

Five weeks later, the horse affectionately known as "Stinga" outstayed Manwarra Goforgold to claim a great Cranbourne Pacing Cup victory.

Reba Rajah was the other outstanding country cup performer of the season. Crystal Peacock's stable star won the Maryborough Cup in the early part of the season, but it was his stunning Mildura Cup win on April 5, 2008 for which he will be best remembered.

On a tight-turning track, the eight-year-old was still able to come from last at the 400m and get home in one of the most jaw-dropping performances of the year.

But it wasn't just the pacers who set the country circuit alight, with the squaregaiters also having their time in the sun.

Top-liners including Sundons Gift, Viva La Fever, Whatsundermykilt, Earl Of Mot and Will Trapper might have all made appearances at feature country races throughout the season, but it was Split Image who trotted away with the Melton Saddlery Maori's Idol Trophy.

Under the care of Peter Manning, the five-year-old son of Yentls Image won trotters cups at Nyah, Kilmore and Bendigo and finished runner-up at Stawell, to claim a narrow series win.

While on the trotters, Maryborough's Redwood Classic Day continues to go from strength to strength.

This year the carnival's banner event, the Redwood Classic, was run at Group 1 level for the first time, joining the Victoria Trotters Derby as elite-level races on the final day.

And the meeting on July 20, 2008 didn't disappoint despite inclement weather.

The John Justice-trained-and-driven Retained prevailed in one of the most competitive Redwoods in years, while irrepressible gelding Danny Bouchea extended his domination over his generation with an arrogant win in the Derby.

The 2007/08 season saw HRV further consolidate its connection with regional Victoria by running the \$100,000 Nevele R Stud Victoria Oaks Final at Bendigo.

And Bendigonians that turned out were treated to a fine display by star filly Kept For Pleasure, who

claimed the first of what would be two Oaks tiaras for the season.

Star Performers

LAST season it was the year of Daryl Douglas, but this season the superstar reinsman shared the spotlight with his trainer brother Glenn.

For the first time in his career, the knockabout Bendigo conditioner cracked the 100-win barrier. He finished with 147 winners for the season to pick up his maiden Victorian trainers' premiership.

He narrowly missed out on making it a training premiership double, finishing just four winners short of Lance Justice's tally of 22 metro class winners.

But when it comes to pure volume of winners, Douglas Jnr can't compete with his polar-opposite brother.

Introverted Daryl piloted 388 winners nationwide for the season. That was 68 more than he drove in the preceding season and set a new Australasian mark for the most winners driven in a season.

The previous best was 371 set by Victoria's female trailblazer Kerryn Manning in the 2002-03 season.

Fittingly, Douglas's biggest win of the year came aboard a horse trained by a member of the family. His only victory at Group 1 level was his Vicbred Super Series 2YO Trotters Final success aboard Trottn On The Ritz, which is trained by his father Keith.

His other big winner for the year was Sting Lika Bee in that memorable Kilmore Cup (Group 2).

Douglas has now driven 100 winners or more in a season every year since 1998/99. A fine achievement, but he still has a way to go to match the record set by John Caldwell.

And the way the consistent Melton reinsman is going, Douglas isn't going to get closer to the record any time soon. The 2007/08 season saw Caldwell extend his Australian record for the most consecutive 100-win seasons to 16 when he combined with Poirot to win Maryborough on July 10.

Caldwell finished the racing year with 121 winners to his name.

That was 20 fewer wins than star concession driver Nathan Jack, who passed the century of winners for the first time in his career. It was a fitting reward for Jack, who was just five wins short of the milestone when El ended the 2006/07 season a week ahead of schedule.

The 2007/08 season saw master trainer Peter Manning recognised for his contribution to harness racing when he was presented with harness racing's highest individual honour – the Gordon Rothacker Medal.

Historical Financial Performance Summary

| | | 2008 | 2007 | 2006 | 2005 | 2004 |
|--------------------------------|----------|--------------|--------------|--------------|--------------|--------------|
| Financial Information | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Racing Operations | | | | | | |
| Tabcorp Distributions | Income | 48,264 | 49,219 | 46,634 | 46,383 | 43,874 |
| Electronic Gaming Machine Levy | Income | 1,159 | 1,575 | 1,160 | 615 | 600 |
| Stake Money | | | | | | |
| HRV Contributions | Expenses | (32,289) | (31,393) | (30,470) | (27,847) | (26,150) |
| Country Club Contributions | Income | 1,084 | 1,184 | 1,210 | 1,215 | 1,201 |
| | Expenses | (1,084) | (1,184) | (1,210) | (1,215) | (1,201) |
| Moonee Valley | Income | 2,192 | 1,132 | 1,213 | 1,271 | 1,264 |
| | Expenses | (3,641) | (3,283) | (3,125) | (3,004) | (2,888) |
| Country Clubs | Income | 412 | 468 | 420 | 339 | 267 |
| | Expenses | (8,588) | (8,686) | (7,530) | (7,407) | (6,780) |
| Futurities | Income | 2,615 | 2,282 | 2,200 | 2,074 | 1,749 |
| Racing Administration | Income | 1,876 | 2,154 | 1,750 | 1,659 | 1,290 |
| | Expenses | (4,220) | (3,727) | (3,871) | (4,142) | (4,107) |
| SUB-TOTAL | | 7,779 | 9,742 | 8,380 | 9,941 | 9,119 |

| | | 2008 | 2007 | 2006 | 2005 | 2004 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Financial Information | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Marketing & Sponsorship | | | | | | |
| Marketing | Income | 1,265 | 412 | 474 | 325 | 271 |
| | Expenses | (4,230) | (3,262) | (3,279) | (3,224) | (2,925) |
| SUB-TOTAL | | (2,966) | (2,850) | (2,805) | (2,899) | (2,654) |
| Non Racing Operations | | | | | | |
| Tabaret | Income | 449 | 564 | 570 | 570 | 500 |
| Development Fund | Expenses | (2,022) | (3,215) | (2,467) | (2,747) | (2,610) |
| RISE IT Operations | Income | 930 | 825 | 0 | 0 | 0 |
| | Expenses | (1,024) | (922) | 0 | 0 | 0 |
| SUB-TOTAL | | (1,667) | (2,747) | (1,897) | (2,177) | (2,110) |
| Organisation & Management | | | | | | |
| Organisation & Management | Income | 2,354 | 467 | 617 | 538 | 450 |
| | Expenses | (5,742) | (4,206) | (3,901) | (4,298) | (3,685) |
| SUB-TOTAL | | (3,387) | (3,739) | (3,284) | (3,760) | (3,235) |
| Eliminations | | | | | | |
| | Income | (205) | (217) | 0 | 0 | 0 |
| | Expenses | 205 | 217 | 0 | 0 | 0 |
| SUB-TOTAL | | 0 | 0 | 0 | 0 | 0 |
| TOTALS | | | | | | |
| | Total Income | 62,394 | 60,066 | 56,248 | 54,989 | 51,466 |
| | Total Expenses | (62,634) | (59,660) | (55,855) | (53,884) | (50,346) |
| PROFIT/(LOSS) | | (240) | 406 | 392 | 1,105 | 1,120 |

Race Meeting Statistics

| | 2008 | | 2007 | | Variance |
|--------------------------------------|---------------------|-------------------|---------------------|-------------------|--------------|
| | Aggregate \$'000 | Average \$'000 | Aggregate \$'000 | Average \$'000 | Average % |
| Moonee Valley Meetings All | | | | | |
| Total Meetings | 52 | | 52 | | 0.0% |
| Off Course Tote | 42,722 | 821.6 | 42,623 | 819.7 | 0.2% |
| On Course Tote | 7,017 | 134.9 | 7,282 | 140.0 | (3.6%) |
| Bookmakers | 2,883 | 55.4 | 2,772 | 53.3 | 4.0% |
| Attendance | 64.9 | 1.2 | 63.0 | 1.2 | 3.0% |
| Moonee Valley Meetings Day | | | | | |
| Total Meetings | 14 | | 14 | | 0.0% |
| Off Course Tote | 7,934 | 566.7 | 8,014 | 572.4 | (1.0%) |
| On Course Tote | 1,052 | 75.1 | 1,419 | 101.3 | (25.9%) |
| Bookmakers | 424 | 30.3 | 656 | 46.8 | (35.3%) |
| Attendance | 8.3 | 0.6 | 10.7 | 0.8 | (21.8%) |
| Moonee Valley Meetings Night | | | | | |
| Total Meetings | 38 | | 38 | | 0.0% |
| Off Course Tote | 34,788 | 915.5 | 34,610 | 910.8 | 0.5% |
| On Course Tote | 5,966 | 157.0 | 5,863 | 154.3 | 1.7% |
| Bookmakers | 2,459 | 64.7 | 2,116 | 55.7 | 16.2% |
| Attendance | 56.5 | 1.5 | 52.4 | 1.4 | 8.0% |
| Country Club TAB Meetings All | | | | | |
| Total Meetings | 446 | | 453 | | (1.5%) |
| Off Course Tote | 192,745 | 432.2 | 196,592 | 434.0 | (0.4%) |
| On Course Tote | 10,130 | 22.7 | 11,560 | 25.5 | (11.0%) |
| Bookmakers | 2,022 | 4.5 | 2,565 | 5.7 | (19.9%) |
| Attendance | 196.6 | 0.4 | 214.0 | 0.5 | (6.7%) |
| Country Club TAB Meetings Day | | | | | |
| Total Meetings | 173 | | 173 | | 0.0% |
| Off Course Tote | 72,052 | 416.5 | 72,831 | 421.0 | (1.1%) |
| On Course Tote | 3,139 | 18.1 | 3,618 | 20.9 | (13.2%) |
| Bookmakers | 578 | 3.3 | 734 | 4.2 | (21.2%) |
| Attendance | 52.7 | 0.3 | 56.4 | 0.3 | (6.6%) |

| | 2008 | | 2007 | | Variance |
|--|----------------|--------------|----------------|--------------|---------------|
| | Aggregate | Average | Aggregate | Average | Average |
| | \$'000 | \$'000 | \$'000 | \$'000 | % |
| Country Club TAB Meetings Night | | | | | |
| Total Meetings | 222 | | 229 | | (3.1%) |
| Off Course Tote | 103,192 | 464.8 | 106,498 | 465.1 | (0.0%) |
| On Course Tote | 6,123 | 27.6 | 6,886 | 30.1 | (8.3%) |
| Bookmakers | 1,295 | 5.8 | 1,619 | 7.1 | (17.5%) |
| Attendance | 121.3 | 0.5 | 132.0 | 0.6 | (5.2%) |
| Country Club TAB Meetings Twilight | | | | | |
| Total Meetings | 51 | | 51 | | 0.0% |
| Off Course Tote | 17,501 | 343.1 | 17,263 | 338.5 | 1.4% |
| On Course Tote | 869 | 17.0 | 1,056 | 20.7 | (17.7%) |
| Bookmakers | 150 | 2.9 | 213 | 4.2 | (29.6%) |
| Attendance | 22.6 | 0.4 | 25.6 | 0.5 | (11.7%) |
| Country Club Non - TAB Meetings | | | | | |
| Total Meetings | 3 | | 4 | | (25.0%) |
| Off Course Tote | 0 | 0.0 | 0 | 0.0 | - |
| On Course Tote | 273 | 91.0 | 377 | 94.1 | (3.3%) |
| Bookmakers | 171 | 56.9 | 185 | 46.2 | 23.2% |
| Attendance | 10.5 | 3.5 | 11.5 | 2.9 | 21.6% |
| Victorian Performance on Victorian Meetings | | | | | |
| Total Meetings | 501 | | 509 | | (1.6%) |
| Off Course Tote | 235,467 | 470.0 | 239,216 | 470.0 | 0.0% |
| On Course Tote | 17,421 | 34.8 | 19,219 | 37.8 | (7.9%) |
| Bookmakers | 5,076 | 10.1 | 5,522 | 10.8 | (6.6%) |
| Attendance | 272.0 | 0.5 | 288.5 | 0.6 | (4.2%) |
| Victorian Off Course Performance on Interstate/International Meetings | | | | | |
| Total Meetings | 1,070 | | 1,144 | 46,821 | (6.5%) |
| Off Course Tote | 264,787 | 247.5 | 305,256 | 266.8 | (99.5%) |
| Victorian Performance on All Harness Meetings | | | | | |
| Total Meetings | 1,571 | | 1,653 | | (5.0%) |
| Off Course Tote | 500,253 | 318.4 | 544,471 | 329.4 | (3.3%) |
| On Course Tote | 17,421 | 11.1 | 19,219 | 11.6 | (4.6%) |
| Total Tote - On and Off Course | 517,674 | 329.5 | 563,690 | 341.0 | (3.4%) |
| Bookmakers | 5,076 | 3.2 | 5,522 | 3.3 | (3.3%) |
| Total Betting (Tote plus Bookmakers) | 522,750 | 332.7 | 569,212 | 344.4 | (3.4%) |

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 2008.



N Busse LLB, B.Com
Chairman

29 August 2008

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 maximise returns to our stakeholders."

Organisational Structure & Corporate Governance Arrangements

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

Minister for Racing – The Hon. Rob Hulls, MP

Members of Harness Racing Victoria Board

Neil Busse – Chairman
Peter Bourke
John Doherty
Carl O'Dwyer
Stephen Nash
Kate Roffey

Chief Executive – John Anderson

General Manager – Marketing and Events – Lucy Brennan
Lucy Brennan is responsible for Marketing and Promotions, providing

direction and support to Country Clubs, Communications, Sponsorship and Media.

General Manager - Metropolitan Racing & Events - (Acting) Shaun Kelly
Shaun Kelly heads a team responsible for managing metropolitan race meetings and industry events and functions.

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

General Manager - Strategic Planning & Development - Shane Gloury
Shane Gloury heads the Strategy and Development team and is responsible for Strategic Planning, the Development Fund, Industry Futurities, Breeding, Information Technology and Racing Information Services Enterprise (RISE).

Legal Counsel – Craig Launder
Craig Launder is responsible for Legal matters and Corporate Governance.

General Manager – Racing and Integrity Services– Brant Dunshea
Brant Dunshea heads up the Integrity unit which is responsible for the non-raceday Integrity, Racing operations, Registration and the Investigative functions of HRV.

Chairman of Stewards – Alan Pearson
Alan Pearson heads up the raceday integrity functions of HRV, including responsibility for the stewards panel.

Audit Committee

The Audit Committee consists of the following members:

John Stewart (Chairman- Independent)
Neil Busse (Board Member- Independent)
Jennifer Labourne (Independent)

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.

Marketing Sub Committee – is responsible for the direction and approval of HRV's 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.

Melton Steering Committee – This Committee was formed following the approval of the Melton Harness Racing and Entertainment

Complex project. The Committee is responsible for project guidance, financial oversight, management of the tender process and to make recommendations to the Board on the selection of consultants, contractors, suppliers and other project deliverables as required.

Integrity Sub-Committee – This Committee consists of The Chairman, two other Board members and an independent consultant. This Committee determines policies in respect of all issues relating to the integrity of harness racing in Victoria.

Human Resource Management

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

During the year, HRV offered a range of programs to ensure all staff were equipped with the knowledge and skills required in today's dynamic working environment. Focus in the year was placed on compliance and equal employment opportunity training for all employees. Employees are also encouraged to extend their professional skills with individual development needs identified as part of the annual performance review cycle.

Negotiations for a new Certified Agreements for Stewards was completed and a new Certified Agreement became operational in March 2008. Although a co-operative relationship exists between employee representation organisations and HRV, there was a small amount of time lost due to industrial disputation.

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.

| Staff Profile by Position - Full Time | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------------|-----------|
| CLASSIFICATION | MALE | | FEMALE | | TOTAL FULL TIME | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Executive | 8 | 6 | 1 | 1 | 9 | 7 |
| Professionals | 14 | 14 | 1 | 1 | 15 | 15 |
| Paraprofessionals | 21 | 20 | 1 | 2 | 22 | 22 |
| Clerical Workers | 6 | 6 | 8 | 8 | 14 | 14 |
| Broadcasters & Country Clubs | 6 | 5 | 1 | 0 | 7 | 5 |
| TOTAL | 55 | 51 | 12 | 12 | 67 | 63 |
| In addition, the HRV Board employed 9 part time staff at 30 June 2008 and 36 casual staff were utilised during the year. | | | | | | |
| HRV Staffing Trends - Full Time | | | | | | |
| 2008 | 2007 | 2006 | 2005 | 2004 | | |
| 67 | 63 | 57 | 54 | 48 | | |

Occupational Health and Safety

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

Following the appointment of an OH&S Manager in January 2008, a number of OH&S initiatives have been successfully implemented. These initiatives included the following:

- Development and implementation of a Horse Movement Policy (HMP) including the alliance with nominated contractors throughout all HRV racing facilities.
- Review of all HRV racing facilities from a risk management perspective and outstanding actions identified, prioritised and addressed.
- Thorough review of all existing OH&S Policies and Procedures and Safety Guidance Notes (SGN's) including the development and implementation of additional Procedures and SGN's.
- Expansion and increased effectiveness of the OH&S Committee.

The above initiatives have contributed towards overall cost saving benefits to the organisation through the utilisation of increased role diversity, whilst reducing HRV's exposure to both employee, contractor and public liability based risk.

Financial Review of Operations and Financial Conditions

For the financial year ended 30 June 2008 an operating loss of \$240k was recorded. This was below the prior year profit of \$406k.

In 2007/08, although revenue at the consolidated level shows growth (+\$2.3 million), the underlying performance of the business was significantly impacted by the Equine Influenza outbreak in Queensland and NSW. Although the disease did not directly affect the Victorian horse population and racing in Victoria was only put on hold as a precautionary measure for six days (25 August 2008 to 30 August 2008), the limited racing in QLD and NSW until early 2008 had an adverse impact on HRV's Tabcorp Income stream of approximately \$3.3 million. Partly offsetting this impact was strong growth in the Gaming operations of the Tabcorp Joint Venture which reduced the overall negative impact on income coupled with reduced operating expenditure. Regrettably, reduced operating expenditure compared to plan involved lowering stake money and Country Club funding, as well

as other operational expenditure savings to minimise the bottom line impact and prudently manage cash flow.

Despite the impact of Equine Influenza, in 2007/08 Harness Racing Victoria distributed a total of \$33.4 million in stakemoney to owners, trainers, drivers, breeders and studmasters. This level of stakemoney exceeds the record established in 2006/07.

The net loss of \$240k for the year was below the budgeted profit of \$250k, however in line with the revised forecast following the outbreak of Equine Influenza on 25 August 2008.

The increase in Cash Assets at 30 June 2008 is largely due to timing of payments for trade payables and industry payments and is reflected in the increase in Total Liabilities.

The increase in Total Assets of \$17.0 million from \$30.4 million to \$47.4 million was on the back of \$22.0 million being invested into the Melton Race Track and Entertainment complex which is due to be completed in early 2009.

During the year HRV was required (as planned) to draw down on a CBA loan facility (as approved by The Department of Treasury and Finance) to partly fund the Melton Race Track and Entertainment Complex. At 30 June 2008, \$7.2 million of the \$29.1 million facility was used and is the key driver for the increase in Total Liabilities. Current liabilities also include \$4.8 million in Melton project expenditure which will also be funded out of the long term debt facility rather than cash assets.

Future Outlook

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

The coming year will again build on the record stake money levels established in 2007/08 with the full year impact of stakemoney initiatives introduced during 2007/08 and enhancements planned for 2008/09 expected to deliver an underlying increase in stakemoney of 4.0% compared to 2007/08 after adjusting for the one-off stake money in 2007/08 associated with the Inter Dominion.

Construction of the Melton complex will also be completed in the year with the non-raceday operations of the venue expected to open in the first quarter of the 2009 calendar year followed by racing to commence in the 2009/10 financial year. Once operational, this investment will not only provide a new racing facility for our stakeholders but it will also become a source of ongoing industry funding well into the future.

Five Year Financial Summary

| | 2008 \$'000 | 2007 \$'000 | 2006 \$'000 | 2005 \$'000 | 2004 \$'000 |
|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Tabcorp Revenue | 48,264 | 49,219 | 46,634 | 46,383 | 43,874 |
| Other Revenue | 14,131 | 10,847 | 9,614 | 8,606 | 7,592 |
| Total Revenue | 62,394 | 60,066 | 56,248 | 54,989 | 51,466 |
| Stake Money Expense | (33,373) | (32,577) | (31,681) | (29,062) | (27,351) |
| Other Expenses | (29,261) | (27,083) | (24,174) | (24,822) | (22,995) |
| Net Profit/(Loss) | (240) | 406 | 392 | 1,105 | 1,120 |
| Cash Assets | 8,680 | 4,774 | 10,718 | 9,091 | 6,834 |
| Total Assets | 47,372 | 30,403 | 25,790 | 23,131 | 19,649 |
| Current Liabilities | (15,496) | (10,511) | (7,245) | (5,171) | (4,172) |
| Total Liabilities | (29,747) | (12,537) | (13,329) | (7,562) | (6,136) |

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 2007/08, no requests were received.

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 82% 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.

Whistleblowers

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

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

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

| | Number | Type |
|--|--------|------|
| The number and types of disclosures made to the public body during the year | Nil | |
| The number of disclosures referred to the Ombudsman for determination as to whether they are public interest disclosures | Nil | |
| The number and types of disclosed matters referred to the public body by the Ombudsman for investigation | Nil | |
| The number and types of disclosures referred by the public body to the Ombudsman for investigation | Nil | |
| The number and types of investigations taken over from the public body by the Ombudsman | Nil | |

| | | |
|---|-----|--|
| The number of requests made by a whistleblower to the Ombudsman to take over an investigation by the public body | Nil | |
| The number and types of disclosed matters that the public body had declined to investigate | Nil | |
| The number and type of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation | Nil | |
| Any recommendations made by the Ombudsman that relate to the public body | Nil | |

Implementation of the Victorian Industry Participation Policy

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

Contracts commenced to which VIPP applied:

- during 2007/08 HRV commenced one contract in regional Victoria totalling \$1.6 million to which the VIPP applied.
- the commitments by contractors under VIPP included:
 - use of local resources totalling 85% of the contract price
 - all labour undertaken on the project to be of local origin
- The following benefits to the economy in terms of skill and technology transfer:
 - employment of apprentices is encouraged
 - local trade schools to participate in work experience programs

No contracts were completed to which VIPP applied.

Consultancies

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

There were 7 consultancies during the year where the fees payable for each consultancy was less than \$100,000. The total cost of these consultancies was \$97,070 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 statement that declarations of pecuniary interests as completed by all relevant officers;
- Details of publications produced by HRV and where they can be obtained;
- Details of changes in prices, fees, charges, rates and levies charged by HRV for its services;
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;

- e) Details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the Report of Operations

ATTESTATION ON COMPLIANCE WITH THE AUSTRALIAN/NEW ZEALAND RISK MANAGEMENT STANDARD

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



C Cutajar
Chief Finance and Accounting Officer
Harness Racing Victoria
29 August 2008

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 2007/08 on 7 August 2007, 6 December 2007 and 8 April 2008 (combined meeting of all groups).

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

Association of Victorian Country Harness Racing Clubs Inc. (AVCHRC)

- HRV sought feedback from the AVCHRC on a review of the lack of trials in certain areas due to the drought;
- HRV commenced process to ensure all Clubs have employment agreements in place in accordance with the Workplace Authority;
- HRV agreed to review Club meeting fee payments;
- HRV committed to a review of trials.

Victorian Harness Racing Trainers and Drivers Association Inc. (VHRT&DA)

- HRV agreed to waive the penalty for horses scratched prior to acceptance time for a discretionary handicap event;
- Continual improvements required to HarnessWeb acknowledged by HRV;
- HRV consideration of a formal accreditation process for track attendants;
- HRV to conduct a review of trials. VHRT&DA to forward a proposal to HRV;
- HRV to conduct a review of drivers' fees;
- HRV sought feedback from the VHRT&DA with regard to Out of Class racing;

- HRV agreed to review the programming of trotters' races;
- HRV agreed to review the ballot points system;
- HRV reviewing the Vicbred Bonus scheme;
- Standard start procedures under review.

Harness Racing Owners Association Inc. (HROA)

- HROA to increase the number of bonus races from 52 in 2006/07 to 75 in 2007/08;
- HRV agreed to an increase of funding by \$4,000 in support of HROA bonus races;
- HRV advised that stage 1 of the new lease papers had been completed. Stage 2 will take approximately 6 months to complete due to changes required with the computer system;
- HRV agreed to commit 16 race names to HROA at Moonee Valley meetings;
- HRV advised HROA of its focus on IT development over the next 12 months which includes the creation of a national database;
- HRV agreed to contribute to the cost of a part time employee for the HROA;
- HRV received support from HROA with its plan to develop a dress standard policy for owners participating in presentations at Moonee Valley;
- HROA advised HRV it would like to increase its membership to 1,000 members in 2007/08;
- HRV advised HROA that revenue leakage to corporate bookmakers is a serious threat to increasing stakes;
- HRV advised that the AHRC will review the metropolitan threshold in the next 12 months;
- HRV agreed to move the Provincial Cup from July to March in 2009;
- HRV to introduce a HROA Metropolitan Cup with heats and a \$20,000 final from June 2008.

Victorian Standardbred Breeders and Studmasters Association Inc. (VSB&SA)

- HRV agreed to lobby the Government through HRA for the introduction of a tax incentive scheme for breeders;
- HRV to investigate the VSB&SA's proposal of a Vicbred Super Series Day;
- HRV made a presentation to the Minister for Racing in a bid to secure funding for financial relief for breeders as a result of the impact of the drought on the industry;
- HRV continues to support the HRA in its push for primary industry status for the Australian harness racing industry;
- HRV is investigating programming initiatives to encourage an increase in the breeding of foals in Victoria;
- HRV would consider a request by the VSB&SA with regard to a register for foster mares and foster foals similar to the broodmare register

Victorian Bookmakers Association Ltd (VBA)

- VBA advised HRV that it supports 24/7 internet bookmaking;
- HRV provided the VBA with an update on Race Fields Legislation
- HRV expressed appreciation to the VBA for continuing to support small country meetings;

All groups were updated on the following issues:

- Progress of the Melton Complex
- Status update of the Equine Influenza outbreak and the impact on the harness racing industry in Victoria.

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.

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Key Industry Statistics

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|
| Meetings (TAB) | 498 | 505 | 493 | 498 | 500 | 490 | 479 |
| Meetings (Non-TAB) | 3 | 4 | 11 | 13 | 15 | 26 | 35 |
| Races | 4,088 | 4,375 | 4,076 | 4,158 | 4,189 | 4,248 | 4,236 |
| Horses raced | 4,442 | 4,672 | 4,612 | 4,637 | 4,598 | 4,713 | 4,756 |
| Nominations | 57,787 | 58,392 | 56,413 | 58,660 | 57,088 | 61,976 | 62,457 |
| Starters | 38,827 | 40,295 | 39,549 | 39,698 | 38,828 | 40,511 | 40,296 |
| Drivers | 878 | 847 | 930 | 950 | 912 | 971 | 1,016 |
| Trainers | 1,497 | 1,443 | 1,542 | 1,540 | 1,520 | 1,551 | 1,589 |
| Stablehands | 1,672 | 952 | 1,281 | 1,300 | 1,265 | | |
| Sires | 108 | 113 | 101 | 109 | 121 | 120 | 129 |
| Foals | 2,609 | 2,984 | 2,826 | 3,019 | 2,707 | 3,083 | 3,002 |
| Namings | 2,152 | 2,411 | 1,785 | 1,831 | 1,583 | 1,657 | 1,732 |
| Services | 4,292 | 3,906 | 4,022 | 3,753 | 4,099 | 3,829 | 4,202 |

HARNESS RACING VICTORIA / FINANCIAL STATEMENTS 2008



Operating Statement

for the Financial Year ended 30 June 2008

| | Note | 2008 \$'000 | 2007 \$'000 |
|---|-----------|-----------------|-----------------|
| INCOME | | | |
| Tabcorp Income | | 48,264 | 49,219 |
| Other Income | | 14,131 | 10,847 |
| Total Income | 2 | 62,394 | 60,066 |
| EXPENSES | | | |
| Stakemoney expense | | (33,373) | (32,577) |
| Employee Benefits | | (6,332) | (5,525) |
| Depreciation and Amortisation expense | | (784) | (860) |
| Finance Costs | | (149) | (2) |
| Other expenses from ordinary activities | | (21,996) | (20,696) |
| Total Expenses | 2 | (62,634) | (59,660) |
| Net Result for the Period | 18 | (240) | 406 |

The above Operating Statement should be read in conjunction with the accompanying notes included on pages 22 to 45

Balance Sheet

as at 30 June 2008

| | Note | 2008 \$'000 | 2007 \$'000 |
|--------------------------------------|-------|----------------|----------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 24(a) | 8,680 | 4,774 |
| Receivables | 4 | 3,278 | 5,938 |
| Other Financial Assets | 5 | 348 | 464 |
| Other | 6 | 96 | 247 |
| | | 12,402 | 11,423 |
| Assets classified as held for sale | 7 | - | 5,628 |
| Total Current Assets | | 12,402 | 17,051 |
| NON-CURRENT ASSETS | | | |
| Property, Plant and Equipment | 8 | 33,538 | 11,878 |
| Other Financial Assets | 5 | 219 | 261 |
| Investments | 9 | 1,082 | 1,082 |
| Intangible Assets | 10 | 132 | 132 |
| Total Non-Current Assets | | 34,970 | 13,352 |
| TOTAL ASSETS | | 47,372 | 30,403 |
| CURRENT LIABILITIES | | | |
| Payables | 11 | 10,451 | 4,688 |
| Provisions | 12 | 1,231 | 1,064 |
| Interest Bearing Liabilities | 13 | - | 2,600 |
| Prepaid Income | 14 | 2,126 | 122 |
| Other | 15 | 1,688 | 2,038 |
| Total Current Liabilities | | 15,496 | 10,511 |
| NON-CURRENT LIABILITIES | | | |
| Interest Bearing Liabilities | 13 | 7,166 | - |
| Prepaid Income | 14 | 4,965 | - |
| Provisions | 12 | 139 | 86 |
| Other | 15 | 1,981 | 1,939 |
| Total Non-Current Liabilities | | 14,251 | 2,026 |
| TOTAL LIABILITIES | | 29,747 | 12,537 |
| NET ASSETS | | 17,625 | 17,866 |
| EQUITY | | | |
| Contributed Capital | 16 | 9,174 | 9,174 |
| Reserves | 17 | 3,371 | 3,371 |
| Accumulated Surplus | 18 | 5,081 | 5,321 |
| TOTAL EQUITY | | 17,625 | 17,866 |

The above Balance Sheet should be read in conjunction with the accompanying notes included on pages 22 to 45

Statement of Changes in Equity

for the Financial Year ended 30 June 2008

| | Note | 2008 \$'000 | 2007 \$'000 |
|--|------|----------------|----------------|
| Total Equity at the beginning of the financial year | | 17,866 | 16,432 |
| Gain/(Loss) on Property Revaluations | 17 | - | 1,028 |
| Net Income Recognised Directly in Equity | | - | 1,028 |
| Net Result for the Period | 18 | (240) | 406 |
| Total Equity at end of financial year | | 17,625 | 17,866 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes included on pages 22 to 45

Cash Flow Statement

for the Financial Year ended 30 June 2008

| | Note | 2008 \$'000 | 2007 \$'000 |
|---|--------------|-----------------|----------------|
| Cash flows from operating activities | | | |
| Receipts from operations | | 70,362 | 56,776 |
| Payments to suppliers, employees & industry | | (56,413) | (59,106) |
| Interest received | | 583 | 443 |
| Interest paid | | (149) | (2) |
| Net cash from/(used in) operating activities | 24(b) | 14,382 | (1,889) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (22,432) | (6,444) |
| Proceeds from the sale of property, plant and equipment | | 7,219 | - |
| Loans granted to Country Clubs | | - | (10) |
| Purchase of Investment in RISE | | - | (500) |
| Opening cash in RISE business acquired | | - | 124 |
| Net cash from/(used in) investing activities | | (15,213) | (6,830) |
| Cash flows from financing activities | | | |
| Proceeds from loan repayments | | 169 | 175 |
| Proceeds from Interest Bearing Liabilities | | 7,166 | 2,600 |
| Repayment of Interest Bearing Liabilities | | (2,600) | - |
| Net cash from/(used in) financing activities | | 4,736 | 2,775 |
| Net Increase/(decrease) in cash held | | 3,905 | (5,944) |
| Cash and cash equivalents at the beginning of the financial year | | 4,774 | 10,718 |
| Cash and cash equivalents at the end of the financial year | 24(a) | 8,680 | 4,774 |

The above Cash Flow Statement should be read in conjunction with the accompanying notes included on pages 22 to 45

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2008

1. Summary of Significant Accounting Policies

The following summary explains the significant accounting policies that have been adopted by Harness Racing Victoria ("HRV") in the preparation of this financial report.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared on an accrual basis in accordance with the *Financial Management Act 1994*, applicable Australian Accounting Standards (AAS), which includes the Australian Accounting Standards issued by the *Australian Accounting Standards Board* (AASB), Interpretations and other mandatory professional requirements.

The financial report also complies with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance, and relevant Standing Directions (SD) authorised by the Minister for Finance.

(b) Basis of preparation

The financial report has 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.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 policies set out below have been applied in preparing the financial statements for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

(c) Reporting entity information

Harness Racing Victoria is a statutory authority for which the Minister for Racing is responsible. Harness Racing Victoria's function is to administer, develop and promote the sport of harness racing in Victoria.

Harness Racing Victoria is also the controlling entity of HRV Management Ltd. HRV Management Ltd is trustee for the Melton Entertainment Trust, the sole beneficiary of which is HRV. HRV Management Ltd will be responsible for the operation of the Racing and Entertainment Complex being established at Melton, Victoria. HRV Management Ltd had not commenced trading as at 30 June 2008 and therefore consolidated accounts have not been prepared.

(d) Objectives and Funding

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

(e) 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 HRV and other parties, the transactions are only recognised when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the statements are authorised for issue, where those events provide information about conditions that existed at the reporting date. Note disclosure is made about events between the balance date and the date statements are authorised for issue where the events relate to a condition which arose after the reporting date and which may have a material impact on the results in subsequent years.

(f) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The 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.

(g) Income Recognition

Amounts disclosed as incomes are, where applicable, net of returns, allowances, duties and taxes.

- Tabcorp Distributions and Commissions are brought to account in the financial year that such amounts are earned by HRV.
- Admissions Revenue represents amounts earned by HRV for charging an entrance fee to Harness Tracks. This revenue is brought to account in the period that the race meeting is conducted.
- Acceptance and scratching fees are brought to account after the race that they relate to is conducted.
- Sponsorship Revenue is recognised in the same accounting period in which the sponsorship services are performed by HRV.
- Racing Fees are brought to account in the accounting period in which the related service is performed.
- Interest revenue is recognised on a time proportionate basis that takes into account the effective yield of the financial asset.
- Profits/(losses) on the sale of property, plant and equipment are recognised when HRV relinquishes control of the asset.
- Rental income is recognised over the period of the related rental.

Notes to and forming part of the Financial Statements

for the Year Ended 30 June 2008

- 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 Operating Statement as revenue. Fees and contributions received prior to 30 June 2008, for futurity series to be conducted in 2008/2009 are brought to account as a Current Liability. Fees and contributions received for series to be run after 30 June 2009, have been recorded as a Non-Current Liability.

(h) Expenses

Grants and Other Payments

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

Employee Benefits

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

Superannuation

Defined benefit plans

The amount charged to the operating statement in respect of defined benefit superannuation plans represent the contributions made by HRV to the superannuation plan in respect to the current services of current HRV staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

The Department of Treasury and Finance centrally recognises the defined benefit liability or surplus of most Victorian government employees in such funds.

The amount charged on the operating statement in respect of defined benefit superannuation plans represents the accrual of benefits during the reporting period.

Depreciation and Amortisation

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

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

- Buildings (40 years)
- Moonee Valley Improvements under leasehold (20 years)
- Plant & Equipment
 - Motor Vehicles (7-10 years)
 - Computers & Computer Equipment (3-6 years)
 - Furniture & Fittings (2-8 years)
 - Equipment (2-15 years)
 - Library (8 years)
 - Timing & Photo Finish Equipment (10 years)
 - Office Improvements (5-8 years)

- Software (3-10 years)

Finance Costs

Finance costs 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;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowing;
- finance lease charges;

Impairment of Assets

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

- financial assets (refer Note 1(i));
- non-current assets held for sale (refer Note 1(ii))

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 by a charge to the operating statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

(i) Assets

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and deposits at call.

Receivables

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

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

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

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2008

Investments

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 because the fair value of this investment cannot be measured reliably. HRV's Investment in Radio 3UZ Unit Trust consists of an 18% unitholding in this trust which fully owns all of the issued shares in 3UZ Pty Ltd. 3UZ Pty Ltd operates commercial radio station Sport 927 and a network of regional relay stations.

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

Details in relation to Investments are disclosed in Note 9 – Investments.

Other Financial Assets

Harness Racing Victoria classifies its other investments in the following categories:

- Financial Assets at fair value through profit or loss,
- Loans and receivables
- Held to Maturity Investments
- 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. HRV's financial assets are limited to cash, receivables and loans.

Loans and Receivables

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 useful life of the financial asset, or where appropriate, a shorter period.

Property, plant and equipment

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

Plant, equipment and vehicles are measured at cost less accumulated depreciation and impairment.

Revaluations of non-current physical assets

Non-current physical assets measured at fair value are revalued with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value. This revaluation process normally occurs every three years.

Revaluation increments are credited directly to equity in the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised as income in determining the net result. Revaluation decrements are recognised immediately as expenses in

the net result, except that, to the extent that a credit balance exists in the revaluation reserve in respect of the same class of assets, they are debited to the revaluation reserve.

Revaluation increases and revaluation 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.

Revaluation reserves are not transferred to accumulated surplus on de-recognition of the relevant asset.

Non-current assets classified as held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell and are not subject to depreciation.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is expected to be completed within one year from the date of classification.

Leases

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

Intangible assets

Goodwill arising from business combinations

All business combinations are accounted for applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of net identifiable assets

(j) Liabilities

Payables

Payables consist predominately of creditors and other sundry liabilities.

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

Interest Bearing Liabilities

Interest bearing liabilities are recorded initially at fair value, net of transaction costs.

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

Notes to and forming part of the Financial Statements

for the Year Ended 30 June 2008

Provisions

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

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

Employee Benefits

(i) Wages and salaries, annual leave and sick leave

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

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

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

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

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

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

(iii) Employee benefits on-costs

Employee benefits on-costs (payroll tax, workers compensation, superannuation, annual leave and long service leave accrued while on long service leave taken in service) are recognised and included with LSL 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. HRV recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance date are discounted to

present value.

(k) Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources and are disclosed at their nominal value.

(l) Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

(m) 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 HRV and HRV has an obligation to make payment to external parties.

(n) Country Club Contributions to Stake money

Country Club Contributions to Stake money are brought to account as revenue in the Operating Statement. These amounts are then distributed as Stake money, which is recognised as an expense in the Operating Statement.

(o) Cash flow statement

For the purpose of the cash flow statement, cash and cash equivalents comprises cash on hand, cash at bank, bank overdrafts and deposits at call and highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

(p) Foreign Currency

HRV utilises a New Zealand bank account for the purpose of collecting Futurities Fees from New Zealand owners and breeders. The balance of this account is converted into Australian Dollars at year end using the current exchange rate for that date. The gain or loss arising from movements in the exchange rate is brought to account in the Operating Statement.

(q) Functional and presentation currency

The functional and presentation currency of HRV is the Australian dollar.

(r) Rounding of amounts

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

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises HRV of their applicability and early adoption where applicable.

HRV has not, and does not intend to, adopt these standards early.

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2008

| | 2008 \$'000 | 2007 \$'000 |
|--|----------------|----------------|
| 2. Operating Result | | |
| The Operating Statement consists of the following income and expense items: | | |
| INCOME | | |
| Tabcorp Income | 48,264 | 49,219 |
| Other Income | | |
| Sponsorship Income | 1,229 | 698 |
| Interdominion Marketing Levy & Interstate Contributions | 842 | - |
| Moonee Valley Admissions, Group Bookings and Racebook Sales | 535 | 309 |
| Moonee Valley Catering Profits/(Losses) | 30 | (27) |
| Registration Fees - Licenses, Foal Notifications, Stallion Fees, Imports, Exports, Leases, Ownerships Transfers, DNA Testing etc | 1,029 | 1,274 |
| Electronic Gaming Machine Levy | 1,159 | 1,575 |
| Futurities Income | | |
| - Vicbred Revenue | 781 | 757 |
| - Breeders Crown | 1,352 | 1,187 |
| - Australian Pacing Gold Subsidies | 469 | 318 |
| - G Board & Co/Ausco Subsidies | 13 | 20 |
| Nomination, Acceptance and Scratching Fees | 657 | 433 |
| Harness Card Sales, Harness Racer Subscriptions and Advertising | 680 | 567 |
| Junction Tabaret – Lease Rental from MHRC | 449 | 564 |
| Bookmakers License Levy and Fielding Fees | 48 | 50 |
| Country Club Contributions to Stakemoney | 1,084 | 1,184 |
| Profit on Sale of Assets (Refer note 2a) | 1,603 | - |
| Interest Income | 583 | 443 |
| Sky Channel International Rights Fees | 320 | 483 |
| Other Administration and Racing Income | 341 | 172 |
| Other Marketing Revenue – Calendar Sales, Social Functions, Big Screen External Hiring and Promotional Goods | 171 | 139 |
| Metropolitan Harness Racing Revenue | 66 | 114 |
| RISE IT Charges | 690 | 589 |
| Total Other Income | 14,131 | 10,847 |
| Total Income | 62,394 | 60,066 |

Notes to and forming part of the Financial Statements

for the Year Ended 30 June 2008

2008
\$'000

2007
\$'000

Note 2 Continued

EXPENSES

Stakemoney

| | | |
|--|--------|--------|
| Moonee Valley Stakes | 9,760 | 8,824 |
| Country Stakes | 19,280 | 19,218 |
| Drivers Fees | 1,050 | 1,252 |
| Vicbred Win Bonuses | 1,598 | 1,576 |
| Vicbred Breeder Bonuses | 600 | 523 |
| Country Club Contributions to Stakemoney | 1,084 | 1,184 |

| | | |
|-------------------------|---------------|---------------|
| Total Stakemoney | 33,373 | 32,577 |
|-------------------------|---------------|---------------|

| | | |
|---|------------|------------|
| Depreciation and Amortisation Expense (Refer Note 8) | 784 | 860 |
|---|------------|------------|

| | | |
|--|--------------|--------------|
| HRV - Permanent & Casual Employment Costs | 6,332 | 5,525 |
|--|--------------|--------------|

| | | |
|----------------------|------------|----------|
| Finance Costs | 149 | 2 |
|----------------------|------------|----------|

Other Expenses

| | | |
|--|-------|-------|
| Payments to Country Clubs (excluding Stakemoney) | 5,343 | 5,419 |
| Moonee Valley Expenses | | |
| - MVRC Rental | 117 | 123 |
| - MVRC Service Charges | 135 | 150 |
| - MVRC Casual Wages | 632 | 549 |
| - MVRC Administration Costs | 199 | 211 |
| - MVRC Cleaning Contract | 193 | 205 |
| - MVRC Light & Power Charges | 111 | 117 |
| - MVRC Racecourse Preparation Charges | 97 | 94 |
| - Other MVRC - Audio, Security, Insurance, R&M and Sundry | 226 | 227 |
| - Track Maintenance | 83 | 60 |
| - Racebook Printing Costs | 120 | 112 |
| - Ambulance, Vet, Doctor, Landline Hire & Other | 167 | 161 |
| Development Fund (Refer Note 19) | 2,022 | 3,215 |
| Board Members Remuneration | 122 | 116 |
| On Course TV and Stewards Video Patrol | 1,931 | 1,887 |
| Sport 927 Deficit Funding and Direct Activity Costs | 241 | 129 |
| AHRC Funding & Expenses | 305 | 216 |
| RASL Swab Analysis | 452 | 405 |
| Photo Finish & Timing Contract | 425 | 423 |
| Youth Support Program | - | 30 |
| Freezebranding Costs, DNA Testing & Other Racing & Registration Expenses | 348 | 461 |
| Harness Racer Printing Costs | 222 | 244 |
| Stewards Travel Expenses | 176 | 164 |

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2008

| | 2008 \$'000 | 2007 \$'000 |
|---|----------------|----------------|
| Note 2 Continued | | |
| Bio/OH&S Security Costs | 468 | - |
| Appeal Costs and Legal Fees | 342 | 158 |
| Interdominion Subsidy | - | 80 |
| Bendigo Training Centre | 40 | 40 |
| Herald Sun - Publication of Fields and form Comment | 958 | 926 |
| Marketing Expenses - TV, Radio, Advertising/Promotion, Big Screen, Sponsorship and Entertainment Expenses | 3,191 | 2,064 |
| Motor Vehicle Expenses | 239 | 232 |
| Computer | 422 | 407 |
| Insurance - HRV and Country Clubs | 275 | 404 |
| Telephone & Facsimile, Printing & Stationery, FBT, Postage | 589 | 553 |
| Board Members & Staff Travel Expenses | 125 | 169 |
| Administration and Consultancy Expenses | 170 | 257 |
| Rental - HRV Head Office | 849 | 102 |
| Melton Transitional Expenses | 15 | - |
| Bank Charges | 46 | 52 |
| Audit Fees | 49 | 54 |
| Bad and Doubtful Debt Expense | 17 | (41) |
| Sulky Fund | 42 | 40 |
| Loss on Sale of Assets | - | 2 |
| Other - Light & Power, Taxi & Courier, Sundries, Supplies, Repairs and Maintenance, Cleaning, Rates and Taxes, Staff Training, Photo-Copier, Security etc | 491 | 479 |
| Total Other Expenses | 21,996 | 20,696 |
| Total Expenses | 62,634 | 59,660 |

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

| | | |
|---|--------------|----------|
| Gross Proceeds | 7,513 | - |
| Less incidental cost of disposal | (294) | - |
| Less carrying amount of assets disposed | (5,616) | - |
| Profit/(Loss) on Sale of Assets | 1,603 | - |

3. Remuneration of Auditors

| | | |
|--|-----------|-----------|
| Victorian Auditor General's Office - Audit of the Financial Report | 15 | 18 |
| Moore Stephens - Internal Audit Services | 33 | 37 |
| Total Remuneration of Auditors | 49 | 54 |

Notes to and forming part of the Financial Statements

for the Year Ended 30 June 2008

| | 2008 \$'000 | 2007 \$'000 |
|--|----------------|----------------|
| 4. Current Receivables | | |
| Trade Receivables ^(a) | 2,137 | 1,042 |
| Provisions for doubtful debts | (49) | (34) |
| | 2,088 | 1,008 |
| Tabcorp distribution receivable | 631 | 4,619 |
| Sundry debtors | - | 37 |
| Goods and Services Tax (GST) Recoverable | 483 | 174 |
| Accrued Income | 76 | 100 |
| | 1,190 | 4,930 |
| Total Current Receivables | 3,278 | 5,938 |

Notes: (a) 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 \$15,000 increase in provision was recognised in the operating result for the current financial year

(a) Movement in the Allowance for doubtful debts

| | | |
|---|-------------|-------------|
| Balance at the beginning of the year | (34) | (74) |
| Amounts recovered during the year | 4 | 45 |
| (Increase) / decrease in allowance recognised in profit or loss | (19) | (5) |
| Balance at end of the year | (49) | (34) |

(b) Aging analysis of receivables

Please refer to table 26.2 in Note 26 for the aging analysis of receivables

(c) Nature and extent of risk arising from receivables

Please refer to Note 26(c) for the nature and extent of credit risk arising from receivables

5. Other Financial Assets

| | | |
|---|------------|------------|
| Current | | |
| Loan - Geelong Harness Racing Club Inc | 34 | 32 |
| Loan - Ballarat Harness Racing Club Inc | 297 | 399 |
| Loan - Shepparton Harness Racing Club Inc | 3 | 19 |
| Loan - Terang Harness Racing Club Inc | 6 | 5 |
| Loan - Southern Speedways Light Harness Racing Club Inc | 8 | 9 |
| Total Other Current Financial Assets | 348 | 464 |
| Non-Current | | |
| Loan - Geelong Harness Racing Club Inc | 184 | 209 |
| Loan - Shepparton Harness Racing Club Inc | 6 | 9 |
| Loan - Terang Harness Racing Club Inc | 12 | 18 |
| Loan - Southern Speedways Light Harness Racing Club Inc | 18 | 24 |
| Total Other Non-Current Financial Assets | 219 | 261 |
| Total Other Financial Assets | 567 | 724 |

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2008

2008
\$'000

2007
\$'000

Note 5 Continued

(a) Aging analysis of other financial assets

Please refer to table 26.2 in Note 26 for the aging analysis of other financial assets

(b) Nature and extent of risk arising from other financial assets

Please refer to Note 26(c) for the nature and extent of risk arising from other financial assets

6. Other Current Assets

| | | |
|-----------------------------------|-----------|------------|
| Prepayments | 96 | 247 |
| Total Other Current Assets | 96 | 247 |

7. Non-Current Assets Held For Sale

| | | |
|---|----------|--------------|
| Freehold Land | - | 2,000 |
| Buildings | - | 3,588 |
| Motor Vehicle | - | 40 |
| Total Non-Current Assets Held For Sale | - | 5,628 |

Harness Racing Victoria sold its land and building situated at 740 Mt Alexander Rd, Moonee Ponds on 16 May 2007 (contract date). The building was sold for \$7,480k with settlement taking place on 3 July 2007. A deposit of \$340k was received in June 2007 with the balance of \$7,140k received on settlement date (3 July 2007). The proceeds from the sale of the property have been used to partly fund the Melton Complex.

8. Property, Plant & Equipment

| | Freehold Land 30-Jun-05 Valuation | Freehold Land 30-Jun-07 Valuation | Buildings 30-Jun-05 Valuation | Building Improvements (at cost) | Moonee Valley Improvements (at cost) | Plant and Equipment (at cost) | Melton Project (a) (at cost) | Total |
|--|---|---|-------------------------------------|---------------------------------------|--|-------------------------------------|------------------------------------|---------------|
| 2007/08 Year | | | | | | | | |
| Gross Carrying Amount | | | | | | | | |
| Balance as at 30 June 2007 | 893 | 3,500 | - | 41 | 2,442 | 7,375 | 3,223 | 17,474 |
| Reclassification of opening balances | - | - | - | 1,141 | - | (1,141) | - | - |
| Add back assets classified as held for sale at 30 June 07 | 2,000 | - | 3,550 | 286 | - | 40 | - | 5,876 |
| Additions | - | - | - | 34 | 7 | 179 | 22,212 | 22,432 |
| Additions through acquisition of entities | - | - | - | - | - | - | - | - |
| Disposals | (2,000) | - | (3,550) | (286) | - | (40) | - | (5,876) |
| Depreciation adjustments (from revaluations) | - | - | - | - | - | - | - | - |

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2008

Note 8 Continued

| 2007/08 Year | Freehold Land 30-Jun-05 Valuation | Freehold Land 30-Jun-07 Valuation | Buildings 30-Jun-05 Valuation | Building Improvements (at cost) | Moonee Valley Improvements (at cost) | Plant and Equipment (at cost) | Melton Project (a) (at cost) | Total |
|--|---|---|-------------------------------------|---------------------------------------|--|-------------------------------------|------------------------------------|---------------|
| Less classified as held for sale at 30 June 08 | - | - | - | - | - | - | - | - |
| Net Revaluation Increments | - | - | - | - | - | - | - | - |
| Balance as at 30 June 2008 | 893 | 3,500 | - | 1,217 | 2,449 | 6,413 | 25,435 | 39,906 |
| Accumulated Depreciation | | | | | | | | |
| Balance as at 30 June 2007 | - | - | - | (42) | (1,184) | (4,370) | - | (5,596) |
| Less depreciation of assets classified as held for sale at 30 June 07 | - | - | (178) | (71) | - | - | - | (248) |
| Disposals | - | - | 185 | 76 | - | - | - | 261 |
| Increase through acquisition of entities | - | - | - | - | - | - | - | - |
| Depreciation Expense | - | - | (7) | (186) | (123) | (468) | - | (784) |
| Written back on reclassification as held for sale | - | - | - | - | - | - | - | - |
| Balance as at 30 June 2008 | - | - | - | (223) | (1,308) | (4,838) | - | (6,368) |
| Net Book Value | | | | | | | | |
| As at 30 June 2007 | 893 | 3,500 | - | - | 1,258 | 3,006 | 3,223 | 11,878 |
| As at 30 June 2008 | 893 | 3,500 | - | 994 | 1,141 | 1,575 | 25,435 | 33,538 |
| Note: (a) Melton Project expenditure reflects work in progress associated with the construction of the Race track and Entertainment Complex. | | | | | | | | |
| 2006/07 Year | | | | | | | | |
| Gross Carrying Amount | | | | | | | | |
| Balance as at 30 June 2006 | 2,893 | - | 3,550 | 328 | 2,432 | 4,333 | 708 | 14,244 |
| Additions | - | 2,472 | - | - | 10 | 1,447 | 2,515 | 6,444 |
| Additions through acquisition of entities | - | - | - | - | - | 2,166 | - | 2,166 |
| Disposals | - | - | - | - | - | (531) | - | (531) |
| Depreciation adjustments (from revaluations) | - | - | - | - | - | - | - | - |
| Classified as held for sale | (2,000) | - | (3,550) | (286) | - | (40) | - | (5,876) |
| Net Revaluation Increments | - | 1,028 | - | - | - | - | - | 1,028 |
| Balance as at 30 June 2007 | 893 | 3,500 | - | 41 | 2,442 | 7,375 | 3,223 | 17,474 |

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2008

Note 8 Continued

| 2006/07 Year | Freehold Land 30-Jun-05 Valuation | Freehold Land 30-Jun-07 Valuation | Buildings 30-Jun-05 Valuation | Building Improvements (at cost) | Moonee Valley Improvements (at cost) | Plant and Equipment (at cost) | Melton Project (a) (at cost) | Total |
|--|---|---|-------------------------------------|---------------------------------------|--|-------------------------------------|------------------------------------|----------------|
| Accumulated Depreciation | | | | | | | | |
| Balance as at 30 June 2006 | - | - | (89) | (14) | (1,061) | (2,737) | - | (3,901) |
| Disposals | - | - | - | - | - | 529 | - | 529 |
| Increase through acquisition of entities | - | - | - | - | - | (1,612) | - | (1,612) |
| Depreciation Expense | - | - | (89) | (99) | (123) | (549) | - | (860) |
| Written back on reclassification as held for sale | - | - | 178 | 71 | - | - | - | 248 |
| Balance as at 30 June 2007 | - | - | - | (42) | (1,184) | (4,370) | - | (5,596) |
| Net Book Value | | | | | | | | |
| As at 30 June 2006 | 893 | - | - | - | 1,370 | 1,598 | 708 | 4,569 |
| As at 30 June 2007 | 893 | 3,500 | - | - | 1,258 | 3,006 | 3,223 | 11,878 |

Note: (a) Melton Project expenditure reflects work in progress associated with the construction of the Race track and Entertainment Complex.

| | 2008 \$'000 | 2007 \$'000 |
|--|----------------|----------------|
| Aggregate Depreciation and Amortisation allocated during the year was as follows: | | |
| Buildings | 7 | 89 |
| Building Improvements | 187 | 100 |
| Moonee Valley Improvements | 122 | 122 |
| Plant and Equipment | 468 | 549 |
| | 784 | 860 |
| Value of Freehold Land and Buildings | | |
| Freehold Land at 2005 Independent Valuation - 28-52 Ferris Rd Melton | 893 | 893 |
| Freehold Land at 2007 Independent Valuation - 92-134 Abey Road Melton (Lot 1) | 3,500 | 3,500 |
| | 4,393 | 4,393 |

Land at 28-52 Ferris Rd Melton was purchased on 1 February 2005 and was brought to account at its fair value (net market value) as determined by the Valuer General.

Land at 92-134 Abey Road Melton was purchased on 16 March 2007 and was revalued at 30 June 2007 by Rodney L. Stephen, F.A.P.I of Matheson Stephen Valuations. This valuation was performed by analysis of comparable land sales following appropriate adjustments for location, zoning, availability of services and other matters that impact upon the utility and value of the property.

9. Investments

| | | |
|---|--------------|--------------|
| Shares in radio 3UZ Pty Ltd - at cost | 2 | 2 |
| Units in radio 3UZ Unit Trust - at cost | 1,080 | 1,080 |
| Total Investments | 1,082 | 1,082 |

Notes to and forming part of the Financial Statements

for the Year Ended 30 June 2008

Note 9 Continued

HRV'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. HRV's Investment in Radio 3UZ Unit Trust consists of an 18% unitholding in this trust, which fully owns all of the issued shares in 3UZ Pty Ltd. 3UZ Pty Ltd operates a commercial radio station Sport 927 and a network of regional relay stations.

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

| | 2008 \$'000 | 2007 \$'000 |
|--------------------------------|----------------|----------------|
| Goodwill | 132 | 132 |
| Total Intangible Assets | 132 | 132 |

10. Intangible Assets

11. Payables

Current Payables

| | | |
|-------------------------------|---------------|--------------|
| Trade Creditors | 5,388 | 1,733 |
| Development Fund accruals | 768 | 298 |
| Sundry creditors and accruals | 4,295 | 2,657 |
| Total Current Payables | 10,451 | 4,688 |

(a) Maturity analysis of payables

Please refer to table 26.3 in Note 26 for the aging analysis of payables

(b) Nature and extent of risk arising from payables

Please refer to Note 26(e) for the nature and extent of risks arising from payables

12. Provisions

| | | |
|---|--------------|--------------|
| Current | | |
| Employee Benefits (a) | 1,231 | 1,064 |
| | 1,231 | 1,064 |
| Non-Current | | |
| Employee Benefits (a) | 139 | 86 |
| | 139 | 86 |
| Total Provisions | 1,370 | 1,150 |
| (a) Employee Benefits | | |
| Current | | |
| Annual Leave Entitlements | 538 | 443 |
| Long Service Leave Entitlements | 693 | 621 |
| | 1,231 | 1,064 |
| Current employee benefits that: | | |
| Are expected to be utilised within 12 months after the end of the reporting period | 494 | 346 |
| Are expected to be utilised more than 12 months after the end of the reporting period | 737 | 718 |
| | 1,231 | 1,064 |

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2008

| | 2008 \$'000 | 2007 \$'000 |
|---------------------------------|----------------|----------------|
| Note 12 Continued | | |
| Non-Current | | |
| Long Service Leave Entitlements | 139 | 86 |
| | 139 | 86 |
| Total Provisions | 1,370 | 1,150 |

13. Interest Bearing Liabilities

| | | |
|---|--------------|--------------|
| Current | | |
| Unsecured - CBA Short-term loan | - | 2,600 |
| | - | 2,600 |
| Non-Current | | |
| Secured - CBA Long-term loan | 7,166 | - |
| | 7,166 | - |
| Total Interest Bearing liabilities | 7,166 | 2,600 |

(a) Maturity analysis of interest bearing liabilities

Please refer to table 26.3 in Note 26 for the aging analysis of interest bearing liabilities

(b) Nature and extent of risk arising from interest bearing liabilities

Please refer to Note 26(e) for the nature and extent of risks arising from interest bearing liabilities

(c) Defaults and breaches

During the current and prior year, there were no defaults and breaches of any of the loans

(d) Facilities

HRV has access to the following financing facilities:

| | | |
|--------------------------------|---------------|--------------|
| Unsecured | - | 2,600 |
| Secured | 29,100 | - |
| Total Facilities Amount | 29,100 | 2,600 |
| Amount of Facilities Unused | 21,934 | - |

Security over the \$29,100k CBA loan facility comprises;

- A Guarantee unlimited as to the amount by HRV Management Ltd supported by a Registered Company Charge by HRV Management Ltd; and
- A registered Mortgage by Harness Racing Victoria over commercial property situated at Melton (Lot 2 Ferris Rd Melton South, Victoria and Lot 1 92-134 Abey Rd Melton South, Victoria).

14. Prepaid Income

| | | |
|-----------------------------------|--------------|------------|
| Current | | |
| Tabcorp Melton Sponsorship | 2,035 | - |
| Other revenue invoiced in advance | 91 | 122 |
| | 2,126 | 122 |

Notes to and forming part of the Financial Statements

for the Year Ended 30 June 2008

| | 2008 \$'000 | 2007 \$'000 |
|--|----------------|----------------|
| Note 14 Continued | | |
| Non-Current | | |
| Tabcorp Melton Sponsorship | 4,965 | - |
| | 4,965 | - |
| Total Prepaid Income | 7,091 | 122 |
| | | |
| 15. Other Liabilities | | |
| Current | | |
| Vicbred fees invoiced in advance | 229 | 283 |
| Breeders Crown fees invoiced in advance | 1,407 | 1,363 |
| Deposit received for sale of 740 Mount Alexander Road | - | 340 |
| Other | 52 | 52 |
| | 1,688 | 2,038 |
| Non-Current | | |
| Vicbred fees invoiced in advance | 37 | 48 |
| Breeders Crown fees invoiced in advance | 1,943 | 1,891 |
| | 1,981 | 1,939 |
| Total Other Liabilities | 3,668 | 3,977 |
| | | |
| 16. Contributed Capital | | |
| Contributed Capital | 9,174 | 9,174 |
| | 9,174 | 9,174 |
| | | |
| 17. Reserves | | |
| Asset Revaluation Reserve | | |
| Balance at beginning of financial year | 3,371 | 2,343 |
| Increment on valuation of freehold land | - | 1,028 |
| Balance at end of financial year | 3,371 | 3,371 |
| The asset revaluation reserve arises on the revaluation of non-current assets. | | |
| | | |
| 18. Accumulated Surplus | | |
| Accumulated Surplus at the beginning of the financial year | 5,321 | 4,915 |
| Net Operating Profit/(Loss) | (240) | 406 |
| Accumulated Surplus at the end of the financial year | 5,081 | 5,321 |

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2008

19. 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 Operating Statement.

During the year ended 30 June 2008 expenditure on the following projects was incurred. No comparative for 2007 is shown due to the nature of the program. Each year the projects receiving funding change therefore making any comparative not applicable.

| | | 2008 \$'000 |
|---------------|---|----------------|
| Ararat | Replace light mast | (3) |
| | Public Segregation & OH&S Fencing | 15 |
| Bacchus Marsh | Track Resurfacing | 5 |
| Ballarat | New Judges Tower Stairway | 74 |
| | Professional Fees - Judges Tower Stairway | 16 |
| | Public Segregation & OH&S Fencing | 20 |
| | Bluestone Pavement Layer | 22 |
| Bendigo | Track & Lighting Upgrade | (13) |
| | Maximum Demand Tariff 07/08 | 46 |
| | Mobile Barrier | 24 |
| | Power Substation Upgrade | 25 |
| Charlton | Erecting Retaining Wall | 17 |
| | Stabilisation of Judges Tower | 3 |
| Cobram | Public Segregation & OH&S Fencing | 25 |
| Cranbourne | Mobile Barrier | 9 |
| | Track Conditioner | 12 |
| | OH&S Fencing | 8 |
| Echuca | Public Segregation & OH&S Fencing | 12 |
| | Install Water Bore, Pump & Storage Tanks | 16 |
| Geelong | Maximum Demand Tariff 07/08 | 41 |
| | Track Relamping | 63 |
| Kilmore | Horse Stalls Resurfacing | 9 |
| | Public Segregation & OH&S Fencing | 14 |
| | Judges Tower Upgrade | 28 |
| | Cabling Infrastructure Upgrade | 13 |
| | The Laying of Bluestone Pavement Layer | 32 |
| Maryborough | Viewing Platform Upgrade | 8 |
| Mildura | The Laying of Bluestone Dust | (1) |
| Nyah | Track Conditioner | 13 |
| Shepparton | Pump System Replacement | 4 |
| | Grandstand | 681 |
| | OH&S Fencing | 21 |
| Stawell | Public Segregation & OH&S Fencing | 19 |
| Terang | Prime Mover Water Tanker | 14 |
| | Public Segregation & OH&S Fencing | 18 |
| | Rebuild Judges Tower Stairs | (14) |
| Warragul | Rainwater Tank | 7 |

Notes to and forming part of the Financial Statements

for the Year Ended 30 June 2008

| | | 2008 \$'000 |
|--|--|----------------|
| Note 19 Continued | | |
| | OH&S Fencing | 7 |
| Yarra Valley | Replacement Mobile Barrier | 6 |
| | Female Drivers Room | 25 |
| | Cabling Infrastructure Upgrade | 20 |
| HRV Projects | Lightning Protection | 1 |
| | Track Maintenance Supervisor | (6) |
| | Photo Finish & Timing System Upgrade 07/08 | 62 |
| | Track Maintenance Program | 184 |
| | Track Maintenance Supervisor | 44 |
| | Mobile Barrier | 91 |
| | Head On Towers | 22 |
| | RASL Research & Equipment | 68 |
| Development Fund Expenses | | 196 |
| Total Development Fund Expenses | | 2,022 |

20. Responsible Persons

Names

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

Responsible Minister, The Hon. Rob Hulls, MP, Minister for Racing

The remuneration of the Minister is disclosed in the annual report of the Department of Premier & Cabinet.

Governing Board:

Neil Busse (Board Chairman)

Peter Bourke

John Doherty

Carl O'Dwyer

Stephen Nash

Kate Roffey

Accountable Officer:

John Anderson, Chief Executive

Remuneration

Remuneration received and receivable by responsible persons excluding the Minister in connection with the management of HRV is shown below in their relevant income bands.

| | Total 2008 | Base 2008 | Total 2007 | Base 2007 |
|-----------------------|------------|-----------|------------|-----------|
| \$0 - \$9,999 | 1 | 1 | 1 | 1 |
| \$10,000 - \$19,999 | 4 | 4 | 5 | 5 |
| \$20,000 - \$29,999 | 1 | 1 | 0 | 0 |
| \$40,000 - \$49,999 | 1 | 1 | 0 | 0 |
| \$50,000 - \$59,999 | 0 | 0 | 1 | 1 |
| \$180,000 - \$189,999 | 0 | 0 | 0 | 0 |
| \$190,000 - \$199,999 | 0 | 0 | 0 | 1 |
| \$200,000 - \$209,999 | 0 | 1 | 0 | 0 |
| \$220,000 - \$229,999 | 1 | 0 | 1 | 0 |

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2008

| Note 20 Continued | Total 2008 \$'000 | Base 2008 \$'000 | Total 2007 \$'000 | Base 2007 \$'000 |
|--|------------------------------|-----------------------------|------------------------------|-----------------------------|
| Total Remuneration Received or due and receivable by all responsible persons from HRV was: | 352 | 334 | 350 | 325 |

Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits

21. Executive Officers Remuneration

The numbers of executive officers, other than Responsible Persons, whose total remuneration exceeded \$100,000 during the reporting period, are shown below in their relevant income bands:

| Income Range | Total 2008 | Base 2008 | Total 2007 | Base 2007 |
|---|-------------------|------------------|-------------------|------------------|
| \$100,000 - \$109,999 | 0 | 0 | 1 | 1 |
| \$110,000 - \$119,999 | 1 | 1 | 1 | 1 |
| \$120,000 - \$129,999 | 1 | 2 | 1 | 1 |
| \$130,000 - \$139,999 | 2 | 2 | 0 | 0 |
| \$140,000 - \$149,999 | 1 | 0 | 1 | 1 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Total Remuneration for the reporting period of executive officers included above amount to: | 653 | 627 | 482 | 482 |

Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits

22. Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

John Anderson is a director of Vic Racing Pty. Ltd.

Charles Cutajar (HRV's Chief Financial Officer) is a director of Racing Products Victoria Pty. Ltd.

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 Operating Statement.

Notes to and forming part of the Financial Statements

for the Year Ended 30 June 2008

23. Superannuation Agreements

(a) Funds

- Permanent employees before 1/1/95 - State Superannuation Fund (New Scheme) – Defined Benefit Scheme

HRV's total unfunded superannuation liability in relation to this scheme has been assured and is reflected in the financial statements of the Department of Treasury and Finance.

- Permanent employees after 1/1/95 - VicSuper Pty Ltd or choice of funds – Defined Contribution Scheme

(b) Contributions

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

| | 2008 | 2007 |
|--|--------|--------|
| | \$'000 | \$'000 |
| (c) Contributions made during the financial year: | | |
| State Superannuation Fund | | |
| Employee | 25 | 28 |
| Employer | 49 | 58 |
| Victorian Superannuation Fund | | |
| Employee | 106 | 87 |
| Employer | 300 | 297 |
| Various Other Funds as nominated by the employee | | |
| Employee | 45 | 24 |
| Employer | 105 | 66 |
| Total Contributions | | |
| Employee | 175 | 139 |
| Employer | 454 | 421 |

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

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2008

24. Cash Flow Statement

(a) Reconciliation of cash assets

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:

| | 2008 \$'000 | 2007 \$'000 |
|--|----------------|----------------|
| Deposits at Call | 8,678 | 4,773 |
| Cash assets on hand | 1 | 1 |
| Closing cash and cash equivalents | 8,680 | 4,774 |

(b) Reconciliation of net profit/(loss) to the net cash from operating activities

| | | |
|---|---------------|----------------|
| Net Result for the period | (240) | 406 |
| Add/(deduct) non cash items: | | |
| Depreciation /amortisation of non-current assets | 784 | 860 |
| Profit on Sale of Property, Plant & Equipment | (1,603) | |
| Other non cash items | 4 | (49) |
| Change in assets and liabilities: | | |
| (Increase)/Decrease in receivables | 2,643 | (3,459) |
| (Increase)/Decrease in other current assets | 151 | (204) |
| Increase/(Decrease) in Accounts Payable & Other Liabilities | 12,424 | 532 |
| Increase/(Decrease) in provisions | 220 | 25 |
| Net cash from/(used) by operating activities | 14,382 | (1,889) |

(c) Loan Facilities

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

25. Leases

Operating Leases

Leasing arrangements

Operating leases relate to the following items:

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

Non-cancelable operating leases

| | | |
|--|--------------|--------------|
| Not longer than one year | 876 | 1,134 |
| Longer than 1 year and not longer than 5 years | 2,699 | 3,029 |
| Longer than 5 years | 3,588 | 4,037 |
| | 7,163 | 8,199 |

Notes to and forming part of the Financial Statements

for the Year Ended 30 June 2008

26. Financial instruments

(a) Significant accounting policies

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, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(b) Table 26.1: Categorisation of financial instruments

| | | | (\$ thousand) | |
|------------------------------|------|--|----------------------|----------------------|
| | Note | Category | Carrying amount 2008 | Carrying amount 2007 |
| Financial assets | | | | |
| Cash and cash equivalents | - | N/A | 8,680 | 4,774 |
| Receivables ^(a) | 4 | Loans and receivables (at amortised cost) | 2,795 | 5,763 |
| Other financial assets | 5 | Loans to Country Clubs (at amortised cost) | 567 | 724 |
| Financial liabilities | | | | |
| Payables | 11 | Financial liabilities measured at amortised cost | 10,451 | 4,688 |
| Interest bearing liabilities | 13 | Financial liabilities measured at amortised cost | 7,166 | 2,600 |

Note: (a) The amount of receivables disclosed here exclude statutory receivables (GST input tax credit recoverable).

(c) Credit risk

Credit risk arises from the financial assets of HRV, which comprise cash and cash equivalents, trade and other receivables.

HRV's exposure to credit risk arises from the potential default of counter party on their contractual obligations resulting in financial loss to HRV. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with HRV's financial assets is minimal because the main debtors are key industry stakeholders including Tabcorp, being the Victorian Racing Industry's Joint Venture partner.

Provision of impairment for financial assets is calculated based on past experience.

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

Financial assets that are either past due or impaired

Currently HRV does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

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

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

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2008

Note 26 Continued

Table 26.2: Interest rate exposure and ageing analysis of financial assets^(a)

| | Weighted average effective interest rate % | (\$ thousand) | | | | | | | | | Impaired financial assets |
|-------------------------|--|------------------------|---------------------|------------------------|----------------------|-------------------------------|---------------------------|------------|-------------|-----------|---------------------------|
| | | Interest rate exposure | | | | Not past due and not impaired | Past due but not impaired | | | | |
| | | Carrying amount | Fixed interest rate | Variable interest rate | Non-interest bearing | | 31-60 Days | 61-90 Days | 91-120 Days | >121 Days | |
| 2008 | | | | | | | | | | | |
| Receivables: | | | | | | | | | | | |
| Trade Debtors | - | 2,088 | - | - | 2,088 | 1,711 | 159 | 86 | 38 | 94 | - |
| Tabcorp Distribution | - | 631 | - | - | 631 | 631 | - | - | - | - | - |
| Other receivables | - | - | - | - | - | - | - | - | - | - | - |
| Accrued Income | - | 76 | - | - | 76 | 76 | - | - | - | - | - |
| Other financial assets: | | | | | | | | | | | |
| Country Club Loans | 3.8% | 567 | 315 | - | 252 | 270 | 297 | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - |
| | | 3,363 | 315 | - | 3,047 | 2,688 | 456 | 86 | 38 | 94 | - |
| 2007 | | | | | | | | | | | |
| Receivables: | | | | | | | | | | | |
| Trade Debtors | - | 1,008 | - | - | 1,008 | 582 | 193 | 113 | 28 | 92 | - |
| Tabcorp Distribution | - | 4,619 | - | - | 4,619 | 4,619 | - | - | - | - | - |
| Other receivables | - | 37 | - | - | 37 | 37 | - | - | - | - | - |
| Accrued Income | - | 100 | - | - | 100 | 100 | - | - | - | - | - |
| Other financial assets: | | | | | | | | | | | |
| Country Club Loans | 4.4% | 724 | 471 | - | 253 | 724 | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - |
| | | 6,487 | 471 | - | 6,017 | 6,062 | 193 | 113 | 28 | 92 | - |

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

(d) Liquidity risk

Liquidity risk arises when HRV is unable to meet its financial obligations as they fall due. HRV operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make 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.

HRV's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from accumulated reserves.

Maximum exposure to liquidity risk is the carrying amounts of financial liabilities.

Notes to and forming part of the Financial Statements

for the Year Ended 30 June 2008

Note 26 Continued

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

Table 26.3: Interest rate exposure and maturity analysis of financial liabilities

| | Weighted average effective interest rate % | (\$ thousand) | | | | | | | | |
|---------------------------------|--|------------------------|---------------------|------------------------|----------------------|----------------|-------------------------------|--------------|-------------------|--------------|
| | | Interest rate exposure | | | | Nominal Amount | Maturity dates ^(a) | | | |
| | | Carrying amount | Fixed interest rate | Variable interest rate | Non-interest bearing | | Less than 1 month | 1-3 Months | 3 months - 1 year | 1-5 years |
| 2008 | | | | | | | | | | |
| Payables: | | | | | | | | | | |
| Trade Creditors | - | 5,388 | - | - | 5,388 | 5,388 | 5,226 | 163 | - | - |
| Other payables | - | 5,062 | - | - | 5,062 | 5,062 | - | 5,062 | - | - |
| Interest bearing liabilities: | | | | | | | | | | |
| Unsecured - CBA Short-term loan | - | - | - | - | - | - | - | - | - | - |
| Secured - CBA Long-term loan | 8.93% | 7,166 | 4,049 | 3,118 | - | 7,166 | - | - | - | 7,166 |
| | | 17,617 | 4,049 | 3,118 | 10,451 | 17,617 | 5,226 | 5,225 | - | 7,166 |
| 2007 | | | | | | | | | | |
| Payables: | | | | | | | | | | |
| Trade Creditors | - | 1,733 | - | - | 1,733 | 1,733 | 1,694 | 38 | - | - |
| Other payables | - | 2,955 | - | - | 2,955 | 2,955 | - | 2,955 | - | - |
| Interest bearing liabilities: | | | | | | | | | | |
| Unsecured - CBA Short-term loan | 9.45% | 2,600 | - | 2,600 | - | 2,600 | - | 2,600 | - | - |
| Secured - CBA Long-term loan | - | - | - | - | - | - | - | - | - | - |
| | | 7,288 | - | 2,600 | 4,688 | 7,288 | 1,694 | 5,593 | - | - |

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

(e) Market risk

HRV'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 in the paragraphs 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 small and therefore results in minimal exposure. Given the minimal exposure to foreign currency risk HRV does not actively manage its risk in this area.

HRV's exposure to foreign currency risk is set out in the Table 26.4

Interest rate risk

Exposure to interest rate risk arises primarily through HRV'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.

HRV's exposure to interest rate risk is set out in the Table 26.4

Sensitivity disclosure analysis

Table 26.4 discloses the impact on net operating result and equity for each category of financial instrument held by HRV at year-end if the below 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.

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2008

Note 26 Continued

Table 26.4: Market risk exposure

| | Carrying amount | (\$ thousand) | | | | | | | |
|---|-----------------|-----------------------|----------|------------|------------|------------------------|-------------|-----------------------|-----------|
| | | Foreign exchange risk | | | | Interest rate risk | | | |
| | | -5% | | 5% | | -1% (100 basis points) | | 1% (100 basis points) | |
| | | Net Result | Equity | Net Result | Equity | Net Result | Equity | Net Result | Equity |
| 2008 | | | | | | | | | |
| Financial assets: | | | | | | | | | |
| Cash and cash equivalents ^(a) | 8,680 | 2 | 2 | (2) | (2) | (86) | (86) | 86 | 86 |
| Receivables | 2,795 | - | - | - | - | - | - | - | - |
| Other financial assets | 567 | - | - | - | - | - | - | - | - |
| Financial liabilities: | | | | | | | | | |
| Payables | 10,451 | - | - | - | - | - | - | - | - |
| Interest bearing liabilities ^(b) | 7,166 | - | - | - | - | 31 | 31 | (10) | (10) |
| Total increase/(decrease) | | 2 | 2 | (2) | (2) | (54) | (54) | 75 | 75 |

Notes:

(a) Cash and cash equivalents includes AUD\$49k in cash held in a New Zealand bank account (NZD\$61k @NZD/AUD 0.7949 at 30 June 2008). A -5 per cent movement in the NZD/AUD exchange rate has the following impact [$\$61k \times 0.7551$]-[$\$61k \times 0.7949$] = \$2k. Similarly for a 5% increase the impact is \$2k.

(b) Sensitivity of interest bearing liabilities to a +1 per cent movement in market interest rate: [$\$3,118k \times 0.0797$]-[$\$3,118k \times 0.07642$] = \$10k. A -1 per cent movement in interest rate, impact [$\$3,118k \times 0.06642$]-[$\$3,118k \times 0.07642$] = \$31k. The reason for the differential between a +1% and -1% movement in interest is due to HRV's risk management strategy which provides for a cap on interest rate increases to the fixed rate of 7.97%. However, if interest rates decrease by 1%, the full benefit of the reduction is realised.

(f) Fair value

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

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

HRV considers that the carrying amount of financial assets and financial liabilities recorded in the financial report to be a fair approximation of their fair values, because of the precise nature of the financial instruments and the expectation that they will be paid in full.

27. Contingent Liabilities

On 28 June 2007 HRV provided a bank guarantee to Clymon Pty Ltd. The bank guarantee is in relation to the leaseback of 740 Mount Alexander Road and is for \$123,337.50 which represents three months rent on the ground floor. The guarantee expires on 31 July 2008. On 1 August 2008 a new guarantee was issued for \$127,655 (increase due to contracted price increase) to replace that expiring on 31 July 2008.

Notes to and forming part of the Financial Statements

for the Year Ended 30 June 2008

2008
\$'000

2007
\$'000

28. Commitments for Expenditure

Capital Expenditure Commitments

Buildings, Plant and Equipment

Payable:

| | | |
|--|---------------|---------------|
| Not longer than one year | 13,269 | 21,350 |
| Longer than 1 year and not longer than 5 years | - | 14,366 |
| Longer than 5 years | - | - |
| | 13,269 | 35,716 |

Land

Payable:

| | | |
|--|--------------|--------------|
| Not longer than one year | 1,287 | 1,287 |
| Longer than 1 year and not longer than 5 years | - | - |
| Longer than 5 years | - | - |
| | 1,287 | 1,287 |

| | | |
|---|---------------|---------------|
| Total Capital Expenditure Commitments (inclusive of GST) | 14,556 | 37,003 |
| Less GST recoverable from the Australian Taxation Office | (1,323) | (3,364) |
| Total Capital Expenditure Commitments (exclusive of GST) | 13,233 | 33,639 |

29. 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 organisation.

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

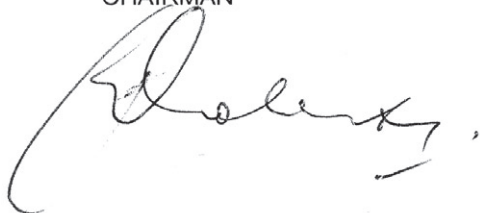
We certify that the attached financial statements for Harness Racing Victoria have been prepared in accordance with the Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian accounting standards and other mandatory professional reporting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

We further state that, in our opinion, the information set out in the Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2008 and financial position of Harness Racing Victoria as at 30 June 2008.

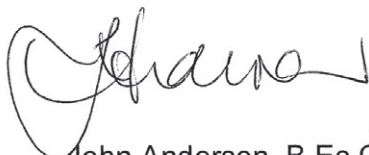
We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.



Neil Busse LLB, B.Com
CHAIRMAN



John Doherty LLB
BOARD MEMBER



John Anderson B.Ec CA Dip Ed.
CHIEF EXECUTIVE



Charles Cutajar B.Com CA
CHIEF FINANCE AND ACCOUNTING OFFICER

Melbourne, 29 August 2008

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Harness Racing Victoria

The Financial Report

The accompanying financial report for the year ended 30 June 2008 of Harness Racing Victoria which comprises the operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the accountable officer's and chief finance and accounting officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of Harness Racing Victoria for the year ended 30 June 2008. The Board Members of Harness Racing Victoria are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on Harness Racing Victoria web site.


Independence

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

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Harness Racing Victoria as at 30 June 2008 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
5 September 2008


D D R Pearson
Auditor-General



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