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Availability

The 2010 HRNSW Annual Report is available on the HRNSW website www.hrnsw.com.au

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Mission & Objectives

- Maintain an effective regulatory and governance framework
 - Maximise the opportunity for reinvestment
 - Provide a platform for increased participation
-
- Increase prizemoney
 - Develop a more sophisticated funding model
 - Maximise the income earned from wagering
 - Invoke consumer confidence and lift the industry's profile
 - Expand animal welfare strategies
 - Implement the optimal racing schedule
 - Showcase country racing
 - Introduce regional concepts
 - Stimulate the breeding sector
 - Improve efficiencies and maximise cost savings

Chairman's message

Worldwide economic uncertainty and the rapidly changing wagering environment preordained the 2009/10 financial year as a fiscally challenging one.

Pari-mutuel TAB betting, the primary source of our revenue, was flat, compounding the enormous task of maintaining prizemoney at 2008/09 levels, which had been artificially inflated by \$1.7 million carried over from the 2007/08 equine influenza interrupted season.

Notwithstanding the pressure on traditional income streams, the NSW harness racing industry can look forward to proceeds from the introduction of products such as Trackside and potentially fixed odds betting in the retail network, in addition to Race Fields Legislation earnings.

Although currently in trust and unable to be utilised pending legal proceedings, HRNSW collected \$7 million in Race Fields fees during FY10.

Once resolved, these funds will not only bridge the ever increasing gap between the Consumer Price Index and a six-year period of steady TAB distribution, but also provide a platform to address across the board prizemoney increases, breeding incentives and marketing initiatives.

The process for the rezoning and sale of Harold Park continued, however with a state election due in NSW early next year, there have been political hurdles.

Carrying a price tag of at least \$150 million, the sale will deliver industry-wide benefits, including \$26 million in recovered funds payable to HRNSW.

On the track it was a history making year.

The Miracle Mile and Inter Dominion Grand Final were conducted at Tabcorp Park Menangle for the first time with both races, unsurprisingly, producing track record runs.

Monkey King became the first Kiwi to win the Miracle Mile since 2000 in the stunning time of 1:50.8, while the immortal Blacks A Fake stamped his greatness with an unprecedented fourth Inter Dominion title.

Twenty-two-year old reinswoman Ashlee Siejka stormed to prominence as the first female to drive more than 100 winners in NSW in a single season.

Remarkably, another young talent, Amanda Turnbull, accomplished the identical milestone just a few weeks later.

The HRNSW Board developed its Strategic Plan for the next three years which includes a restructure of race dates, a more equitable prizemoney allocation and significantly enhanced handicapping principles.

FY10 also saw the reunification of the Commercial and Regulatory functions in NSW following the dissolution of the Greyhound and Harness Racing Regulatory Authority.

The Carnival of Cups concept proved successful again and was undoubtedly strengthened by the introduction of bonuses for the leading trainer, driver and horse throughout the series.

This year, every country racing venue, both TAB and non-TAB, will conduct a Carnival of Cups meeting at a time and day which maximises the event as a regional showcase for the harness racing industry.

In summary, there is emergent optimism that the NSW harness racing industry can strengthen and consolidate its position over the next few years.

Evidence of this is the fact that no less than seven new stallions are standing at stud here in NSW next season, reinforcing the Breeders Challenge as an evolving and significant brand.

“There is emergent optimism that the NSW harness racing industry can strengthen and consolidate its position over the next few years.”

In concluding this report I would like to thank Sam Nati and his staff for their significant efforts and dedication during another challenging year.

Finally I would like to acknowledge the determination and selfless efforts of my fellow Board Members, Les Bentley, Chris Edwards, Rex Horne and Rob Nalder who have continued to devote themselves to the industry's best interests.



Graeme Campbell
Chairman



Chief Executive's Report

The 2009/10 financial year was marked by the real term decline in revenue from our traditional income source.

Comparative TAB distribution was slightly up for the year, but slumped alarmingly between the months of April and June.

In general terms this was caused by a number of factors including the growth of sports betting and corporate bookmakers, the shift towards fixed odds wagering, the introduction of Sky 2 and a softer than expected Autumn Carnival.

Despite that, HRNSW drew on reserves to maintain prizemoney levels, although it is clear that without additional earnings in the future, this cannot be sustained.

Revenue from the TAB has failed to keep pace with the CPI.

Since the 2004/05 financial year TAB distributions have increased by just 4.18% while inflation has surged by 15.1% for the corresponding period.

As reported in last year's annual report the Race Fields Legislation issue, which has been under consideration since 2007/08, reflects our determination to be able to charge individuals and organisations a fee for the commercial use of harness racing's intellectual property.

The industry's right to charge for the use of Race Fields information is accepted by all parties, but the basis on which it is applied has been challenged by both Sportsbet and Betfair and is the subject of protracted litigation.

Hearings commenced in the Federal Court in December 2009 and continued in February 2010 with respective findings handed down by Justice Nye Perram on 16 June 2010.

Appeals ensued in the last week of September 2010 and a decision is expected before Christmas.

As at the end of June 2010 HRNSW had collected \$11.8 million in fees, based on 1.5% of turnover, equating to proportional income of around \$7.0 million annually.

This revenue is currently being retained in trust.

It is the intention to use Race Fields earnings to pay for Sky Racing vision costs, which now total more than \$1.0 million per annum, supplement prizemoney, introduce breeding incentives and increase marketing and promotional programs.

We have already announced the introduction of a Breeders Bonus that will apply for horses conceived in the 2010/11 season and has been fundamental to the resurgence in the quality and number of stallions standing in NSW.

In addition to Race Fields monies, HRNSW is to receive approximately \$25.5 million from the NSW Harness Racing Club following the sale of Harold Park.

This effectively represents a loan repayment to the Racecourse Development Fund and is strategically aligned to a proposed capital expenditure program that includes a training centre at Menangle Park and possibly new or upgraded tracks at Tamworth, Bathurst, Penrith and Wagga.

The development of tracks and ancillary areas continues to be a major focus of the Board and management including the Tamworth Racing Precinct, the purchase of a second parcel of land at Goulburn and a possible rezoning of the Beresfield property.

The industry is unquestionably in a strong position to move forward once Race Fields Legislation and the sale of Harold Park are resolved.

The demerger of the Greyhound and Harness Racing Regulatory Authority (GHARRA) and the integration of its functions into HRNSW commenced on 1 July 2009.

With the exception of a few relatively minor issues the process went smoothly.

“The industry is unquestionably in a strong position to move forward once Race Fields Legislation and the sale of Harold Park are resolved.”



Chief Executive's Report continued

Greg Bennett – NSW
leading premiership driver
for 2009/10 season.

Significant unfunded liabilities, combined with additional costs associated with retrenchments and transfer payments, were funded by a \$2.0 million loan from NSW Treasury, which combined with interest, are repayable over a ten year term.

To enable the industry to maintain prizemoney levels comparable to those paid during the 2008/09 financial year HRNSW supplemented stakes to the tune of \$1.1 million during the last financial year.

In terms of overall financial performance, HRNSW incurred an operating deficit of \$1,138,786 driven primarily by prizemoney subsidies. In addition, a net loss of \$601,861 was incurred and arose from the combination of amalgamation expenses and a profit on the integration of the former GHRRA.

Additional capital expenditure of just over \$220,000 was invested into rebuilding HRNSW's information technology infrastructure following the relocation of staff and IT assets to 22 Meredith Street.

HRNSW will continue to rebuild systems and advance the processes and mechanisms that deliver the full effect to the changes introduced in the *Harness Racing Act 2009*.

The development of a Strategic Plan for the industry for the next three years was initiated and completed.

The release of the plan followed many months of consultation and evaluation of material by management and the Board.

In accordance with the *Harness Racing Act 2009* John Costigan was appointed Integrity Auditor and the formation of the Harness Racing Industry Consultation Group has been undertaken.

Additionally, the three representative industry bodies have been revitalised with membership levels increasing.

Operationally HRNSW continued to refine initiatives introduced in 2009/10 including race date allocations.

Although the revamped calendar does not take effect until 1 January 2011 HRNSW is confident that the new approach to race dates and programming will have a positive impact on all facets of the business.

Significant changes include the predominant shift from Friday to Saturday night racing for the principal club and an opportunity for all venues to showcase their feature meeting(s) at more appropriate times.

HRNSW introduced \$5,000 bonuses for the leading trainer, driver and horse, on a 3-2-1 point score basis, across the Carnival of Cups season which is to be expanded to 25 meetings in 2010/11.

While it was with some sadness to see Sires Stakes racing phased out, the evolution of the Breeders Challenge Series and associated schemes is clearly the platform for future growth.

In closing my report, I would like to especially thank Minister Greene and his staff, and Mr Frank Marzic of the Office of Liquor, Gaming and Racing, for their support in providing a revision of the harness racing legislation to reflect the wishes of the industry.

Additionally, I express appreciation to the Chairman Mr Graeme Campbell, the HRNSW Board and all my staff for their dedication to the cause.



Sam Nati
Chief Executive Officer



Review of Operations

Summary Of Financial Performance

HRNSW incurred a total loss of \$1,740,646 for the year to 30 June 2010 mainly due to:

- (i) The payment of prizemoney subsidies to clubs amounting to \$1,174,584; and
- (ii) Costs and expenses arising from the integration of HRNSW with the former Greyhound and Harness Racing Regulatory Authority (GHRRA) from 1 July 2009.

HRNSW subsidised prizemoney payments during 2009/10 to enable clubs to maintain comparable prizemoney levels to those paid during the 2008/09 financial year.

Prizemoney funding carried forward from the EI affected year 2007/08 only amounted to \$603,416 however an additional \$1,174,584 was used to maintain prizemoney levels to that paid during 2008/09. Without this subsidy prizemoney payments to participants would have been reduced during 2009/10.

This prizemoney subsidy will be repaid from Race Fields revenues once the matter has been determined by the Federal Court.

The final TAB Distribution for 2009/10 of \$33,654,910 was up by \$665,546 or 2.02% on that received for the 2008/09 financial year. The increase was well below the 10% increase achieved during the 2008/09 year which rebounded well after the EI affected 2007/08 year.

TAB Distributions received since 2004/05 have been:

2004/05	\$32,304,603
2005/06	\$31,320,691
2006/07	\$32,244,163
2007/08	\$29,977,550
2008/09	\$32,989,364
2009/10	\$33,654,910

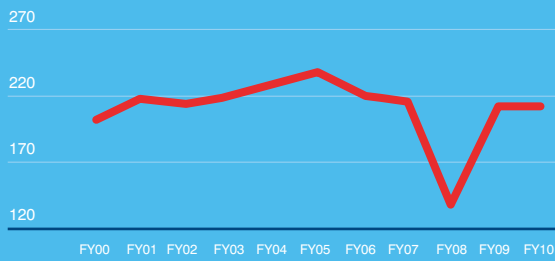
TAB distributions have only risen by 4.18% since the 2004/05 financial year, well below CPI levels for the corresponding period which have risen by 15.1%. During this six year period TAB distributions have been affected by the TVN dispute and the severe impact of equine influenza during the 2007/08 financial year. Although the last financial year was not materially affected by any major catastrophe, growth was only modest possibly due to the phasing out of the Federal Government stimulus package in mid 2009 and increased interest rates over the past twelve months.

Over the past two years income in excess of \$11.8 million has been received by HRNSW as Race Fields revenue however no funds were distributed to the industry in line with the Board's decision to quarantine Race Fields income until such time as litigation has been resolved.

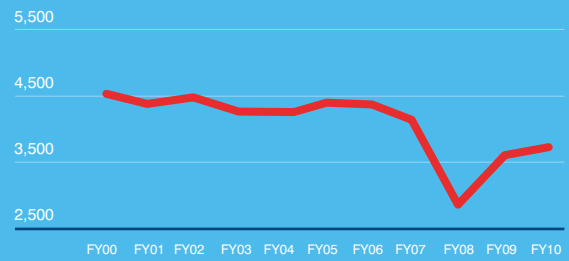
The initial cases brought by both Betfair Pty Ltd and Sportsbet Pty Ltd were decided by Justice Nye Perram of the Federal Court on 16 June 2010. The case initiated by Betfair was dismissed however Justice Perram ruled that the way in which Race Fields was applied to Sportsbet was invalid. The judge cited a number of issues including the \$2.5 million threshold above which the fee only applied. In the meantime, under advice from our legal advisors, HRNSW has modified the terms and conditions under which the fee is applied.

The decisions have been appealed by all parties and the matters were heard by the Full Bench of the Federal Court in the week commencing 27 September 2010. The judges have indicated that a decision will be handed down in late November/early December this year. The decision will have a significant impact on future income streams for the industry.

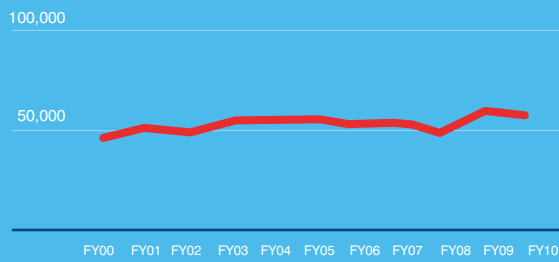
Turnover on NSW Harness Product (\$m)



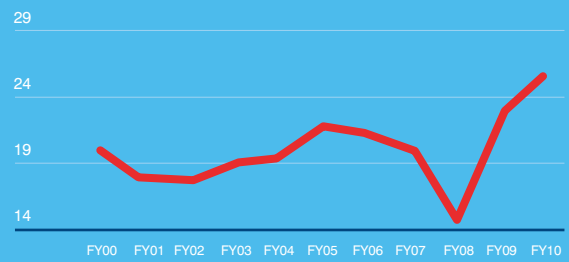
Total NSW Harness Races



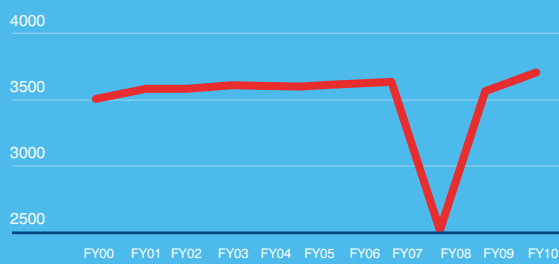
Average Turnover per Race



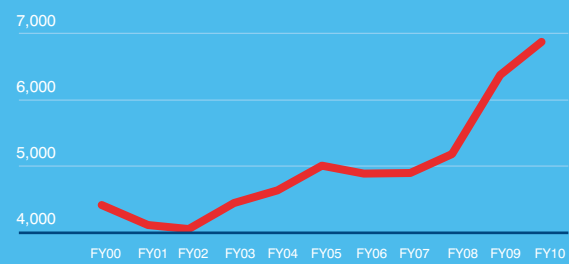
Pricemoney Paid (\$m)



TAB Races



Prizemoney Paid per Race



Review of Operations continued

HRNSW commenced dialogue with clubs during 2009 as to how Race Fields income could be distributed to the industry taking into account existing agreements between HRNSW and the clubs including the *Intracode Agreement* which makes no provision for the distribution of non-TAB income. The Board has developed a number of preferred parameters for the allocation of funds in accordance with the strategic plan.

HRNSW expenses have increased significantly during 2009/10. Most of the increase can be attributed to the integration of two previous entities – HRNSW and GHRRA. Comparisons with 2008/09 are difficult given that HRNSW was a much smaller entity in 2008/09 and during 2009/10 incurred expenses such as Racing Integrity expenses which did not exist in 2008/09. In addition, travel expenses increased substantially as a result of integrating the steward's function and salaries and associated costs increased as a consequence of the organisation moving from 10 to 32 employees.

The Industry Fund incurred a loss for 2009/10 however this is in keeping with HRNSW's long-term budgets which reflect the take-up rate and accumulation of funds for the Breeders Challenge Series. The result was largely affected by the fact that grants for the breeding schemes finished at the end of the 2008/09 year.

Other Industry Fund activities, which continue to be governed by fixed annual budgets, remained on course with expenditure maintained within acceptable boundaries.

The Race Course Development Fund incurred a loss of \$514,698 as it subsidised the cost of the video production of races during the financial year. It is expected that this subsidy will be repaid from accumulated Race Field revenues in future years.

A limited number of grants and loans were made throughout the year.

GHRRA Financial Liabilities

As outlined in last year's annual report, the lead-up to the dissolution of the GHRRA brought to light financial liabilities incurred or allowed to exist by the regulatory body which were required to be resolved by HRNSW as a condition of the return to a single Board.

Overall HRNSW paid out \$1,080,329 in integration expenses in 2009/10.

A large component of these liabilities was made up of \$571,666 in unfunded staff superannuation contributions.

Further to this \$256,873 was paid to former GHRRA staff as transfer payments to move across to HRNSW. In addition, redundancy expenses of \$151,502 were also paid.

The total amount for GHRRA liabilities and staff transition costs as at 30 June 2010 was \$1.7 million which was met by HRNSW securing a \$2 million interest-bearing repayable loan from the NSW Government. This liability will impose an additional \$259,000 cost on the industry for the next 10 years commencing in 2009/10.

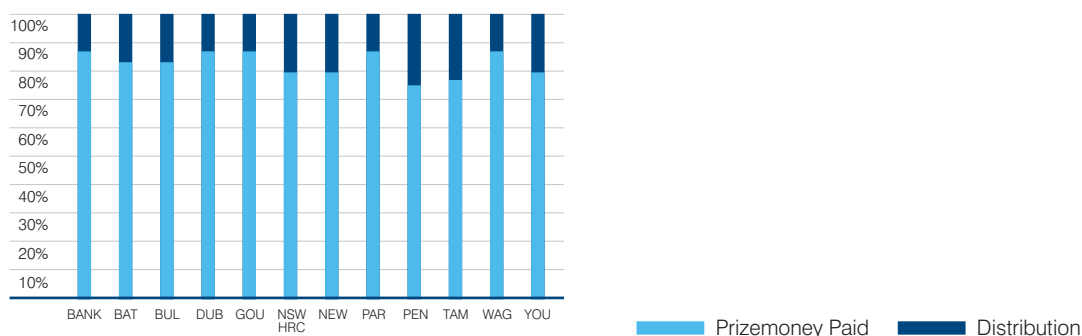
Industry Funding and Turnover

NSW Harness racing turnover on NSW harness racing for the year was \$209 million down \$1.0 million from the \$210 million recorded in 2008/09. When interstate and international turnover is included total turnover increased from \$612 million to \$624 million, an increase of 1.96%.

When broken down country racing turnover increased by 4.8% whereas turnover in the metropolitan area decreased by 5.3% and provincial racing by 6.1%.

The realisation of a commercial benefit from the Beresfield Land in the Hunter region remains on HRNSW's agenda and continues to be pursued with the assistance of the Newcastle Harness Racing Club and other members of the Beresfield Trust established by HRNSW to manage the project.

Prizemoney Paid as a % of Distribution



Significant progress has been made towards the planned sale of Harold Park by the NSWHRRC. Over the past few months the NSWHRRC has agreed to many of the relevant parameters with Sydney City Council and expressions of interest have been called for potential developers to purchase and develop the site.

It is expected that further announcements will be made towards Christmas or in the early part of 2011.

Club and Administrative Funding

HRNSW is responsible for the disbursement of funds received under the *Totalizator Act 1997* to the industry including payments to clubs for prizemoney and administration, funding of general industry activities (Industry Fund) and capital works (Racecourse Development Fund), and funding of the controlling body's (HRNSW) operating costs.

Funds received from TAB, commonly referred to as the TAB Distribution, are allocated annually by HRNSW according to the provisions of the *Intracode Agreement 2002* negotiated between HRNSW and clubs, and operating budgets prepared by the controlling body.

The TAB Distribution for 2009/10 amounted to \$33.6 million, an increase of \$665,546 on funding received in 2008/09.

In accordance with the *Harness Racing Act 2002* and the *Intracode Agreement*, a series of provisions were made 'off-the-top' of the Distribution before determination of allocations to clubs.

\$3.0 million was allocated from the TAB Distribution to the Industry Fund (\$2.3 million) and Racecourse Development Fund (\$700,000) at the prescribed rates of 7% (including the 1% Carnival of Cups allocation) and 2% respectively.

\$3.3 million was provided to HRNSW as endorsed by the NSW Harness Racing Clubs Committee.

The balance of \$29.0 million remaining after the 'off-the-top' funding provisions was allocated to clubs to fund racing prizemoney and club operating costs.

No funding was distributed to the industry from the \$11.5 million received by HRNSW as Race Fields income over the past two years – a position that is expected to continue in 2010/11 until such time as litigation currently underway has been determined.

Industry Fund

The Industry Fund receives an allocation from the TAB Distribution that is used by HRNSW to finance general activities such as the Sires Stakes and Breeders Challenge Series, State Bred Bonus Scheme, Carnival of Cups, Trotters Foundation and industry promotions/marketing activities.

In 2009/10 \$2.3 million was paid into the Industry Fund from the TAB Distribution against expenditure for the year of \$3.1 million.

Following a complete review and overhaul of the way in which the Industry Fund was used, the allocations which it provides for industry activities have now become a major driver of industry development and a primary tool in revitalising key aspects of the industry such as breeding.

The majority of Industry Fund expenditure was dedicated to the Sires Stakes and Breeders Challenge Series as well as the State Bred Bonus Scheme which are essential to the development of the breeding industry and hence long-term sustainability of racing. A substantial amount was also directed to the promotion of the Carnival of Cups series.

Financial support from the Industry Fund to the NSW Mini Trotting Association of \$13,000 continued based on the three year plan developed by HRNSW and the Association.

Further work is being undertaken by the Association with HRNSW to refine the manner in which funding

Review of Operations continued

provided is distributed to ensure that mini-trotting membership continues to grow.

Racecourse Development Fund

The Racecourse Development Fund (RDF) is used to provide financing for industry capital works programs including track development, enhancement of facilities and the acquisition of plant and equipment to support racing operations.

In 2009/10 \$666,799 was provided to the RDF from the TAB Distribution as annual funding.

Following the decision by Sky Racing in 2008/09 to cease subsidisation of the cost of providing vision for harness races, a consensus was reached with clubs that these costs would be met primarily from Race Fields income.

In view of the ongoing litigation and the Board's decision not to release Race Fields funds received until the litigation has been resolved, it was agreed that funding of approximately \$1.1 million would be provided to clubs from the RDF to meet the funding shortfall in 2009/10. The monies are to be repaid from Race Fields income at a future date.

During the year the RDF also advanced \$100,043 to various clubs by way of grants or loans. Given that the RDF will continue to fund video production costs until the Race Fields appeal is decided, only urgent capital expenditure requests will be reviewed by the Board of HRNSW.

In the later part of the financial year the Board decided to provide Tamworth Harness Racing Club with \$100,000 from the RDF to enable consultancy and other necessary expenses relating to the proposed new track to be undertaken. This will ensure that the project moves along whilst funding can be arranged.

Benevolent Fund

The Benevolent Fund is a trust established by the harness racing industry to provide financial

assistance to current and past participants who may find themselves in difficult financial circumstances.

The Benevolent Fund is administered by HRNSW which in the past has approved requests for assistance to contribute towards funerary costs and provide levels of financial respite especially in cases where there has been a lag in the release of insurance benefits by providers.

In the past portions of fines levied on participants for transgressions of the rules of racing were directed to the Benevolent Fund to grow its resources.

With the dissolution of the GHRRA, HRNSW reintroduced the practice of redirecting 50% of fines to the Benevolent Fund. These funds will supplement funds secured through the establishment of the Benevolent Fund as a Charitable Fundraising organisation which allows the Fund to conduct fundraising activities under licence as a means of growing its resources and providing assistance to participants.

In keeping with confidentiality provisions, HRNSW does not report on applications received by the Benevolent Fund and amounts disbursed however the operation of the Fund is governed by the *Harness Racing Act 2009*.

Stakes Payment System

During the year the Stakes Payment System underwent two significant enhancements. The first involved changes to the fortnightly statements which were upgraded to provide opening balances. Previously the fortnightly statements only showed transactions occurring during the previous fortnight.

The second change involved storing each fortnightly statement on the HRNSW system which participants will be able to access online through the internet. Over time it is expected that up to three years of statements will be available online. Other improvements are anticipated during 2010/11.

Ashlee Siejka achieved 100 race wins in the 2009/10 season, the first NSW reinswoman to accomplish this feat and was 2009/10 Junior Driver of the Year.



Racing Integrity

In accordance with Section 24 of the *Harness Racing Act 2009*, HRNSW appointed “a person who, in the opinion of HRNSW, has suitable legal qualifications to hold the office of Harness Racing Integrity Auditor”

Mr John Costigan was appointed to that position in 2009 and continues to hold office.

**Marketing and Public Relations
Events and Promotion**

The 2009/2010 marketing strategy focused on building morale and enthusiasm within the industry. Promotional activity was predominantly event based including HRNSW support of the 2010 Watpac Inter Dominion, a signature event not only for the state of NSW but for Australasia as a whole.

After a number of struggling years for the breeding industry, considerable marketing support was provided to drive the quality of the NSW breeding industry, its schemes and associated events.

The Alabar Breeders Challenge was a key reflection of this and is fast becoming the pinnacle event for HRNSW. Maximum attendance by participants in the networking marquee on finals day reflected the Group 1 event’s growing support.

Promotional activities associated with the Alabar Breeders Challenge attracted significant interest in the industry with the donation and auction of two stallion services provided by event sponsor Alabar Bloodstock, plus a \$5,000 TAB account utilised as competition prizes in conjunction with the event.

Assistance for industry Associations across the board increased via web and media releases, administrative help and promotions designed to increase Association membership levels.

The 2009/2010 tab.mobi Carnival of Cups continued to strengthen the brand throughout regional NSW with events recording increased crowd attendance.

The introduction of three \$5,000 bonuses for the leading trainer, driver and horse provided a great promotional platform that tied the events together more effectively, achieving its aim of attracting trainers, drivers and horses.

The 2010/2011 Number 1 Club Carnival of Cups has substantially expanded to 25 events, which includes the addition of an exclusive Trotters day at Coolamon. New initiatives to support the series include event themes for increased crowd participation and a \$5,000 bonus for the leading trotting trainer.

Review of Operations continued

Online promotional activity increased substantially this financial year as research found industry participants are becoming more comfortable with using the internet for information gathering.

As HRNSW's online presence has grown, so too has the organisation's media releases which have increased three fold compared to the previous year. This includes the combined use of the national and HRNSW websites for these activities.

The HRNSW website provides daily updates across the various categories including Racing, Integrity, Owing and Breeding and Publications. Daily updates include race information and change of tactics. The website also provides a member log in area for voting on polls and viewing stakes payment statements.

The website will continue to be developed over the next 12 months with further interactive enhancements planned.

Noting the increasing social networking ability amongst the younger harness racing enthusiasts, HRNSW created a facebook account aimed at being more interactive with participants on a regular basis. This medium quickly became an integral part of HRNSW's promotional activities especially as a platform to display photos of events from around the State. The site has over 1,700 friends (members) attached to the page.

The Gazette underwent a redesign and coordination structure in 2009/2010. HRNSW staff wrote more articles for *The Gazette* last year. This assisted in broadening the experience of staff whilst also lifting individual profiles in the industry. This included a new, light-hearted regular feature by the 'Lab Rat'.

Coupled with direction from editors Michael Court and Ken Boman and articles from other contributors, *The Gazette* continues to lead the industry nationally with informative and entertaining articles.

The Stallion Incentive Scheme saw an increase in breeding industry promotion in the publication, again re-iterating a positive profile of the breeding industry back to subscribers and participants.

Awards Night 2010

Held at Dockside, Darling Harbour the 2010 Awards Night recorded increased attendance numbers for the fourth year in a row. The theme, 'Hollywood Glam', was well embraced by attendees and it was encouraging to see a substantial increase in attendance by younger participants.

Sponsorship for the evening also increased on the previous year. HRNSW would like to thank the evening's sponsors, for without their support the night would not have been as successful.

The major sponsor was OAMPS Insurance Brokers.

The night was also supported by:

Daily Form Service
Alabar Bloodstock
Wagga HRC
Bathurst Toyota
Bankstown HRC
Harness Breeders NSW
Sky Racing Number 1 Club
Harness Racing Travel World
NSW Standardbred Owners Association
Penrith HRC
National Trotguide
Peppertree Farm

Award winners for the 2009/10 harness racing season were:

Horse awards

Harness Horse of the Year: Karloo Mick
2YO of the Year: Vertigal
3YO of the Year: Chariot King
Aged Horse of the Year: Karloo Mick
Trotter of the Year: Arizona Blue

Carnival Of Cups

Best Trainer: Ian Wilson
Best Driver: Jim Douglass
Best TAB Event: Bulli HRC
Best Non-TAB: Temora HRC

Participant Awards

Don Clough Appreciation: John Coffey
Nobel Pace Prize: Mat Rue

Volunteer recognition

Bathurst: John Halley
Blayney: Max Kingham
Cootamundra: Keith Boxell
Eugowra: John Greenhalgh
Leeton: Ann Helson

Junior Encouragement Awards

Metropolitan: KerryAnn Turner
Country: David White

Premierships

NSW Trainer of the Year: Steve Turnbull
NSW Driver of the Year: Greg Bennett
NSW Junior Driver of the Year: Ashlee Siejka

Centurions

Greg Bennett, Jim Douglass, Paul Fitzpatrick, Robert Morris, Ashlee Siejka, Amanda Turnbull, Steve Turnbull

Decade Awards

Horse: Smooth Satin
Trainer: Paul Fitzpatrick
Driver: Greg Bennett
Owner: Peter & Marie Neil
Broodmare: Express Post
Sire: Panorama
Media Personality: John Tapp
Race: 2010 Inter Dominion Final

Breeding Awards

Broodmare of the Year: Queen Xena
Sire of the Year: Aces N Sevens
Outstanding Achievement in Breeding: Doug & Janet Moore

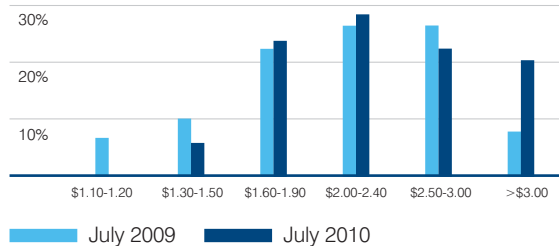
Proposed Race Day Allocations

The allocation of race dates has traditionally followed a pattern of clubs racing in the same slots throughout the year, with a small number of prominent slots being allocated to feature meetings. While providing some certainty to administrators, participants and punters, it was recognised that this often stifled competition amongst clubs and discouraged participation in certain regions of the state.

The 2010/11 race date allocation was undertaken with the view to maximising opportunities for all participants and all clubs through the implementation of two concepts – a funding structure that allocated each club a number of meetings funded at different levels based on each meeting’s placement during the racing week and the allocation of better time slots for each club’s feature meetings.

Essentially these initiatives saw the removal of Level 1 and 2 clubs and the split of restricted and career penalty races at individual meetings. Each club was assigned a number of Tier 1, Tier 2 and Tier 3 meetings with each Tier being funded at a different level representing minimum prizemoney levels for these races. Whilst increasing field size, this composition has allowed trainers to place their horses to best advantage and maximise potential earnings. The increased competitiveness of the races conducted

Favourite Starting Price Comparison for July 2009 v July 2010



under this structure was also immediately reflected in an increase in the starting price of favourite runners.

Equally important, increased involvement in the Carnival of Cups and the priority given to the placement of each club’s feature meetings is seen as essential in allowing each club to properly promote its major meetings and through this, maximise exposure to the general public and returns to participants. This initiative will see non-TAB product converted to TAB product and has already resulted in significantly increased exposure and support for harness racing in regional areas.

From 1 July 2010, the classification for Graduation and Penalty Free Clubs was also removed with these clubs now all referred to as T4 and all races funded at \$1,500 per race. Additional funds have been allocated (\$1,000 per race) for meetings converted to TAB product. HRNSW has commenced discussions to elevate Albury and Leeton to TAB/Sky venues by 2011, each conducting approximately 12 meetings.

Strategic Plan 2010-2013

The three year strategic plan was completed in accordance with Section 12 of the *Harness Racing Act 2009*.

The plan was developed in conjunction with the Harness Racing Industry Consultation Group and other stake holders.

The plan covered a number of topics including:

- **Venues** – Review funding for new tracks and upgrading some current facilities. Develop training facilities at Menangle and at certain regional centres and investigate the sustainability, associated demographic and financial status of all venues to ensure the most efficient use of resources.
- **Racing** – Aspects reviewed under this item included integrity, programming and handicapping, prizemoney and prizemoney tiers, participation including syndication and TAB and non-TAB meetings and exposure on Sky.

Review of Operations continued

- **Breeding** – Analysis of issues affecting breeding including the Breeders Challenge Series, fee structures, Bonus Certificates, juvenile races and breeding stock.
- **Revenue Streams** – The importance of Race Fields Legislation, review of administrative cost structures, the *Intracode Agreement* and distribution of funds, alternative revenue streams and the use of funds from the sale of Harold Park.
- **Media and Technology** – Exposure on Sky 1 and 2, explore opportunities on free-to-air channels, review industry publications and explore new platforms and IT initiatives; and
- **Investment** – Review marketing initiatives and budgets, encourage accessibility to participants and HRNSW employees and improve education and training including mini trotting.

A copy of the full document is on HRNSW's website www.hrnsw.com.au

Australasian Young Drivers Championship

As part of the Inter Dominion Carnival, NSW played host to the 2010 Australasian Young Drivers Championship during March 2010. Six representatives, one from each Australian State and three New Zealand representatives competed against reigning champion Danielle Hill, for the title of best young driver in Australasia.

Driving engagements were spread across seven heats conducted at Penrith, Harold Park, Newcastle and Menangle with competitors transported between venues by chaperones Rachael and David Micallef. As the controlling body of the host state, HRNSW ensured that the participants were also provided with a variety of social activities throughout the week, ranging from White Water Rafting to a Ghost Tour of the Manly Quarantine Station.

New Zealand North Island representative Roydon Downey drove a perfect race to take out the final

heat conducted on Inter Dominion Grand Final day at Tabcorp Park Menangle, but was unable to overhaul the commanding lead of Gareth Rattray. The Tasmanian representative's fourth placing was enough to secure him the Australasian title and an invitation to defend it in Christchurch in 2011.

Rising Stars Series

The Rising Stars Series again proved to be a successful initiative, with aims to increase opportunities for and raise the profiles of junior NSW drivers. The series was conducted in June with heats run at Bathurst, Newcastle, Penrith, Harold Park and Menangle. Nine drivers selected by NSW clubs were joined by WA Rising Star winner Chris Playle.

In keeping with HRNSW's objectives for the Series a range of character-building and training activities were provided including a session with HRNSW stewards who provided the young drivers with a greater understanding of safe and fair racing. Media training was undertaken through the development of on-camera skills at Sky Racing and sessions with Sam Nati, John Dumesny and Ross Gigg, while educational visits to the Sydney University Equine Unit and Jay Jay Farm were also provided.

The series was coordinated by HRNSW staff who, with chaperones Rachael and David Micallef, ensured that the participants were provided with an enjoyable yet educational experience. Driving honours were awarded to reinswoman Ashlee Siejka whose fourth placing in the final heat provided her with enough points to overtake series leader David White.

Sires Stakes Series

The 2010 NSW Sires Stakes Series comprised 34 races made up of 22 heats, eight semi-finals and four finals with a total of \$540,000 being distributed as prizemoney.

All four \$50,000 finals were conducted at Harold Park on 11 June 2010, show casing many of the outstanding juveniles our state has produced this season.

Details of the entire series are as follows:

Two Year Old Colts and Geldings

In total nine races and \$140,000 in prizemoney was paid.

Races	Prizemoney per race	Total prizemoney
6 Heats	\$10,000	\$60,000
2 Semi-Finals	\$15,000	\$30,000
1 Final	\$50,000	\$50,000

The final held at Harold Park on 11 June 2010 was won by USANE FLASH, Bred by A E Lamb, Owned by R G Smith and T L Butler, Trained by M J Butler and Driven by A J Turnbull.

2010 Rising Stars Series rallied great support from industry clubs and businesses



Two Year Old Fillies

In total six races and \$110,000 in prizemoney was paid.

Races	Prizemoney per race	Total prizemoney
3 Heats	\$10,000	\$30,000
2 Semi-Finals	\$15,000	\$30,000
1 Final	\$50,000	\$50,000

The final held at Harold Park on 11 June 2010 was won by MADAME LILY, Bred by Yirribee Pacing Stud, Owned by C M Alders, Trained and Driven by R J Walters.

Three Year Old Colts and Geldings

In total ten races and \$150,000 in prizemoney was paid.

Races	Prizemoney per race	Total prizemoney
7 Heats	\$10,000	\$70,000
2 Semi-Finals	\$15,000	\$30,000
1 Final	\$50,000	\$50,000

The final held at Harold Park on 11 June 2010 was won by JUST A BLUE CHIP, Bred and Owned by G C and H M Schrader, Trained by A S Turnbull and Driven by A J Turnbull.

Three Year Old Fillies

In total nine races and \$140,000 in prizemoney was paid.

Races	Prizemoney per race	Total prizemoney
6 Heats	\$10,000	\$60,000
2 Semi-Finals	\$15,000	\$30,000
1 Final	\$50,000	\$50,000

The final held at Harold Park on 11 June 2010 was won by STARRYART, Bred by P Williams, Owned by P Williams and W Barker, Trained by T M Robson and Driven by J G Proctor.

Stallion Performance

Total number of wins in the overall NSW Sires Stakes Series:

Sire	Wins
Art Major USA	10
Aces N Sevens USA	6
Trump Casino USA	5
John Street North USA	4
Browning Blue Chip USA	2
Flight N Irish USA	2
Jennas Beach Boy USA	2

Broodmare Sire	Wins
Caesar Blue Chip USA	4
Panorama USA	4
Perfect Art USA	3
Stature USA	3
Albert Albert USA	2
Armbro Operative USA	2
Classic Garry	2
Die Laughing USA	2
Holmes Hanover USA	2
Maple Lanes Strike USA	2

* Minimum 2 Wins

NSW Breeders Challenge Series

The Alabar Breeders Challenge series again attracted star juveniles to the 12 heats conducted at the Tabcorp Park Menangle in late June. The seven 2YO heats were all won in under two minutes and culminated in two outstanding finals – the fillies division won in 1:55.8 and the colts and geldings in 1:55.0.

Review of Operations continued

The 3YO heats and finals were conducted over the 2300m journey for the first time and resulted in final mile rates of 1:59.6 and 1:57.2.

In addition to the \$680,000 race series prizemoney, \$172,000 in Alabar Breeders Challenge Cash Bonuses was distributed in 2010. Details of the series are as follows

Two Year Old Colts and Geldings

In total five races and \$185,000 in prizemoney was paid.

Races	Prizemoney per race	Total prizemoney
4 Heats	\$15,000	\$60,000
1 Final	\$125,000	\$125,000

The Final held at Menangle on June 27, 2010 was won by EXCEL STRIDE, Bred and Owned by E and M Rosati, Trained by E A Heath, and Driven by R P Morris.

Two Year Old Fillies

In total four races and \$170,000 in prizemoney was paid.

Races	Prizemoney per race	Total prizemoney
3 Heats	\$15,000	\$45,000
1 Final	\$125,000	\$125,000

The Final held at Menangle on June 27, 2010 was won by VERTIGAL, Bred by A B Molloy, A B Myers and B E Astill, Owned by A B Molloy and B E Astill, Trained and Driven by D J Thorn.

Three Year Old Colts and Geldings

In total four races and \$170,000 in prizemoney was paid.

Races	Prizemoney per race	Total prizemoney
3 Heats	\$15,000	\$45,000
1 Final	\$125,000	\$125,000

The Final held at Menangle on June 27, 2010 was won by CHARIOT KING, Bred by Brooklyn Lodge Aberdeen Pty Ltd, Owned by P E Welsh, J C Welsh and B P Fitzpatrick, Trained by J F Tapp and Driven by G W McElhinney.

Three Year Old Fillies

In total four races and \$170,000 in prizemoney was paid.

Races	Prizemoney per race	Total prizemoney
3 Heats	\$15,000	\$45,000
1 Final	\$125,000	\$125,000

The Final held at Menangle on June 27, 2010 was won by BONNIE MAHONEY, Bred by D and V Rothwell, Owned by C I Black, D J Clayton and S A Clayton, Trained by D J Wilkins and Driven by R P Morris.

Stallion Performance

Total number of wins in the Alabar Breeders Challenge Race series.

Sire	Wins
Art Major USA	6
Aces N Sevens USA	2
Badlands Hanover USA	2
Western Terror USA	2

Broodmare Sire	Wins
Holmes Hanover USA	2
Silent Spring USA	2
Stature USA	2

* Minimum 2 Wins

Feature Races

The end of the 2008/09 season saw the 15th running of the Group 1 4YO classic, the Chariots of Fire on 31 July 2009. Entry was afforded to the first two placegetters in divisions of the Hondo Grattan and Paleface Adios Stakes, both conducted in the previous fortnight. The WA trained and New Zealand bred Imthemightyquinn was sent out favourite following a mighty win in his Paleface division the previous week. Leading everywhere but the finish line, the Gary Hall star succumbed by a head to the lucky Maffioso who had enjoyed a nice run on the leaders back.

Special Albert was out to defend his title in the \$60,000 Group 2 Newcastle Mile on 14 November 2009. The race however was dominated by the Fitzpatrick stable with Saucy Legend prevailing by a neck in a slick 1:53.8 over stablemate Lonestar Legend whose second place was enough to secure a berth in the Miracle Mile a fortnight later.

Arguably one of the best open class fields ever assembled lined up on the last Sunday in

November at Tabcorp Park Menangle. New Zealand representatives included pacing sensation Auckland Reactor, the country's best mare Kiwi Ingenuity, and the season's star and NZ Cup winner Monkey King. The quality of the Australian contingent headed by Blacks A Fake, Smoken Up and NSW champion Karloo Mick guaranteed fans a competitive race, and although the final two filled minor placings, none could withstand the finish of the in-form kiwi. Provided with a nice run throughout courtesy of Ricky May, Monkey King prevailed in the final stages in a new Australasian Record time of 1:50.8.

The M H Treuer Memorial conducted a week later, was perhaps down on quality performers with Karloo Mick the only Miracle Mile runner backing up for a tilt at the feature. Despite a typical brave display, the Dubbo war horse was beaten by Miracle Mile emergency Washakie who, despite sitting outside the NSW champion, had plenty to offer at the business end of the race.

Washakie also featured in the Watpac Inter Dominion Championship conducted at three NSW tracks in February and March. Having won a heat at Newcastle and finishing second in his Harold Park heat to highly rated Kiwi Bondy, the McCarthy stable star was strongly supported heading into the Final at Tabcorp Park Menangle on 7 March 2010.

In a historic result however, fellow Queenslanders Blacks A Fake and trainer/driver Natalie Rasmussen scored their fourth Championship victory, thrilling a large and emotional crowd. Close minor placings were filled by Monkey King and Smoken Up who would return to Menangle to take out the Len Smith Mile in 1:50.9.

Western Cam, another member of the Natalie Rasmussen stable, enjoyed considerable success south of the border winning both the Bohemia Crystal Free For All and Penrith's Group 2 Renshaw Cup.

Billed as a clash between the previous season's star 2YO Colts and Geldings, the NSW Derby was robbed of some interest with the late scratching of Renaissance Man due to illness. Nothing, however, could be taken from the winner For A Reason and his trainer/driver Luke McCarthy. Eased at the start, the Art Major colt offered a sustained run from the half mile, finishing too strongly for Victorian Derby winner Courage to Rule and luckless outsider Karter Brown.

Aside from the Len Smith Mile, the Derby program also featured the Australian Pacing Gold 2YO Colts and Geldings Final, won by Royal Verdict and the Ladyship Mile, won by Make Mine Cullen. Both horses would go on to win Harness Racing Australia

awards, Royal Verdict as 2YO of the Year and Make Mine Cullen as Aged Mare of the Year.

Spoils for 3YO fillies in NSW were shared with no single standout performer. Last year's champion 2YO Lady Euthenia had an interrupted 3YO season and while not racing at her best, still captured the NSW Oaks and the Group 3 Bathurst Gold Bracelet. The Sires Stakes Final went to Staryart over J L Raith winner Im A Happy Girl while the Alabar Breeders Challenge was won by Bonnie Mahoney over Art Princess, who had also run second in the Final as a 2YO.

The feature races for 3YO Colts and Geldings were also shared however local hero Chariot King for trainer John Tapp, emerged as the star NSW trained performer. Far from disgraced with a ten metre sixth in the NSW Derby Final, the flashy gelding tasted Group 1 victory in the Alabar Breeders Challenge Final in June, one of eleven for the season. He also captured the Simpson Memorial over the one eyed Two Eye See who added the Newcastle Derby Trophy to his owner's mantelpiece, beating Cuttheattitude who made a remarkable return to racing following serious illness.

Third in the Simpson was the Steve Turnbull trained Just A Blue Chip who atoned for his defeat by leading all the way in a thrilling Sires Stakes Final on June 11 with Steve's daughter Amanda in the sulky. In a fond farewell to Sires Stakes racing, Amanda captured a second final two races later winning the 2YO Colts and Geldings division with the Mark Butler trained and aptly named Usane Flash.



Review of Operations continued

Two Victorian trained fillies Madame Lily and Slap On A Hat fought out the 2YO Fillies Sires Stakes Final which lacked the presence of a NSW star. The battle for supremacy in this division was extremely competitive with Vertigal and Sheezallattitude both enjoying victories over each other during the season. The Linden Huntley and Alabar Breeders Challenge Final both fell Vertigal's way with the slight filly's next largest pay cheque by virtue of a second to Australian Champion Aussie Made Lombo in the Gold Tiara. Sheezallattitude did not enjoy Group 1 success but ran minor placings in both the Kay Seymour and APG Finals and set an Australasian record for 2YO fillies of 1:55.1 winning the Sapling Stakes at TabCorp Park Menangle in March.

Beetson and Excel Stride shared honours as the best NSW trained 2YO colts, the former claiming the Bathurst Gold Crown and Breeders Challenge Regional Final amongst his six victories and Excel Stride beating a strong line-up in the 2YO Colts and Gelding Alabar Breeders Challenge Final.

Carnival of Cups 2010 saw further growth with feature races conducted at 10 TAB tracks and six non-TAB tracks, beginning with the Canola Cup at Eugowra in October 2009 and finishing with the Supermix Final at Wagga in May 2010. Carnival of Cups 2011 sees expansion to 25 tracks and the elevation of established non-TAB feature meetings to TAB and Sky Racing status.

Breeding Schemes

In addition to the running of the Alabar Breeders Challenge and NSW Sires Stakes series, the State Bred Bonus Scheme was again conducted in 2009/10. \$600,000 was allocated towards the scheme and distributed through both TAB and non-Tab clubs. Breeders Challenge Cash Bonuses again proved extremely popular, being added to all TAB 2YO and 3YO events from 1 March to the 31 May 2010.

In total, 67 interstate and international stallions from the most prominent studs in Australia and New Zealand were nominated for the NSW Breeding Schemes, with their studs agreeing to pay foal fees in return for the redemption of State Bred Bonus Scheme Certificates and eligibility for a stallion nominator share of Breeders Challenge prizemoney.

While the number of Breeders Challenge eligible foals increased only slightly, notable for the season was the increase in the number of foals born in NSW. This was up 10% on previous season foal numbers and the first rise in six years.

The HRNSW Board agreed to the implementation of several key changes from 1 July 2010. These include the addition of Breeders Challenge Regional Finals and the provision for a Breeders Bonus for breeders of foals conceived from the 2010/11 season onwards.

The Board determined to replace the State Bred Bonus Scheme with the Breeders Challenge Owners Bonus Scheme from 1 July 2010. The value of individual certificates has been increased to \$2,500 and their total allocation has been increased to \$700,000 for the current season. The certificates will no longer be divided amongst clubs but allocated to the owners of Breeders Challenge eligible horses that meet specific criteria.

Club Operations

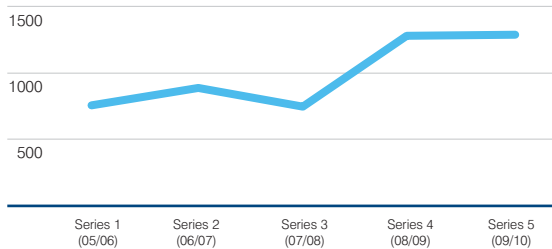
The funding structure for Regional Racing Centre meetings for FY10 did not change with Level 1 clubs continuing to be funded according to a 7/1 split (seven Country class races and one Restricted class race) and Level 2 clubs at a 6/2 split (six Country class races and two Restricted class races), however ninth race allocations were removed and reallocated towards additional meetings.

Prizemoney for Level 1 country penalty events remained at \$5,200 and prizemoney for Level 2 Clubs remained at \$4,700 for each country penalty event and clubs were permitted to retain \$200 per race for allocation to feature races.

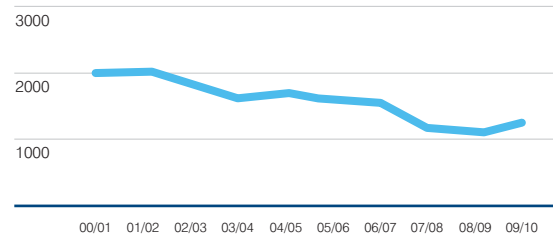
In the most significant change, six Level 2 country clubs were allocated Sunday twilight meetings of eight \$3,000 races.

To facilitate the additional Sunday race dates, in addition to the reallocation of ninth race funding, non-TAB funding for 15 non-TAB race dates previously allocated to Tamworth, Dubbo and Parkes Harness Racing Clubs (\$135,000) was allocated to TAB race dates. Non-TAB funding to Graduation and Penalty Free clubs was increased by CPI.

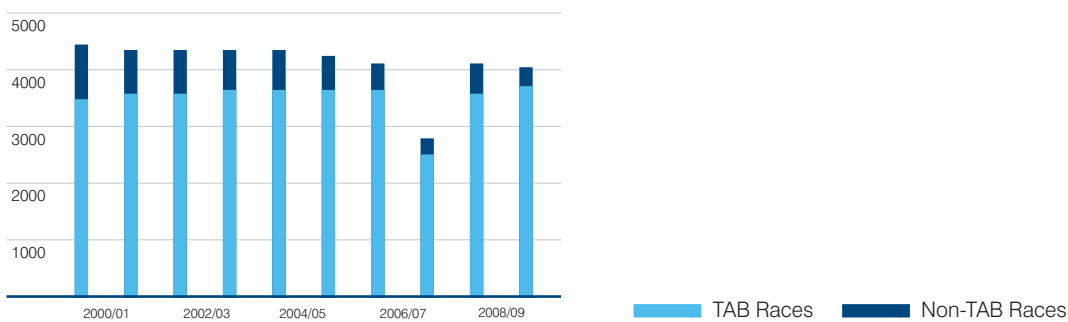
Number of Breeders Challenge Foals Eligible



Number of Foals Branded



Total TAB and Non-TAB Racing in NSW



The number of TAB races and percentage of TAB races against the total number conducted continued to increase.

Principal Club

The NSWHRRC (Harold Park) conducted 98 race meetings (757 races) and received \$11.9 million in total funding from the TAB Distribution in 2010.

Total turnover on metropolitan meetings was \$60.2 million.

Regional Racing Centres Level 1

The Regional Racing Centres Level 1 (Menangle, Newcastle and Penrith) conducted 144 race meetings (1,199 races) and received \$5.6 million in total funding from the TAB Distribution in 2010.

Total turnover on TAB meetings conducted by these three clubs was \$68 million.

Regional Racing Centres Level 2

The Regional Racing Centres Level 2 (Bankstown, Bathurst, Bulli, Dubbo, Parkes, Tamworth, Wagga and Young) conducted 209 race meetings (1,730 races) and received \$8.9 million in total funding from the TAB Distribution.

Total turnover on TAB meetings conducted by these eight clubs was \$79.5 million.

In 2010 Bathurst, Bulli, Dubbo, Parkes, Tamworth, Wagga and Young conducted Carnival of Cups events.

Graduation Clubs

The Graduation Clubs (Albury, Junee, Leeton, Orange, and Temora) conducted non-TAB racing with a minimum prizemoney level of \$2,000.

In 2010 these clubs conducted 27 race meetings (183 races) and all were successful in securing a Carnival of Cups event.

Penalty Free Clubs

The Penalty Free Clubs (Blayney, Broken Hill, Coolamon, Cootamundra, Cowra, Eugowra, Forbes, Inverell, Muswellbrook, Narrabri, Peak Hill and West Wyalong) conduct non-TAB racing with a minimum prizemoney level of \$1,000.

In 2010 these clubs conducted 34 race meetings (208 races). Eugowra was the only club in this category to conduct a Carnival of Cups event during the year.

Review of Operations continued

Training Facilities

Fairfield and Maitland are operated as Training Facilities whereupon they conduct regular trials and provide participants with access to facilities on which they may undertake training activities.

In 2010 these clubs received a total of \$110,000 in direct funding from the TAB Distribution for their operations and each was also successful in securing a Carnival of Cups event.

A track maintained by Hawkesbury participants at Clarendon was also supported financially by HRNSW, as were tracks at Cessnock and Riverstone.

Harness Racing Clubs Committee

The NSW Harness Racing Clubs Committee was formed in 2002 to replace the TAB Clubs Committee as the body responsible for working with HRNSW to administer the industry's club and racing operations as outlined in the *Intracode Agreement*.

During 2010, HRNSW provided representation at all Harness Racing Club Committee meetings to advise delegates on a range of HRNSW initiatives and receive feedback on matters of importance to clubs.

Issues addressed included the state wide photo finish contract, video production and steward costs, the amalgamation of the GHRRA and HRNSW, club and prizemoney funding, ambulance coverage, insurance and RDF applications.

The Harness Racing Clubs Committee is funded from an annual levy on its members and does not receive any financial assistance from HRNSW.

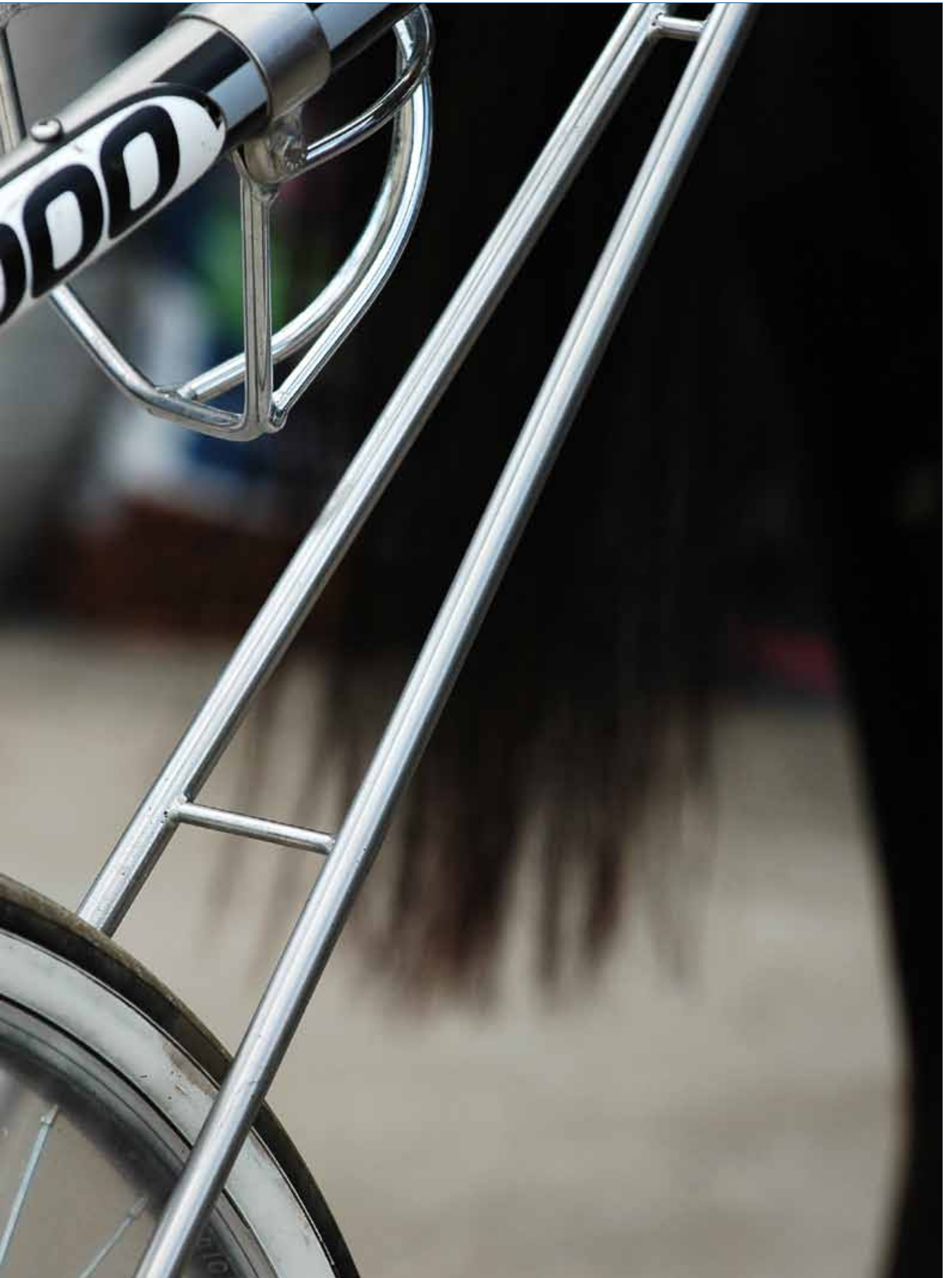
Graduation and Penalty Free Clubs Association

The Graduation and Penalty Free Clubs Association was formed in 2003 to replace the Country Clubs Association following structural changes arising from the implementation of HRNSW's Strategic Plan.

HRNSW representatives attended Graduation and Penalty Free Clubs Association meetings held in FY 2009/10 to address issues such as the funding of country-based non-TAB clubs, a reduction in non-TAB race dates, the construction of a new racing facility in the south west Riverina and handicapping policies.

The Graduation and Penalty Free Clubs Association is funded from an annual levy on its members and does not receive any financial assistance from HRNSW.





External Relations

Tabcorp

HRNSW continued to work with Tabcorp to further the interests of the racing industry in general and harness racing in particular.

Primary efforts in this respect involved obtaining better understandings between the parties on industry turnover performance and general business strategies to stimulate the growth of funding to the racing industry.

Along with RacingNSW and Greyhound Racing NSW, HRNSW attends regular Business and Strategy Committee meetings with key Tabcorp personnel the aim of which is to drive the wagering business forwards through increased collaboration and understanding between the industry and Tabcorp.

Tabcorp provides sponsorship for the Carnival of Cups and Super Sprint Series, promotional airtime, live hosting for certain events and a contribution to the digital photo finish upgrade.

Racingcorp

Racingcorp is a company founded by the three racing codes to act as an agent in dealings with government and Tabcorp on matters relating to the *Racing Distribution Agreement* and *Intercode Deed*.

HRNSW representation on the Racingcorp Board is provided by Mr Graeme Campbell (HRNSW Chairman) and Mr Sam Nati (HRNSW CEO).

Harness Racing Australia

During 2009/10 HRNSW was a member of Harness Racing Australia, the industry's peak consultative body on harness racing throughout Australia.

HRNSW provides input and representation at both the Executive and Board levels to various HRA committees including the Wagering Committee, Breeding Committee, National Marketing Committee and the Integrity and Handicapping Committee.

Primary activities for 2009/10 included contributing to the scoping and implementation of a national survey, determination of key priorities and activities relating to wagering, ongoing lobbying against the implementation of preventative vaccination for equine influenza, consultation on the future of the Inter Dominion post 2012 and development of a stronger, better defined role for Harness Racing Australia.

Harness Racing Industry Consultation Group

The Harness Racing Industry Consultation Group was formed during the year in accordance with the terms of the *Harness Racing Act 2009*. It is a consultative body consisting of industry representatives that assists HRNSW with the development and implementation of industry initiatives and has defined meeting requirements and frequencies. The body has the function of consulting with and making recommendations to HRNSW on matters concerning harness racing in the state.

The HRICG replaces the former Harness Racing Industry Participants Advisory Committee.

The group met once during the year to provide input into the Strategic Plan.

Industry Associations

HRNSW continued to enjoy good working relations with the three active industry Associations – the United Harness Racing Association (UHRA), Harness Breeders NSW (HBNSW), the newly formed NSW Standardbred Owners Association (NSWSOA), and the NSW Mini Trotting Association (NSWMTA).

Three of the Associations continued to benefit from the promotion of websites created and managed by HRNSW that have proven their worth in enabling the Associations to better communicate with their members.

The UHRA and HBNSW in particular continued to provide substantial feedback to HRNSW on current and emerging industry concerns, and have been

Corporate Structure

Staffing

The following comments refer to the new structure which came into effect on 1 July 2009.

Following the integration of the former GHRRA harness racing functions into HRNSW, staffing levels increased from 10 to 32 employees.

Overview

The amalgamation of commercial and regulatory functions under the control of a single Board required the introduction of a new organisation structure.

The new structure ensures the continued separation of commercial and regulatory functions to protect against conflicts of interest and management, and to ensure that the interests of industry and racing integrity remain paramount.

The basis of the new structure is the division of HRNSW into three major operating divisions with a separate secretariat unit to provide support to the CEO and Board.

Commercial Services

The Commercial Services Division is headed by Mr Peter Carney and has a staffing complement of seven.

The Division is responsible for the administration of funding arrangements with Tabcorp, payment of funds to clubs and the management of the Industry and Racecourse Development Funds administered on behalf of the industry by HRNSW.

In addition, the Division manages the Centralised Stakes Payment System through which prizemoney and other payments are made to participants on behalf of all clubs.

Administration of other finance-related functions such as the collection of fines, licensing and registrations revenue, and management of the Unpaid Forfeits List is also undertaken by the Commercial Services Division.

Information technology services, which are outsourced, and administration of industry leases, insurance and commercial agreements/operations are other responsibilities falling into the remit of the Division.

Regulatory Services

The Division which is responsible for the provision and coordination of all regulatory services including rules development, stewarding, inquiries and appeals and has a permanent staffing complement of 13.

Day-to-day control of the stewards and provision of stewarding services is provided by the Chairman of Stewards Mr Michael Beattie who reports to the CEO.

The separation of policy and operational functions in the structure of the Regulatory Services Division is designed to ensure that the integrity of racing is maintained and enhanced.

Racing Operations

The Racing Operations Division is headed by Mr Mark Read and has a staffing complement of seven.

The role of the Division is to prepare policy on issues such as handicapping, race programming and scheduling, race date allocation as well as the day-to-day management of breeding schemes, registrations and the issue and redemption of State Bred Bonus Certificates.

The Racing Operations Division is also directly responsible for all programming and handicapping operations.

The division also administers all registrations across the state including those for participants and animals.

In addition to these responsibilities the division is also charged with the preparation of statistical and performance reports for the Board, Executive and clubs on racing-related matters such as turnover performance, horse movements and population, and club performance to agreed KPIs.

CEO And Board Unit

The CEO and Board Unit has a staffing complement of five.

The Unit is responsible for providing administrative support to the CEO and Board, industry marketing and production of *The Gazette* as well as general administration functions for the organisation including building maintenance, stores and stationery management, travel and accommodation and records management.



HRNSW Organisation Structure

Board

Chief Executive

Executive Assistant
Administration Assistants

Marketing Manager

Manager Commercial Services

Accountant
Finance Officer
Customer Service Officers
Stakes Payment Officer
Business Analyst

Chairman of Stewards

Deputy Chairman of Stewards
Regulatory Assistant
Stewards Panel
Appeals Secretary
Cadet Steward
Administration Officer

Manager of Racing Operations

Racing Manager
Handicappers
Registration Officer
Administration Officer

Corporate Governance

Board Responsibilities

The HRNSW Board has in place a Code of Conduct that sets out the responsibilities of the Board and its individual members.

In terms of corporate governance the Board is responsible for:

- Promoting ethical and responsible decision-making,
- Ensuring compliance with laws, regulations, appropriate accounting standards and corporate policies,
- Setting and reviewing strategic direction,
- Approving the annual operating budget and monitoring financial performance,
- Approving and monitoring capital expenditure,
- Monitoring risk management, and
- Recognising the legitimate interests of stakeholders and ensuring that the industry is kept fully informed of all material developments in relation to harness racing.

Board Functions

The functions of the Board as outlined in Section 9 of the *Harness Racing Act 2009* include the following:

- (a) To control, supervise and regulate harness racing in the State;
- (b) To register harness racing clubs, harness racing horses, owners, trainers and drivers of harness racing horses, bookmakers for harness racing and other persons associated with harness racing;
- (c) To initiate, develop and implement policies considered conducive to the promotion, strategic development and welfare of the harness racing industry in the State;
- (d) To distribute money received as a result of commercial arrangements required by the *Totalizator Act, 1997*;
- (e) To allocate harness racing clubs the dates on which they may conduct harness racing meetings.

Board Structure

The HRNSW Board is an industry representative body comprised of four members selected by the industry and an independent chairman selected by the industry-nominated members.

Representation on the Board is as follows:

- One person nominated by the New South Wales Harness Racing Club (Harold Park) as the Principal Club,
- Two persons nominated by harness racing clubs (other than the New South Wales Harness Racing Club), with one of the nominees being nominated by the TAB Clubs and the other being nominated by country clubs,
- One person nominated by participants in the harness racing industry (being owners, trainers, drivers, bookmakers or other persons involved with harness racing).

On appointment the four industry-nominated members select an independent chairman through an open recruitment process administered by an external recruitment agency.

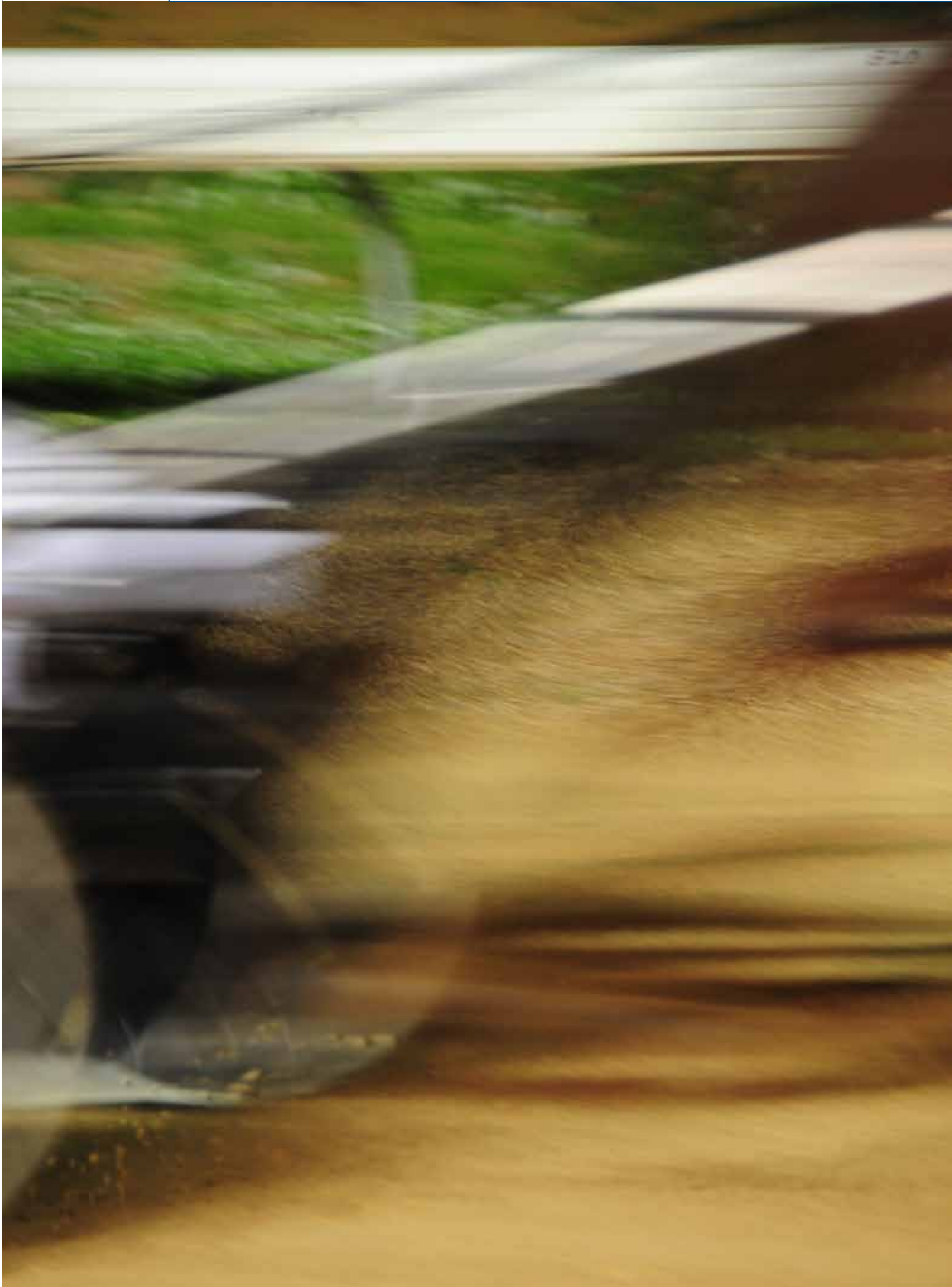
The term of office of each member including the chairman is three years.

Meetings

HRNSW conducts Board Meetings on a monthly basis usually on the last Tuesday. In special circumstances where matters must be considered outside this timeframe, the Board holds special Board Meetings either in person or by teleconference.

Regular meeting attendances for 2009/10 were:

Board Member	Normal Meetings	Tele Conference	Special Meetings	Total Attended
G Campbell	12	0	0	12
R Horne	12	0	0	12
R Nalder	12	0	0	12
L Bentley	12	0	0	12
C Edwards	12	0	0	12



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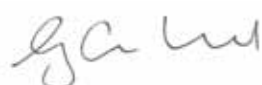
Members' Report

Harness Racing New South Wales

The Members of Harness Racing New South Wales (HRNSW) present their report for the financial year ended 30 June 2010.

1. HRNSW is a statutory corporation (entity) constituted under the *Harness Racing Act 2009* (as amended).
2. The Members of HRNSW in office at the date of this report are:
Graeme Campbell – Chairman, Les Bentley, Chris Edwards, Rex Horne, Robert Nalder.
3. The principal activities of HRNSW during the period included the following functions:
 - registration of harness racing clubs and harness racing associations;
 - Initiation, development and implementation of policies considered conducive to the promotion, strategic development and welfare of the harness racing industry in the State;
 - Distribution of money received as a result of commercial arrangements required by the *Totalizator Act 1997*;
 - Allocation to harness racing clubs and harness racing associations of the dates on which they may conduct harness racing meetings and harness races; and
 - Development and review of policy in relation to the breeding and handicapping of harness racing horses.
4. The loss for the year amounted to \$1,740,646 (2008: Loss \$367,886).
5. There have been no significant changes in the state of affairs of the entity during the year.
6. The entity employed thirty two (32) employees as at 30 June 2010. As at the date of this report the entity had thirty two (32) employees.
7. The entity received certain monies from operators under Race Fields legislation. Due to impending appeals on decisions handed down by the Federal Court on 16 June 2010 none of this revenue has been brought to account in the financial statements.
8. There are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect:
 - i) the operation of the entity
 - ii) the results of these operations
 - iii) the state of affairs of the entity, in future yearsexcept that
HRNSW together with Racing NSW are appealing certain aspects of a decision handed down by Justice Perram of the Federal Court in relation to cases brought against them by Betfair Pty Ltd and Sportsbet Pty Ltd. The appeal will be heard in late September 2010 with a decision expected soon after in November. The decision will have a major impact on HRNSW's future revenue streams.
9. In recognising the need for the highest standards of corporate behaviour and accountability, the Members support and have adhered to the principles of good corporate governance.
10. Member emoluments are shown in the attached financial statements.
11. There are no likely developments which will affect the operations of the entity in subsequent years except as disclosed above.
12. Neither since the financial year, nor during the financial year, has a Member received or become entitled to receive a benefit by reason of a contract made by the entity or a related body corporate which the Member or with a firm of which the Member is a member, or a company in which the Member is a member, or a company in which the Member has a substantial interest.
13. The lead auditor's independence declaration has been received and accepted.

Signed in accordance with a resolution of the Members at Bankstown, 28th day of September 2010.



Graeme Campbell
Chairman



Robert Nalder
Member

Members' Declaration


Harness Racing New South Wales

The Members of Harness Racing New South Wales (HRNSW) present their declaration for the financial year ended 30 June 2010.

In the opinion of the Members of the entity:

- (a) the accompanying financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the entity's financial position as at 30 June 2010 and its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due, and
- (c) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 3(a).

Signed in accordance with a resolution of the Members at Bankstown, dated 28 September 2010:



Graeme Campbell
Chairman



Robert Nalder
Member

NEXIA COURT & CO
CHARTERED ACCOUNTANTS



Lead Auditor's Independence Declaration

To the Members of Harness Racing New South Wales:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

- no contraventions of the auditor independence requirements as set out in APES 110 "Code of Ethics for Professional Accountants" in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads "Nexia Court & Co." in a cursive style.

Nexia Court & Co.
Chartered Accountants

Sydney, 28 September 2010

A handwritten signature in black ink that reads "David Gallery" in a cursive style.

David Gallery
Partner

Independent Auditors' Report To The Members Of HRNSW

Report on the financial report

We have audited the accompanying financial report of Harness Racing New South Wales (the 'company') which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the members' declaration.

Members' responsibility for the financial report

The members of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal control 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; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the members also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the company, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditors' responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit 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 procedures selected depend on the auditors' 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, the auditor considers 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 accounting policies used and the reasonableness of accounting estimates made by the members, as well as evaluating the overall presentation of the financial report.

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

Auditors' opinion on the financial report

- a. the financial report of Harness Racing New South Wales:
 - i. gives a true and fair view of the company's and the group's financial position as at 30 June 2010 and of their performance for the financial year ended on that date; and
 - ii. complies with Australian Accounting Standards (including the Australian Accounting Interpretations).
 - iii. complies with the Harness Racing Act (NSW) 2009.
- b. the financial report of the group and company also complies with International Financial Reporting Standards as disclosed in note 3(a).

Nexia Court & Co.

Nexia Court & Co.
Chartered Accountants

Sydney, 18 October 2010

David Gallery

David Gallery
Partner

Statement of Comprehensive Income

for the financial year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue from Continuing Operations			
Product Fee	4(a)	27,395,713	26,844,754
Wagering Incentive Fee	4(a)	6,259,211	6,144,733
Finance Income – Interest Revenue		42,521	64,881
Grants Received – Racecourse Development Fund	4(b)	-	220,000
Grants Received – Industry Funds	4(c)	155,000	130,000
NSW Harness Racing Gazette	4(d)	194,207	229,919
Sponsorship		127,000	27,670
Registration & Licensing Income		739,271	-
Stewarding Fees Charged to Clubs		827,182	-
Proceeds from Sale of Assets		5,682	-
Other Income	4(e)	152,946	343,056
Total Revenue		35,898,733	34,005,013
Expenses from Continuing Operations			
HRNSW Distribution:			
to Clubs	5(a)	29,013,674	28,889,889
to Industry Funds	5(b)	2,335,485	2,274,309
to Racecourse Development Fund	5(c)	666,799	650,770
Greyhound & Harness Racing Regulatory Authority	5(d)	-	1,627,034
EI funding Carried Forward		(603,416)	(1,777,204)
Repayment re FY2006 Distribution Top-up	5(e)	-	381,000
Repayment of EI Funding	5(f)	140,000	-
AHRC Membership Levy		126,310	-
Employee Salaries and Related Expenses	5(g)	2,991,756	793,660
Members Fees	5(h)	101,908	84,162
NSW Harness Racing Gazette		215,123	229,146
Postage, Printing & Stationery		131,444	98,004
Travel	5(i)	291,354	40,450
Consultancy & Contractors		-	20,614
Occupancy expenses		156,911	83,558
Equipment expenses		32,508	30,643
IT and Communication expenses	5(j)	279,767	64,000
Depreciation expense		196,302	70,848
Insurance		77,735	9,766
Racing Integrity expenses	5(k)	631,476	-
Bad debt expense	5(l)	151,430	892
Other expenses	5(m)	100,954	148,814
Total Expenses		37,037,519	33,720,355
(Deficit)/Surplus for the year		(1,138,786)	284,658
Comprehensive Income			
Profit arising from acquisition of GHRRA Business	5(n)	512,016	-
Amalgamation Expenses	5(o)	(1,080,329)	(652,544)
Loss on sale of assets	5(p)	(33,547)	-
Other comprehensive income for the year		(601,861)	(652,544)
Total Comprehensive income for the year		(1,740,646)	(367,886)

The accompanying notes form part of these statements.

Statement of Financial Position

for the financial year ended 30 June 2010

	Note	2010 \$	2009 \$
Assets			
Current Assets			
Cash	6	861,336	2,617,335
Trade and Other Receivables	7	9,405,586	11,306,731
Other	8	10,801,268	5,329,170
Total Current Assets		21,068,190	19,253,236
Non-Current Assets			
Property, Plant and Equipment	9	1,763,606	483,215
Land	10	985,000	950,000
Total Non-Current Assets		2,748,606	1,433,215
Total Assets		23,816,796	20,686,451
Liabilities			
Current Liabilities			
Trade and Other Payables	11	10,316,830	13,080,322
Income Received in Advance	12	-	29,884
Provision for Employee Benefits	13	412,119	84,991
Other	15	11,855,232	4,846,405
Total Current Liabilities		22,584,180	18,041,602
Non-Current Liabilities			
Trade and Other Payables	16	1,674,185	1,840,932
Total Non-Current Liabilities		1,674,185	1,840,932
Total Liabilities		24,258,366	19,882,534
Equity			
Accumulated Surplus		(441,569)	803,917
Total Equity		(441,569)	803,917

The accompanying notes form part of these statements.

Statement of Cash Flows

for the financial year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash Flows from Operating Activities			
Receipts from Participants and Government Grants		47,838,454	40,877,856
Receipts from Other Operating Income		2,195,606	417,444
Interest Received		42,521	64,881
Payments to Suppliers, Employees and Participants		(50,506,923)	(41,025,002)
Amalgamation Costs		(1,080,329)	(652,544)
Net Cash from Operating Activities	21	(1,510,671)	(317,365)
Cash Flows from Investing Activities			
Payments for Property, Plant & Equipment		(78,582)	(234,129)
Net Cash from Investing Activities		(78,582)	(234,129)
Cash Flows from Financing Activities			
Loan from NSW Government		–	2,000,000
Loan Repayment		(166,747)	–
Net Cash from Financing Activities		(166,747)	2,000,000
Net Increase/(Decrease) in Cash Held		(1,756,000)	1,448,506
Cash and Cash Equivalents at the Beginning of the year		2,617,335	1,168,829
Cash and Cash Equivalents at the End of the Year		861,336	2,617,335

Statement of Changes in Equity

for the financial year ended 30 June 2010

	Note	2010 \$	2009 \$
Total Equity at the Beginning of Financial Year		803,917	1,171,802
Total Comprehensive Income		(1,740,646)	(367,885)
Total Recognised Income and Expense for the Year		(1,740,646)	(367,885)
Net Assets of Business Acquired	22	495,159	–
Total Equity at the End of the Financial Year		(441,569)	803,917

The accompanying notes form part of these statements.

Notes to the Financial Statements

for the financial year ended 30 June 2010

1. The Reporting Entity

a) Harness Racing New South Wales (HRNSW)

HRNSW is incorporated as a statutory body under the *Harness Racing Act 2009*.

b) Benevolent Fund

The Benevolent Fund was set up to assist persons associated with the harness racing industry in New South Wales who are in indigent circumstances and require financial assistance. The assets, liabilities and transactions of the Fund are incorporated into these financial statements.

c) Separate Funds

The following funds administered by HRNSW are not incorporated in these financial statements:

- i. Harness Racing Racecourse Development Fund.
- ii. Harness Racing Industry Fund.

HRNSW prepares and furnishes separate financial statements for these funds in its Annual Report.

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied by the entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

This financial report is a general purpose financial report that has been prepared in accordance with International Financial Reporting Standards as applicable to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

a) Income Tax

HRNSW is registered as a not-for-profit organisation with the Australian Taxation Office. Income is not subject to income tax.

b) Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable, net of goods and services tax (GST) payable to the taxation authority and net of any allowances. Revenue is recognised in the period to which the revenue relates.

TAB Distributions

Distributions from Tab Limited ("TAB") are recognised as they accrue to the benefit of the Entity based on distribution advices received from TAB.

Interest Earned/Financial Income

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

Other Income

Revenue earned from all other activities is recognised when the product or service in respect of which the fees have been charged is receivable

c) Receivables

The recoverability of receivables is reviewed annually. Bad debts are written off and a provision is established for doubtful debts.

d) Property, Plant and Equipment

Buildings, Property, plant and equipment are measured at cost except for land as described in Note 10.

Buildings, property, plant and equipment are depreciated on a straight line basis over their useful lives, as follows:

Buildings	4%
Plant and equipment	10 - 20%
Telecommunications, computers	25 - 33%

Notes to the Financial Statements continued

e) Revaluation of Non-Current Assets

Non-current assets are revalued every five years or sooner if a revaluation is deemed to be material and may be performed for all the non-current assets or a class of non-current assets. None-the-less, as stated above, non-current assets are not carried at an amount exceeding the recoverable amount.

The carrying amount of non-current assets is reviewed annually by the Members to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amount. AASB 136 allows a not-for-profit entity to determine value in use of an asset using the depreciated replacement cost of the asset if the future economic benefits of the asset are not primarily dependent on net cash inflows and the asset would be replaced if the entity were deprived of it.

f) Loans and Borrowings

All loans are measured at principal amount. Interest is charged as it occurs.

g) Employee Salaries and Related Expenses

Provision is made for employee entitlement benefits accumulated as a result of an employee service up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Contributions are made by the entity to employee superannuation funds and are charged as expenses when incurred.

h) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of GST, except:

- the amount of GST incurred by HRNSW as a purchaser, if any, that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

i) Cash

Cash includes cash on hand and at call in deposits with banks or financial institutions and investments in money market instruments maturing within less than two months net of bank overdrafts.

j) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

k) Revision of Accounting Estimates

Revisions of accounting estimates are recognised prospectively in current and future periods only.

l) Events Subsequent to Reporting Date

There have been no events subsequent to the reporting date that would materially affect these financial statements except as follows;

HRNSW together with Racing NSW are appealing certain aspects of a decision handed down by Justice Perram of the Federal Court in relation to cases brought against them by Betfair Pty Ltd and Sportsbet Pty Ltd. The appeal will be heard in September 2010 with a decision expected soon after in November. The decision will have a major impact on HRNSW's future revenue streams.

Notes to the Financial Statements continued

m) New Standards and Interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the company ("entity") in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing these financial statements:

AASB 139 Financial Instruments: Recognition and Measurement which becomes mandatory for the entity's 30 June 2012 financial statements introduces a number of changes to the recognition criteria and measurement rules as they relate to financial instruments. Management has not yet determined the impact of this standard.

No other standards issued but not yet adopted are expected to have a material impact.

n) New Accounting Standards and Interpretations

i. Changes in accounting policy and disclosures.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Entity has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 January 2009;

AASB 2008 – 1 Amendments to Australian Accounting Standard – Share Based payments: Vesting Conditions and Cancellations effective 1 January 2009;

AASB 7 Financial instruments: Disclosures effective 1 January 2009;

AASB 8 Operating Segments effective 1 January 2009;

AASB 101 Presentation of Financial Statements (revised 2007) effective 1 January 2009;

AASB 123 Borrowing Costs (revised 2007) effective 1 January 2009;

AASB 3 Business Combinations (revised 2008) effective 1 July 2009;

AASB 127 Consolidated and Separate Financial Statements ((revised 2008) effective 1 July 2009);

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the entity its impact is described below.

AASB 8 Operating Segments.

As HRNSW is not a disclosing entity it is now exempt from the requirements of segment reporting.

AASB 101 Presentation of Financial Statements.

The revised Standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new Statement of Comprehensive income. The Statement of Comprehensive Income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The entity has elected to present one statement.

o) Finance Income and Expenses

There are no finance expenses.

Finance income consists of interest from banks and other financial institutions. Interest is recognised as it accrues.

Notes to the Financial Statements continued

3. Basis of Preparation

a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the *Harness Racing Act 2009*. The financial report of the fund also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Members on 28 September 2010.

b) Basis of Measurement

The financial statements have been prepared on the historical cost basis.

c) Functional and Presentation Currency

These financial statements are presented in Australian dollars, which is the fund's functional currency.

d) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

There are no major estimates that impact these financial statements.

Notes to the Financial Statements continued

4. Revenue

Note	2010 \$	2009 \$
a) Product Fee & Wagering Incentive Fee		
HRNSW share of the TAB Distribution is paid by NSW Racing Pty Ltd. HRNSW's percentage share is determined by the Intercode Deed. Product fees (daily and quarterly) are based on wagering turnover (all codes) and Wagering Incentive Fees (WIF) paid half yearly are based on wagering profitability (all codes).	33,654,924	32,989,364
b) Grants Received – Racecourse Development Fund		
Funding of Capital Expenditure	-	220,000
i. During the year ended 30 June 2006 the RDF advanced to Harness Racing NSW \$1.038million in consultation with and agreement of the Harness Racing Clubs Committee to top up the distribution for that year. It is the intention of the Board of Harness Racing NSW to repay this advance from future TAB distributions without adversely affecting existing prizemoney levels. This has been treated as income as the repayment of the advance is dependent upon sufficient improvement of the TAB distribution. In the year ended 30 June 2009 the final amount of \$381,000 was repaid against this advance.		
c) Grants Received – Industry Funds		
Centralised Stakes Payment System	135,000	110,000
Sires Stakes Management Fee	20,000	20,000
	155,000	130,000
d) Harness Racing Gazette Income		
Subscriptions	136,266	147,747
Advertising	57,941	82,172
	194,207	229,919
e) Other Income		
Income for use of race fields by overseas operator	-	292,092
Other	93,848	50,964
Benevolent Fund	59,098	-
	152,946	343,056

Notes to the Financial Statements continued

5. Operating Expenses

Note	2010 \$	2009 \$
a) HRNSW Distribution to Clubs		
NSWHRC – Harold Park	11,859,234	11,717,964
NSWHRC – Menangle Park	1,054,235	1,078,712
Bankstown	1,056,861	1,061,258
Bathurst	2,278,049	2,257,905
Bulli	968,788	984,438
Dubbo	605,732	540,648
Goulburn	264,214	269,422
Newcastle	3,743,961	3,800,933
Parkes	561,696	550,454
Penrith	2,560,285	2,627,244
Tamworth	895,395	854,953
Wagga Wagga	1,428,719	1,436,834
Young	724,145	718,417
Non-TAB Clubs	759,960	743,507
Carnival of Cups	252,400	247,200
	29,013,674	28,889,889
b) HRNSW Distribution to Industry Funds		
HRNSW is required under the Intracode Agreement to distribute a percentage of its share of the TAB Distribution to Industry Funds for the development and furtherance of the industry of NSW. The amount distributed to Industry Funds is equal to 6% (2009: 6%) of the HRNSW share of the TAB Distribution.	2,000,398	1,952,309
Additional Carnival of Cups Levy (1%)	335,087	322,000
	2,335,485	2,274,309
c) HRNSW Distribution to Racecourse Development Fund		
HRNSW is required to distribute a percentage of its share of the TAB Distribution to the Racecourse Development Fund to fund capital projects approved by HRNSW on behalf of the industry.	666,799	650,770
d) Greyhound & Harness Racing Regulatory Authority		
The amount paid to the Greyhound & Harness Racing Regulatory Authority (GHRRA) for provision of regulatory functions and services was determined annually by the Minister for Gaming & Racing.	–	1,678,000
Adjustment from FY 2007	–	(50,966)
	–	1,627,034
e) Repayment of FY2006 Distribution Top-up		
During the year ended 30 June 2006 the RDF advanced to Harness Racing NSW \$1.038million in consultation with and agreement of the Harness Racing Clubs Committee to top up the distribution for that year. It is the intention of the Board of Harness Racing NSW to repay this advance from future TAB distributions without adversely affecting existing prize money levels. This advance was treated as income as the repayment of the advance is dependent upon sufficient improvement of the TAB Distribution therefore the repayments are treated as an expense.	–	381,000

Notes to the Financial Statements continued

5. Operating Expenses continued

Note	2010 \$	2009 \$
f) Repayment of EI Costs		
During the year ended 30 June 2007 the RDF advanced to Harness Racing New South Wales \$210k to cover the costs incurred by HRNSW during the outbreak of equine influenza. The costs are to be recouped over a three year period ending 20 June 2011.	140,000	-
g) Employee Salaries and Related Expenses		
Salaries	2,537,496	615,377
Superannuation	195,287	54,391
Payroll Tax	132,462	11,912
Annual and Long Service Leave	11,777	4,710
Workers compensation Insurance	15,631	8,289
Temporary staff and other	99,103	98,981
	2,991,756	793,660
h) Members Fees		
The Members in office during the financial year were:		
Graeme Campbell – Chairman	36,017	31,936
R Corrie	-	7,616
Robert Nalder	15,109	13,057
Rex Horne	15,109	13,057
Allan Briggs	-	7,616
Les Bentley	16,901	5,440
Chris Edwards	18,772	5,440
	101,908	84,162
No Member of HRNSW is a full-time employee and no Member has received a salary		
i) Travel		
Employees	285,468	28,481
Members	5,886	11,969
	291,354	40,450
j) IT and Communication Expenses		
IT support and software	153,107	36,359
Phone, fax and related expenditure	126,660	27,641
	279,767	64,000
k) Racing Integrity		
Swab Testing and reporting	368,990	-
Stewards Inquiries	136,363	-
Registration processing	35,088	-
Integrity Auditor	14,299	-
Freeze Branding	76,736	-
	631,476	-
l) Bad Debts		
Bad debts written off	151,430	-
Movement in provision	-	892
	151,430	892

Notes to the Financial Statements continued

5. Operating Expenses continued

Note	2010 \$	2009 \$
m) Other Expenses		
Bank Charges	15,435	9,956
Legal and Audit Fees	47,341	62,930
Media & Communications	500	2,805
Office Amenities	-	7,443
Couriers	3,562	2,320
Subscriptions	4,847	507
Sponsorship Expenses	11,862	-
Benevolent Fund Expenses	1,930	34,622
Sundry Expenses	15,477	28,233
	100,954	148,816
n) Profit Arising from Acquisition of Business		
GHRRA Superannuation Liability	717,286	-
Debtors Write Off	(57,020)	-
Loss on Disposal of GHRRA Motor vehicles	(147,962)	-
Loss on Disposal of Other Assets	(288)	-
	512,016	-
o) Amalgamation Expenses		
Retrenchment Costs	151,502	267,503
GHRRA Expense Reimbursements	-	275,000
Unfunded Superannuation Payment	571,666	-
Transfer to HRNSW Sign on Bonus	256,873	-
Interest on Government Loan	100,288	-
Property Valuation	-	2,200
Staff Recruitment	-	9,180
Other	-	98,661
	1,080,329	652,544
Amalgamation expenses will be paid from the \$2.0m loan provided to HRNSW by the NSW Government. The remaining portion of the loan is expected to be used during the year to 30 June 2010.		
p) Loss on Sale of Assets		
Loss on sale of assets from French Avenue, Bankstown, NSW	33,547	-
	33,547	-

Notes to the Financial Statements continued

6. Cash

Note	2010 \$	2009 \$
Cash at Bank	861,056	2,617,135
Cash on Hand	280	200
	861,336	2,617,335

The entity has an overdraft limit of \$250,000 at the bank (2009: \$250,000) – unused at year end.

7. Receivables

	2010 \$	2009 \$
Trade Debtors	1,523,753	7,576,901
Less: Provision for Doubtful Debts	(40,611)	(40,611)
NSW Racing Pty Limited (TAB Distribution)	7,475,315	2,772,537
Other Debtors	177,129	997,904
	9,405,586	11,306,731

Trade debtors are non-interest bearing and generally are on thirty day terms. All other current receivables are non-interest bearing and are receivable between seven and ninety days.

8. Other

	2010 \$	2009 \$
Racefields Account	10,786,107	5,327,730
Prepayments	13,721	-
Funeral Certificates	1,440	1,440
	10,801,268	5,329,170

Racefields Account includes monies received from operators during the year. Due to the impending court action none of this account has been recognised as income.

Notes to the Financial Statements continued

9. Property, Plant and Equipment

	Freehold Land	Freehold Buildings	Computer Equipment	Furniture & Fittings	Other Equipment	Motor Vehicles	Total
As at 1 July 2008							
Cost of Fair Value	-	-	266,064	69,706	93,510	-	429,280
Accumulated Depreciation	-	-	(65,149)	(27,534)	(16,663)	-	(109,346)
Net Book Value	-	-	200,915	42,172	76,847	-	319,934
Year ended 30 June 2009							
Opening Net Book Value	-	-	200,915	42,172	76,847	-	319,934
Additions	-	-	230,931	-	3,198	-	234,129
Aquisition of a Business	-	-	-	-	-	-	-
Depreciation Charge	-	-	(51,234)	(7,180)	(12,434)	-	(70,848)
Disposals	-	-	-	-	-	-	-
Closing Net Book Amount	-	-	380,612	34,992	67,611	-	483,215
At 30 June 2009							
Cost of Fair Value	-	-	496,995	69,706	96,708	-	663,409
Accumulated Depreciation	-	-	(116,383)	(34,714)	(29,097)	-	(180,194)
Net Book Value	-	-	380,612	34,992	67,611	-	483,215
Year ended 30 June 2010							
Opening Net Book Value	-	-	380,612	34,992	67,611	-	483,215
Additions	-	4,130	3,687	25,340	10,425	-	43,582
Aquisition of a Business	552,012	787,983	150,466	-	219,930	389,063	2,099,454
Depreciation Charge	-	(32,345)	(124,192)	(5,439)	(34,325)	-	(196,301)
Depreciation Charge B/Fwd from Acquisition	-	(50,132)	(126,711)	-	(66,613)	(241,101)	(484,556)
Disposals	-	-	(40,534)	(64,222)	(7,155)	(147,962)	(259,873)
Depreciation on Disposals	-	-	39,438	33,128	5,519	-	78,085
Closing Net Book Amount	552,012	709,636	262,766	23,800	195,392	0	1,763,606
At 30 June 2010							
Cost of Fair Value	552,012	792,113	610,615	30,824	319,907	241,101	2,546,572
Accumulated Depreciation	-	(82,477)	(327,848)	(7,024)	(124,515)	(241,101)	(782,966)
Net Book Value	552,012	709,636	282,766	23,800	195,392	0	1,763,606

On 1 July 2009 HRNSW acquired the net harness assets of the former Greyhound and Harness Racing Regulatory Authority (GHRRA). As part of the transition net Property, Plant and Equipment assets of \$1,614,908 were transferred to HRNSW for nil consideration.

Notes to the Financial Statements continued

10. Land

Note	2010 \$	2009 \$
	985,000	950,000

During the year ended 30 June 2008 HRNSW acquired ownership of a parcel of land located at 167 Lenaghans Drive, Black Hill NSW at no significant reciprocal cost to HRNSW. The asset has been brought into account at the value determined by an independent valuer of \$950,000. The asset is subject to a Memorandum of Understanding to ensure that any commercial benefit arising from any possible future sale will be restricted to use in the Hunter region.

11. Payables

Note	2010 \$	2009 \$
Australian Taxation Office	-	26,037
Prize money Payments	1,281,795	9,281,202
HRNSW Distribution	5,988,873	765,633
Other Creditors	1,281,650	2,848,382
Related Parties	1,605,444	-
Loan – NSW Government	159,068	159,068
	10,316,830	13,080,322

The loan from the NSW Government was taken out to assist with meeting the costs associated with the dissolution of the Greyhound and harness Racing Regulatory Authority ("GHRRA") and the amalgamation with Harness Racing New South Wales including unfunded Defined Benefit Scheme Superannuation Contributions, unfunded recreation and long service leave, transfer costs for the GHRRA staff migrating to HRNSW and Redundancy costs. The loan is for a period of ten years repayable by equal instalments on 30 June each year.

12. Income Received In Advance

Note	2010 \$	2009 \$
NSW Harness Racing Gazette Subscriptions	-	2,417
Compulsory Insurance Subscriptions	-	27,467
	-	29,884

13. Provision for Employee Benefits

Note	2010 \$	2009 \$
Annual Leave	197,359	84,991
Long Service Leave	214,760	-
	412,119	84,991

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed their required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since HRNSW does not have an unconditional right to defer settlement for any of these obligations.

Notes to the Financial Statements continued

14. Benevolent Fund

Note	2010 \$	2009 \$
Interest Earned	4,424	6,685
Revenue (50% of Fine Income)	59,098	-
Less Administration Expenses	(1,930)	(405)
Less Disbursements Made	-	(34,622)
Operating Surplus/(Deficiency)	61,592	(28,342)
Accumulated Surplus – brought forward	123,277	151,619
Accumulated Surplus – carried forward	184,868	123,277
Represented by:		
Cash	33,417	646
Investments	140,330	121,191
Loan Receivables	3,006	-
Trade Receivables	6,675	-
Transferable Funeral Certificates	1,440	1,440
Net Assets	184,868	123,277

An Independent valuation of the six Transferable Funeral Service Certificates issued by Pine Grove Memorial Park Limited, based on a fair market value was \$24,780 (net of GST) as at 30 June 2006.

15. Other

	2010 \$	2009 \$
Unearned Race Fields Revenue	11,855,232	4,846,405
	11,855,232	4,846,405

Racefields Account includes monies received from operators during the year. Due to the impending appeal none of this income has been recognised

16. Non-Current Payables

	2010 \$	2009 \$
Loan – NSW Government	1,674,185	1,840,932
	1,674,185	1,840,932

Refer Note 11 for details of the loan.

Notes to the Financial Statements continued

17. Superannuation Commitments

	SASS 30 June 2010	SANCS 30 June 2010	SSS 30 June 2010	Total 30 June 2010
Member Numbers				
– Contributors	2	2	0	-
– Deferred Benefits	0	0	0	-
– Pensioners	0	0	0	-
Pensions Fully Commuted	0	0	0	-
Superannuation Position for AASB 119 Purposes	\$A	\$A	\$A	\$A
Accrued Liability	506,587	75,784	0	582,371
Estimated Reserve Account Balance	(518,925)	(83,566)	0	(602,490)
	(12,338)	(7,781)	0	(20,119)
Future Service Liability (note 1)	(98,904)	(31,082)	0	(129,986)
Surplus in excess of recovery available from schemes	0	0	0	0
Net (asset) liability to be recognised in statement of financial position	(12,338)	(7,781)	0	(20,119)

Note 1:

The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 58). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the total of any unrecognised past service cost and the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions from the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed.

AASB 119 Disclosure items

Accounting Policy AASB 119 – Paragraph 120 A (a)

Actuarial gains and losses are recognised immediately in other comprehensive income in the year in which they occur.

Fund Information AASB 119 – Paragraph 120 A (b)

The pooled fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation scheme (SANCS)

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the schemes are closed to new members.

Notes to the Financial Statements continued

17. Superannuation Commitments continued

	SASS Financial Year to 30 June 2010 \$A	SANCS Financial Year to 30 June 2010 \$A	SSS Financial Year to 30 June 2010 \$A
Reconciliation of the present value of the defined benefit obligation AASB 119 paragraph 120 A (c)			
Present value of partly funded defined benefit obligation at beginning of the year	0	0	0
Current service cost	0	0	0
Contributions by Fund participants	0	0	0
Actuarial (gains) / losses	195,544	512	0
Benefits paid	311,043	75,272	0
Past service cost	0	0	0
Curtailments	0	0	0
Settlements	0	0	0
Business combinations	0	0	0
Exchange rate changes	0	0	0
Present value of partly funded defined benefit obligation at the end of the year	506,587	75,784	0
Reconciliation of the fair value of Fund assets (AASB 119 – paragraph 120 A (e))			
Fair value of Fund assets at the beginning of the year	0	0	0
Expected return on Fund assets	0	0	0
Actuarial (gains)/losses	190,633	4,676	0
Employer contributions	17,248	3,617	0
Contributions by Fund participants	0	0	0
Benefits paid	311,043	75,272	0
Settlements	0	0	0
Business combinations	0	0	0
Exchange rate changes	0	0	0
Fair value of Fund assets at the end of the year	518,925	83,566	0
Reconciliation of the assets and liabilities recognised in the statement of financial position AASB 119 – paragraphs 120 A (d) and (f)			
Present value of partly funded defined benefit obligation at end of the year	506,587	75,784	0
Fair value of Fund assets at end of year	(518,925)	(83,566)	0
Sub Total	(12,338)	(7,781)	0
Unrecognised past service cost	0	0	0
Unrecognised gain / (loss)	0	0	0
Adjustment for limitation on net asset	0	0	0
Net liability/(asset) recognised in statement of financial position at end of year	(12,338)	(7,781)	0

Notes to the Financial Statements continued

17. Superannuation Commitments continued

	SASS Financial Year to 30 June 2010 \$A	SANCS Financial Year to 30 June 2010 \$A	SSS Financial Year to 30 June 2010 \$A
Expense recognised in income statement AASB 119 – paragraph 46 & 120 A (g)			
Components recognised in Income statement	0	0	0
Current service cost	0	0	0
Interest cost	0	0	0
Expected return on Fund assets (net of expenses)	0	0	0
Actuarial losses/(gains) recognised in year	0	0	0
Past service cost	0	0	0
Movement in adjustment for limitation on net asset	0	0	0
Curtailment or settlement (gain) ? Loss	0	0	0
Expense/(Income) recognised	0	0	0
Amounts recognised in other comprehensive income AASB 119 – paragraph 120 A (h)			
Actuarial (gains)/Losses	4,911	(4,164)	0
Adjustment for limit on net asset	0	0	0

Cumulative amount recognised in other comprehensive income AASB 119 – paragraph 120 A (i)

Note. This information will need to be manually calculated by agencies by adding the actuarial gains and losses and adjustment for limit on net assets (if any) above, to previous amounts advised.

Fund Assets AASB 119 – paragraph 120 A (j)

The percentage invested in each asset class at the balance sheet date:

30 June 2010

Australian equities	31%
Overseas equities	26.8%
Australian Fixed Income securities	6.1%
Overseas fixed interest securities	4.3%
Property	9.5%
Cash	9.6%
Other	12.7%

Fair value of fund assets AASB 119 – paragraph 120 A (k)

All Fund assets are invested by STC at arm's length through independent fund managers.

Expected rate of return on assets AASB 119 – paragraph 120 A (l)

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

	SASS Financial Year to 30 June 2010 \$A	SANCS Financial Year to 30 June 2010 \$A	SSS Financial Year to 30 June 2010 \$A
Actuarial return on Fund assets	19,241	4,676	0

Notes to the Financial Statements continued

17. Superannuation Commitments continued

Valuation method and principal actuarial assumptions at balance sheet date AASB 119 – paragraph 120A (n)

(a) Valuation method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

(b) Economic assumptions

	30 June 2010
Salary rate increase	3.5%
Rate of CPI increase	2.5%
Expected rate of return on assets	8.6%
Discount rate	5.17%

(c) Demographic assumptions

The demographic assumptions at 30 June 2010 are those that were used in the 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

	SASS Financial Year to 30 June 2010 \$A	SANCS Financial Year to 30 June 2010 \$A	SSS Financial Year to 30 June 2010 \$A
Historical Information AASB 119 – paragraph 120A			
Present value of defined benefit obligation	506,587	75,784	0
Fair value of Fund assets	(518,925)	(85,566)	0
(Surplus)/Deficit in Fund	(12,338)	(7,781)	0
Experience adjustments – Fund liabilities	195,544	512	0
Experience adjustments – Fund assets	(190,633)	(4,676)	0
Expected contributions AASB 119 – paragraph 120A (q)			
Expected employer contributions to be paid in the next reporting period	0	0	0
Funding Arrangements for Employer Contributions			
(a) Surplus/deficit			
The following is a summary of the 30 June financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting for Superannuation Plans".			
Accrued benefits	467,471	66,634	0
Net market value of Fund assets	(518,925)	(83,566)	0
Net (surplus)/deficit	(51,454)	(16,932)	0
(b) Contribution recommendations			
Recommended contribution rates for the entity are:			
	SASS	SASS	SASS
	1.90	2.50	0

(c) Funding method

Contribution rates are set after discussions between the employer, STC and NSW Treasury

Notes to the Financial Statements continued

17. Superannuation Commitments continued

(d) Economic assumptions

The economic assumptions adopted for the 2009 actuarial review of the Fund are:

	30 June 2010
Expected rate of return on Fund assets backing current pension liabilities	8.3%
Expected rate of return on Fund assets backing current pension liabilities	7.35%
Expected salary increase rate	4.0%
Expected rate of CPI increase	2.5%

Nature of Asset / Liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of Fund assets and the defined benefit obligation.

18. Contingent Assets and Liabilities

Racefields Revenue and legal expenses

Unearned Revenue of \$11,855,232 presently held in the Racefields bank account (Notes 8 and 15) is subject to an appeal which will be heard by the Federal Court in late September 2010. A decision is expected in November 2010. If the decision is found in favour of HRNSW all or part of the revenues may accrue to HRNSW.

There are no known contingent liabilities other than legal expenses associated with the Federal Court appeal.

19. Commitments

HRNSW leases various motor vehicles under non-cancellable operating leases expiring within two years. The leases vary in terms.

	2010 \$	2009 \$
Commitments for minimum lease payments in relation to Non-cancellable operating leases are payable as follows:		
Within one year	108,742	10,400
Later than one year but not later than two years	26,514	2,600
	135,256	13,000

Notes to the Financial Statements continued

20. Financial Risk Management

Overview

The Entity has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Interest rate risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Entity's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Entity's activities. The Entity through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a) Credit risk

Credit risk is the risk of financial loss to the entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the entity's receivables from customers. For the entity it arises from receivables due from NSW Racing Pty Ltd.

Trade and other receivables

The entity's exposure to credit risk is influenced mainly by the nature of the entity and the parameters associated with its funding. The entity's principal income is derived from distributions from NSW Racing Pty Ltd

Which distributes a certain percentage of its income based on wagering turnover and Wagering Incentive Fees. The details are outlined in the Inter Code Deed. Consequently most of the entity's revenue is attributable to transactions with a single customer. Given the nature of that customer and where it derives its income the Board is comfortable with the entity's credit exposure.

Deposits

The entity may also have a credit exposure to entities in which it invests funds from time to time.

The Board minimises this risk by only investing in highly rated financial institutions.

The carrying amount of the entity's financial assets represents the maximum credit exposure. The entity's maximum exposure to credit risk at the reporting date was:

Exposure to Credit Risk

	2010 \$	2009 \$
Cash and Cash Equivalents	861,336	2,617,335
Trade and Other Receivables	9,405,586	11,306,731
	10,266,922	13,924,066
The entity's maximum exposure to credit risk for Trade and Other Receivables at the reporting date was:		
NSW Racing Pty Ltd	7,475,315	2,772,537
Other	1,930,271	8,534,194
	9,405,586	11,306,731
Not Past Due	9,405,586	11,188,195
Past Due – 0 -30 days	-	-
Past Due – 31-120 Days	-	3,408
Past Due – 121-365 Days	-	115,128
	9,405,586	11,306,731

The entity's maximum exposure to credit risk for Loans Receivable at the reporting date was nil.

Notes to the Financial Statements continued

b) Interest Rate Risk

The entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Fund	Weighted Average Range Effective Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Financial Assets								
Cash	1% - 5.05%	2% - 5%	861,336	2,617,336	0	0	861,336	2,617,336
Receivables			0	0	9,405,586	11,306,731	9,405,586	11,306,731
Investments	2.95% - 5.00%	2.95% - 7.2%	0	0	0	0	0	0
Total Financial Assets			861,336	2,617,336	9,405,586	11,306,731	10,266,922	13,924,067
Financial Liabilities								
Payables	-	-	0	0	(11,991,015)	(14,921,254)	(11,991,015)	(14,921,254)
Total Financial Liabilities	0	0	0	0	(11,991,015)	(14,921,254)	(11,991,015)	(14,921,254)

Sensitivities to Interest Rate risk

If interest rates had risen or decreased by 100 basis points the entity's results for the year to 30 June 2010 would have increased/(decreased) by approximately \$14,500.

If interest rates had risen or decreased by 100 basis points the entity's results for the year to 30 June 2009 would have increased/(decreased) by approximately \$12,360.

The entity adopts a policy of ensuring that its exposure to changes in interest rates is minimised by investing in products generally with short maturity profiles.

c) Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. The entity's approach to managing liquidity is to ensure, as far as possible, that it will always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation.

Typically the entity ensures that it has sufficient cash on demand to meet expected obligations for periods between 30 to 60 days.

The maturity dates of the financial liabilities are as follows:

	At 30 June 2010	At 30 June 2009
Less than 1 year	(11,991,015)	(14,921,254)
Between 1 and 2 years	-	-
Between 2 and 5 years	-	-
Over 5 years	-	-
Total	(11,991,015)	(14,921,254)

d) Market risk

Market risk is the risk that changes in the gambling market will affect the entity's income.

The risk to the entity is that allocations to HR NSW from either NSW Racing Pty Ltd or TAB Limited decrease due to lower turnover in the harness racing industry.

Currency risk

The entity has no exposure to currency risk as all transactions are in Australian dollars.

Capital management

The Board's policy is to maintain a strong Accumulated Surplus to ensure that the entity is able to meet any commitments which will sustain the future development of the industry. The Board of Directors monitors the surplus on a regular basis and allocates funds when circumstances are appropriate.

The entity is not subject to externally imposed capital requirements.

Notes to the Financial Statements continued

20. Financial Risk Management

e) Fair Values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2010 \$	2009 \$
Carrying Amount		
Cash and cash equivalents	861,336	2,396,145
Deposits	-	221,190
Trade and other receivables	9,405,586	11,306,731
Trade and other payables	(11,991,015)	(13,080,322)
	(1,724,093)	843,744
Fair Value		
Cash and cash equivalents	861,336	2,396,145
Deposits	-	221,190
Trade and other receivables	9,405,586	11,306,731
Trade and other payables	(11,991,015)	(13,080,322)
	(1,724,093)	843,744

f) Accounting policies and methods adopted

The accounting policies and methods adopted in relation to each material class of financial asset and liability are disclosed in Note 1.

21. Notes to the Cash Flow Statement

	2010 \$	2009 \$
Reconciliation of Net Cash from Operating Activities to Surplus/(Deficit) for the Year		
Surplus/(Deficit) for the Year	(1,740,646)	(367,885)
Depreciation and Amortisation	196,302	70,848
Add Loss on Disposal of Assets	33,547	-
Write off of GHRAA assets not found	181,379	-
Operating Profit before changes in working capital and provisions	(1,329,419)	(297,037)
Fair Value		
Change in Assets and Liabilities		
Change in Trade and Other Receivables	2,108,827	(1,245,355)
Change in Prepayments and Other Assets	(5,464,169)	(5,325,179)
Change in Trade and Other Payables	(3,101,744)	1,791,872
Change in Income Received in Advance	(29,884)	(92,778)
Change in Employee Benefits	(703,109)	4,707
Change in Other Liabilities	7,008,826	4,846,405
Net Cash from Operating Activities	(1,510,671)	(317,365)

Notes to the Financial Statements continued

22. Business Combination

On 1 July 2009 HRNSW acquired the net assets of the harness activities previously undertaken by the Greyhound and Harness Racing Regulatory Authority ("GHRRA"). No payment was made to the NSW Government for the value of the net assets because the GHRRA's activities were funded by the industry:

	Fair Value \$
Current Assets	
Cash and cash equivalents	33,128
Trade and other receivables	207,683
Other	7,929
Total current Assets	248,740
Non Current Assets	
Property, Plant & Equipment	1,614,908
Total Non Current Assets	1,614,908
Total Assets	1,863,648
Current Liabilities	
Trade & Other Payables	157,633
Provision for employee benefits	315,350
Total Current Liabilities	472,983
Non Current Liabilities	
Non Interest bearing liabilities	180,619
Provision for employee benefits	714,887
Total Non Current Liabilities	895,506
Total Liabilities	1,368,489
Net Assets	495,159

23. Events Occurring after the Reporting Period

HRNSW together with Racing NSW are appealing certain aspects of a decision handed down by Justice Perram of the Federal Court on 16 June 2010 in relation to cases brought against it by Betfair Pty Ltd and Sportsbet Pty Ltd. The appeal will be heard in late September 2010 with a decision expected soon after in November. The decision will have a major impact on HRNSW's future revenue streams however the exact amount cannot be accurately determined.

Members' Declaration

Harness Racing Industry Fund

The Members of Harness Racing New South Wales (HRNSW) present their declaration for the Harness Racing Industry Fund for the financial year ended 30 June 2010.

In the opinion of the Members of the entity:

- (a) the accompanying financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the entity's financial position as at 30 June 2010 and its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due, and
- (c) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2(a).

Signed in accordance with a resolution of the Members at Bankstown, dated 28 September 2010:



Graeme Campbell

Chairman



Robert Nalder

Member

NEXIA COURT & CO
CHARTERED ACCOUNTANTS

NEXIA
INTERNATIONAL

Independent Auditors' Report Harness Racing Industry Fund

Report on the financial report

We have audited the accompanying financial report of Harness Racing Industry Funds (the 'entity') which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the members' declaration of the entity.

Members' responsibility for the financial report

The Members of HRNSW are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal control 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; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the members also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the entity, comprising the financial statements and notes, complies with International Financial Reporting Standards..

Auditors' responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit 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 procedures selected depend on the auditors' 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, the auditor considers 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 accounting policies used and the reasonableness of accounting estimates made by the members, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of APES 110: Code of Ethics for Professional Accountants. We confirm that the independence declaration provided to the Members of Harness Racing New South Wales on 28 September 2010, would be in the same terms if provided to the Members as at the date of this auditor's report.

Auditors' opinion on the financial report

In our opinion:

- a. the financial report of Harness Racing Industry Fund:
 - i. gives a true and fair view of the entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and
 - ii. complies with Australian Accounting Standards (including the Australian Accounting Interpretations).
- b. the financial report of the group and company also complies with International Financial Reporting Standards as disclosed in note 2(a).

Nexia Court & Co.
Chartered Accountants
Sydney, 18 October 2010

David Gallery
Partner

Statement of Comprehensive Income

for the financial year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue from continuing operations			
HRNSW Distribution	3(a)	2,335,485	2,274,309
Foal and Sire Registration Fee		296,353	245,622
Interest Earned		22,486	81,883
Other income	3(b)	83,400	611,000
Total Revenue		2,737,724	3,212,814
Expenses from continuing operations			
Prize money Subsidies	4(a)	773,289	1,304,636
Breeders' Bonus Incentive Certificates	9	464,401	411,818
Grants and Other Subsidies	4(b)	1,123,037	991,654
Carnival of Cups	4(c)	580,139	518,914
Management Fee/Bank Charges	4(d)	157,082	146,593
Total Expenses		3,097,948	3,373,615
(Deficit)/Surplus for the year		(360,224)	(160,801)
Comprehensive income			
Other comprehensive income		-	-
Other comprehensive income for the year		-	-
Total Comprehensive income for the year		(360,224)	(160,801)

Statement of Changes in Equity

for the financial year ended 30 June 2010

	Note	2010 \$	2009 \$
Total equity at the beginning of financial year		449,647	610,448
Total comprehensive income		(360,224)	(160,801)
Total recognised income and expense for the year		(360,224)	(160,801)
Total equity at the end of the financial year		89,423	449,647

The accompanying notes form part of these statements.

Statement of Financial Position

for the financial year ended 30 June 2010

	Note	2010 \$	2009 \$
Assets			
Current Assets			
Cash and Cash Equivalents	10(a)	137,802	296,236
Receivables	5	1,551,434	1,967,843
Other	6	53,080	28,685
Total Current Assets		1,742,315	2,292,764
Total Assets		1,742,315	2,292,764
Liabilities			
Current Liabilities			
Income received in advance	7	237,720	327,720
Payables	8	156,948	421,156
Provision for unredeemed Breeders Bonus Incentive Certificates	9	375,011	403,176
Total Current Liabilities		769,679	1,152,052
Non-Current Liabilities			
Income received in advance	7	883,213	691,065
Total Non-Current Liabilities		883,213	691,065
Total Liabilities		1,652,892	1,843,117
Equity			
Accumulated Surplus		89,423	449,647
Total Equity		89,423	449,649

Statement of Cash Flows

for the financial year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash Flows From Operating Activities			
Cash Receipts from Participants and Others		3,444,812	3,289,034
Interest on Investments and Bank Account		22,486	81,883
Payments Made to Suppliers and Participants		(3,608,807)	(4,086,262)
Expenditure relating to EI		(16,925)	(76,996)
Net Cash from Operating Activities	10(b)	(158,434)	(792,341)
Net Increase/(Decrease) in Cash Held			
		(158,434)	(792,341)
Cash and Cash Equivalents at the Beginning of the year		296,236	1,088,577
Cash and Cash Equivalents at the End of the Year	10(a)	137,802	296,236

The accompanying notes form part of these statements.

Notes to the Financial Statements

for the financial year ended 30 June 2010

1. Statement of Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied by the entity, and, except where there is a change in accounting policy, are consistent with those of the previous year.

a) Reporting Identity

Harness Racing Industry Funds (HRIF) derives income from arrangements put in place by Harness Racing New South Wales (HRNSW) and harness racing clubs for the management and distribution of funds available to the harness racing industry. The relevant Agreements are the NSW Harness Racing TAB Clubs Arrangements dated 26 February 1998 and as amended dated 27 May 1999 and 28 July 2000, and the Intracode Agreement dated July 2004.

The arrangements require separate Funds to be maintained under the management of HRNSW in consultation with the NSW Harness Racing Clubs Committee. Consequently these Funds do not form part of the HRNSW accounts and therefore are not included in the HRNSW financial statements.

b) Revision of Accounting Estimates

Revisions of accounting estimates are recognised prospectively in current and future periods only.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash at bank and other short-term highly liquid investments with maturities of two months or less which are readily convertible to cash and which are subject to an insignificant risk of change in value.

d) Breeders' Bonus Incentive Certificates

A provision is made for the estimated number of certificates to be redeemed, which appears in the balance sheet as a current liability.

e) Sires' Stakes and Breeders' Challenge Registration

HRIF holds funds received from foal and sire registration fees of a particular year. Funds are retained to make available monies to fund the Sire Stakes Series and the Breeders' Challenge Series when those foals reach series' competition age. The fees received are treated as Income received in advance (Note 6) and transferred to income in the years of competition.

f) Income Tax

Industry Funds has been recognised by the Australian Taxation Office as a not-for-profit entity and is not subject to income tax.

g) Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable, net of goods and services tax (GST) payable to the taxation authority and net of any allowances. Revenue is recognised in the period to which the revenue relates.

HRNSW Distributions

Distributions from Harness racing New South Wales (HRNSW) are recognised as they accrue to the benefit of the Fund based on distribution advices received from HRNSW.

Interest Earned/Financial Income

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

Other Income

Revenue earned from all other activities is recognised when the product or service in respect of which the fees have been charged is receivable.

Foal and Sire Registration Fees

Revenue earned from Foal and Sire Registration fees is recognised when the series or event in respect of which the fees have been charged has been conducted.

Notes to the Financial Statements continued

h) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included where possible.

The net amount of GST recoverable for, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the cash flow statement as a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

i) New Standards and Interpretations not yet adopted

Changes in accounting policy and disclosures.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Entity has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 January 2009:

AASB 2008 – 1 Amendments to Australian Accounting Standard – Share Based payments: Vesting Conditions and Cancellations effective 1 January 2009;

AASB 7 Financial instruments: Disclosures effective 1 January 2009;

AASB 8 Operating Segments effective 1 January 2009;

AASB 101 Presentation of Financial Statements (revised 2007) effective 1 January 2009;

AASB 123 Borrowing Costs (revised 2007) effective 1 January 2009;

AASB 3 Business Combinations (revised 2008) effective 1 July 2009;

AASB 127 Consolidated and Separate Financial Statements ((revised 2008) effective 1 July 2009

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the entity its impact is described below.

AASB 8 Operating Segments.

As HRNSW is not a disclosing entity it is now exempt from the requirements of segment reporting.

AASB 101 Presentation of Financial Statements.

The revised Standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with non- owner changes in equity presented in a reconciliation of each component of equity and included in the new Statement of Comprehensive income. The Statement of Comprehensive Income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The entity has elected to present one statement.

No other new standards not yet adopted are expected to have a material impact.

j) Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits.

Notes to the Financial Statements continued

Held to maturity investments

If the Fund has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

k) Finance Income and Expenses

There are no finance expenses.

Finance income consists of interest from banks and other financial institutions. Interest is recognised as it accrues.

l) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortised cost the reversal is recognized in profit or loss.

2. Basis of Preparation

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Harness Racing Act 2009 (as amended). The financial report of the Fund also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of HRNSW on 30 September 2010.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Fund's functional currency.

d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

Notes to the Financial Statements continued

3. Revenue

Note	2010 \$	2009 \$
a) HRNSW Distribution		
Funds totalling 6% (2009: 6%) plus \$335,087 for the Carnival of Cups of the HRNSW share of the TAB Distribution were provided by HRNSW.		
b) Other Income		
Grant Received - RDF	-	381,000
Club Marketing Contribution	-	150,000
Grant Received – Sky	-	60,000
Advertising Recoveries	-	20,000
Awards Night	83,400	-
	83,400	611,000

4. Expenses

	2010 \$	2009 \$
a) Prize Money Subsidies		
Trotters Foundation Series	55,600	43,000
Nursery Stakes	18,400	-
Sire Stakes Series (excluding rugs and trophies)	245,684	515,670
Breeders Challenge	450,605	745,966
Prize money subsidies	3,000	-
	773,289	1,304,636
b) Grants & other Subsidies		
Marketing & Media	61,064	234,008
NSW Mini-Trotting Association	12,927	13,022
Training Centre Funding	121,485	115,000
Sires Stakes Rugs & Trophies	44,676	18,269
NSW Rising Stars Series	31,537	11,118
Training	1,050	21,742
Racing Support	144,621	98,869
Sky Media Enhancement Strategy	6,000	10,971
Tax /Legal Advice	-	5,839
RISE	120,326	105,511
AHRC Levy	228,593	125,021
Inter Dominion Marketing contribution	90,037	84,232
Vaccinations/ Micro Chipping	16,926	76,996
Industry Research	15,456	15,550
Sponsorship expenses	29,859	10,745
Sky Sprint Series	92,109	-
Awards Night	102,471	-
Miscellaneous	3,900	44,761
	1,123,037	991,654

Notes to the Financial Statements continued

4. Expenses continued

Note	2010 \$	2009 \$
c) Carnival of Cups		
Prize Money and related expenses	580,139	518,914

d) Management Fee

A management fee is paid to HRNSW for the provision of services. Services provided include the administration of the Sires Stakes Series, the Breeders' Challenge Series and State Bred Bonus Scheme. Management Fees are re-charged to Industry Funds on a specific identification basis by HRNSW. Other expenses incurred were bank charges \$82 (2009:\$84) and audit fees \$2,000 (2009: \$2,000).

5. Receivables

	2010 \$	2009 \$
HRNSW	213,976	1,214,014
Financial Institutions	979	2,130
Clubs	103,572	209,773
Other	85,280	-
Related Party - Racecourse Development Fund	1,147,627	541,926
	1,551,434	1,967,843

6. Other Assets

	2010 \$	2009 \$
Prepayments	14,060	28,685
Other	39,020	-
	53,080	28,685

7. Income Received in Advance

	2010 \$	2009 \$
Retained from foal and sire registration fees received in advance.		
Current Liabilities	237,720	327,720
Non-Current Liabilities	883,213	691,065
	1,120,933	1,018,785

8. Payables

	2010 \$	2009 \$
Payable to HRNSW	-	291,328
Payable to Clubs	-	77,862
Creditors	156,948	51,966
	156,948	421,156

Notes to the Financial Statements continued

9. Provision for Unredeemed Breeders' Bonus Incentive Certificates

A NSW State Bred Incentive Scheme awards certificates with a face value of \$2,000 or \$500 each which can be redeemed within two years for face value when used in the purchase of a state-bred foal or payment of a NSW sire service. Certificates issued after 1 October 2006 may be redeemed for cash within three months of the issue date at a discounted rate of 50%. Each certificate is recognised as an expense of \$2,000 at the date of issue.

10. Notes to The Cash Flow Statement

Note	2010 \$	2009 \$
a) Reconciliation of cash and cash equivalents		
Commonwealth Bank	112,360	162,016
NSW Treasury Corporation	-	134,220
ING Bank	25,442	-
Cash at bank and on deposit	137,802	296,236
b) Reconciliation of Net Cash from Operating Activities to (Deficit)/Surplus for the Year:		
(Deficit)/Surplus for the year	(360,223)	(160,801)
Changes in operating assets and liabilities:		
Change in Receivables	416,409	(140,900)
Change in Other Assets	(24,396)	(28,684)
Change in Payables	(264,206)	(68,415)
Change in Unredeemed Bonus Incentive Certificates	(28,165)	(127,302)
Change in Income Received in Advance	102,148	(266,239)
Cash at bank and on deposit	(158,434)	(792,341)

11. Financial Risk Management

Overview

The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Interest rate risk;
- Liquidity risk; and
- Market risk

This note presents information about the Fund's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Members have overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities. The Fund through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's receivables from customers. For the Fund it arises from receivables due from race clubs.

Notes to the Financial Statements continued

11. Financial Risk Management continued

Trade and other receivables

The Fund's exposure to credit risk is influenced mainly by the nature of the fund and the parameters associated with its funding. The Fund's principal income is derived from distributions from Horse Racing NSW which is obligated to distribute a certain percentage of its distributions from NSW Racing Pty Ltd or the NSW TAB. The details are outlined in the NSW Harness Racing Intra Code Agreement. Consequently, most of the Fund's revenue is attributable to transactions with a single customer which is highly dependent on two other customers. Given the nature of that customer and where it derives its income the Board is comfortable with the Fund's credit exposure.

Deposits

The Fund may also have a credit exposure to entities in which it invests funds from time to time.

The Members minimise this risk by only investing in highly rated financial institutions.

The carrying amount of the Fund's financial assets represents the maximum credit exposure. The Fund's maximum exposure to credit risk at the reporting date was:

Note	2010 \$	2009 \$
Exposure to Credit Risk		
Cash and Cash Equivalents	137,802	162,016
Trade and Other Receivables	1,551,434	1,967,843
Deposits	-	134,220
	1,689,236	2,264,079
The Fund's maximum exposure to credit risk for Trade and Other Receivables at the reporting date was:		
HRNSW	212,164	1,214,014
Racecourse Development Fund	1,147,627	32,918
Harness Racing Clubs	103,571	209,773
Financial Institutions	979	2,130
BAS Refund, RDF and Other	87,093	509,008
	1,551,434	1,967,843
Cash at bank and on deposit		
Not Past Due	1,551,434	1,967,843
Past Due – 0 – 30 days	-	-
Past Due – 31 – 120 Days	-	-
Past Due – 121 – 365 Days	-	-
Due more than one year	-	-
	1,551,434	1,967,843

The Fund has no exposure to credit risk for Loans Receivable at the reporting date.

Notes to the Financial Statements continued

b) Interest Rate Risk

The Fund's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Fund	Weighted Average Range Effective Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Financial Assets								
Cash	1% - 5.05%	2% - 5%	137,802	162,016	0	0	137,802	162,016
Receivables			0	0	1,551,434	1,967,843	1,551,434	1,967,843
Investments	2.95% - 5.00%	2.95% - 7.2%	0	134,219	0	0	0	134,219
Total Financial Assets			137,802	296,236	1,551,434	1,967,843	1,689,236	2,264,079
Financial Liabilities								
Payables	-	-	0	0	156,948	421,155	156,948	421,155
Total Financial Liabilities	0	0	0	0	156,948	421,155	156,948	421,155

The Fund adopts a policy of ensuring that its exposure to changes in interest rates is minimised by investing in products generally with short maturity profiles

Sensitivities to Interest Rate risk

If interest rates had risen or decreased by 100 basis points the Fund's results for the year to 30 June 2010 would have increased / (decreased) by approximately \$9,300.

If interest rates had risen or decreased by 100 basis points the Fund's results for the year to 30 June 2009 would have increased / (decreased) by approximately \$3,000.

The Fund adopts a policy of ensuring that its exposure to changes in interest rates is minimised by investing in products generally with short maturity profiles.

c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

Typically the Fund ensures that it has sufficient cash on demand to meet expected obligations for periods between 30 to 60 days.

The maturity dates of the financial liabilities are as follows:

	At 30 June 2010	At 30 June 2009
Less than 1 year	156,948	421,155
Between 1 and 2 years	-	-
Between 2 and 5 years	-	-
Over 5 years	-	-
Total	156,948	421,155

Notes to the Financial Statements continued

11. Financial Risk Management continued

d) Market risk

Market risk is the risk that changes in the gambling market will affect the Fund's income.

Price risk

The risk to the Fund is that allocations to HRNSW from either NSW Racing Pty Ltd or TAB Limited decrease due to lower turnover in the harness racing industry.

Currency risk

The Fund has no exposure to currency risk as all transactions are in Australian dollars.

Capital management

The Member's policy is to maintain a strong Accumulated Surplus to ensure that the Fund is able to meet any commitments which will sustain the future development of the industry. The Members monitor the surplus on a regular basis and allocates funds to clubs or industry activities when circumstances are appropriate.

The Fund is not subject to externally imposed capital requirements.

e) Fair Values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2010 \$	2009 \$
Carrying Amount		
Cash and cash equivalents	137,802	296,236
Trade and other receivables	1,551,434	1,967,843
Trade and other payables	(156,948)	(421,155)
	1,532,287	1,842,924
Fair Value		
Cash and cash equivalents	137,802	296,236
Trade and other receivables	1,551,434	1,967,843
Trade and other payables	(156,948)	(421,155)
	1,532,287	1,842,924

f) Accounting policies and methods adopted

The accounting policies and methods adopted in relation to each material class of financial asset and liability are disclosed in Note 1.

Members' Declaration

Harness Racing Racecourse Development Fund

The Members of Harness Racing New South Wales (HRNSW) present their declaration for the Harness Racing Racecourse Development Fund for the financial year ended 30 June 2010.

In the opinion of the Members of the entity:

- (a) the accompanying financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the entity's financial position as at 30 June 2010 and its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due, and
- (c) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2 (a).

Signed in accordance with a resolution of the Members at Bankstown, dated 28 September 2010:



Graeme Campbell

Chairman



Robert Nalder

Member

NEXIA COURT & CO
CHARTERED ACCOUNTANTS

NEXIA
INTERNATIONAL

Independent Auditors' Report Harness Racing Racecourse Development Funds

Report on the financial report

We have audited the accompanying financial report of Harness Racing Racecourse Development Fund (the 'entity') which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the members' declaration of the entity.

HRNSW Members' responsibility for the financial report

The members of HRNSW are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal control 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; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the members also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the entity, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditors' responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit 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 procedures selected depend on the auditors' 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, the auditor considers 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 accounting policies used and the reasonableness of accounting estimates made by the members, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of APES 110: Code of Ethics for Professional Accountants. We confirm that the independence declaration provided to the Members of Harness Racing New South Wales on 28 September 2010, would be in the same terms if provided to the Members as at the date of this auditor's report.

Auditors' opinion on the financial report

In our opinion:

- a. the financial report of Harness Racing Racecourse Development Fund:
 - i. gives a true and fair view of the entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and
 - ii. complies with Australian Accounting Standards (including the Australian Accounting Interpretations).
- b. the financial report of the group and company also complies with International Financial Reporting Standards as disclosed in note 2(a).



Nexia Court & Co.
Chartered Accountants
Sydney, 18 October 2010



David Gallery
Partner

Statement of Comprehensive Income

for the financial year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue from continuing operations			
HRNSW Distribution	3(a)	666,799	650,770
El Cost Recovery	3(b)	140,000	-
Interest Earned		46,880	67,265
Other Income	3(c)	143,287	381,559
Total Revenue		996,966	1,099,594
Expenses from continuing operations			
Administration Expenses		4,071	69,536
Grants Made	4(a)	100,043	839,101
Legal Expenses		259,923	45,719
Video Production Subsidy	4(b)	1,147,627	315,724
Total Expenses		1,511,664	1,270,080
(Deficit)/Surplus for the year		(514,698)	(170,486)
Comprehensive income			
Other comprehensive income for the year		-	-
Total Comprehensive income for the year		(514,698)	(170,486)

Statement of Changes in Equity

for the financial year ended 30 June 2010

	Note	2010 \$	2009 \$
Total equity at the beginning of financial year		3,251,337	3,421,823
Total comprehensive income		(514,698)	(170,486)
Total recognised income and expense for the year		(514,698)	(170,486)
Total equity at the end of the financial year		2,736,639	3,251,337

The accompanying notes form part of these statements.

Statement of Financial Position

for the financial year ended 30 June 2010

	Note	2010 \$	2009 \$
Assets			
Current Assets			
Cash and Cash Equivalents	10(b)	124,244	97,277
Deposits	11	260,000	1,195,192
Loans Receivables	5	32,390	225,900
Receivables	6	1,441,042	610,436
Total Current Assets		1,857,676	2,128,805
Non-Current Assets			
Loans Receivables	5	2,044,342	1,910,207
Property, Plant and Equipment		12,835	-
Total Non-Current Assets		2,057,177	1,910,207
Total Assets		3,914,853	4,039,012
Liabilities			
Current Liabilities			
Payables	7	1,178,214	787,675
Total Current Liabilities		1,178,214	787,675
Total Liabilities		1,178,214	787,675
Equity			
Accumulated Surplus		2,736,639	3,251,337
Total Equity		2,736,639	3,251,337

Statement of Cash Flows

for the financial year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash Flows From Operating Activities			
Cash receipts from participants and others		131,429	689,762
Interest on investments and bank account		46,880	67,265
Payments made to suppliers and participants		(1,133,074)	(1,087,737)
Net Cash From Operating Activities	10a	(954,765)	(330,710)
Cash Flows From Lending Activities			
Loans repaid – receipts		61,972	5,620
Loans made (payments)		(2,597)	-
Net Cash From Lending Activities		59,375	5,620
Cash Flows From Investing Activities			
(Payments for) / Proceeds from investments		935,192	(43,203)
Acquisition of Property, Plant & Equipment		(12,835)	-
Net Cash From Investing Activities		922,357	(43,203)
Net Increase/(Decrease) in Cash Held		26,967	(368,293)
Cash and Cash Equivalents at the Beginning of the year		97,277	465,570
Cash and Cash Equivalents at the End of the Year	10b	124,244	97,277

The accompanying notes form part of these statements.

Notes to the Financial Statements

for the financial year ended 30 June 2010

1. Statement of Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied by the Fund, and, except where there is a change in accounting policy, are consistent with those of the previous year.

a) Reporting Identity

On 1 July 1998 the NSW Government wound up the predecessor of this Fund, the Racecourse Development Committee (RDC) and transferred the assets, agreements and rights of the Committee to the relevant controlling body of the three codes within the racing industry. The Harness Racing Racecourse Development Fund (RDF) was established to take over responsibility for determining and managing the harness racing industry capital development.

Arrangements were put into place by Harness Racing New South Wales (the previous HRNSW) and harness racing clubs for the management and funding of the RDF. The relevant agreements are the NSW Harness Racing TAB Clubs Arrangements dated 26 February 1998 and as amended dated 27 May 1999 and 28 July 2000, and the Intracode Agreement dated July 2004.

The arrangements require separate Funds to be maintained under the management of HRNSW in consultation with the NSW Harness Racing Clubs Committee. Consequently, these Funds do not form part of HRNSW and therefore are not included in the HRNSW financial statements.

b) Revision of Accounting Estimates

Revisions of accounting estimates are recognised prospectively in current and future periods only.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash at bank and other short-term highly liquid investments with maturities of two months or less which are readily convertible to cash and which are subject to an insignificant risk of change in value.

d) Grants

The RDF provided financial assistance by means of 'Interest Free Interminable Loans'. These advances are, in effect, a conditional grant. The loans are interest free and interminable and will not be subject to repayment unless:

- i) The club/association carries out its activities in such a manner as to jeopardise its financial position or;
- ii) The club/association disposes of freehold property on which the improvements (the subject of the financial assistance) are located.

The RDF also provided financial assistance by means of repayable loans (see Note 5) and grants.

e) Income Tax

The Racecourse Development Fund has been recognised by the Australian Taxation Office as a not-for-profit entity and is not subject to income tax.

f) Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable, net of goods and services tax (GST) payable to the taxation authority and net of any allowances. Revenue is recognised in the period to which the revenue relates.

HRNSW Distributions

Distributions from Harness Racing New South Wales (HRNSW) are recognised as they accrue to the benefit of the Fund based on distribution advices received from HRNSW.

Interest Earned/Financial Income

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

Other Income

Revenue earned from all other activities is recognised when the product or service in respect of which the fees have been charged is receivable.

Notes to the Financial Statements continued

g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included where possible.

The net amount of GST recoverable for, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the cash flow statement as a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

h) New Standards and Interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the company ("entity") in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing these financial statements:

- AASB 139 *Financial Instruments: Recognition and Measurement* which becomes mandatory for the entity's 30 June 2012 financial statements introduces a number of changes to the recognition criteria and measurement rules as they relate to financial instruments. Management has not yet determined the impact of this standard.

No other standards issued but not yet adopted are expected to have a material impact.

New Accounting standards and interpretations

(i) Changes in accounting policy and disclosures.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Entity has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 January 2009:

AASB 2008 – 1 *Amendments to Australian Accounting Standard – Share Based payments: Vesting Conditions and Cancellations* effective 1 January 2009;

AASB 7 *Financial instruments: Disclosures* effective 1 January 2009;

AASB 8 *Operating Segments* effective 1 January 2009;

AASB 101 *Presentation of Financial Statements (revised 2007)* effective 1 January 2009;

AASB 123 *Borrowing Costs (revised 2007)* effective 1 January 2009;

AASB 3 *Business Combinations (revised 2008)* effective 1 July 2009;

AASB 127 *Consolidated and Separate Financial Statements ((revised 2008)* effective 1 July 2009

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the entity its impact is described below.

AASB 8 *Operating Segments*.

As HRNSW is not a disclosing entity it is now exempt from the requirements of segment reporting.

AASB 101 *Presentation of Financial Statements*.

The revised Standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new Statement of Comprehensive income. The Statement of Comprehensive Income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The entity has elected to present one statement.

No other new standards not yet adopted are expected to have a material impact.

Notes to the Financial Statements continued

i) Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash at bank balances.

Held to maturity investments

If the Fund has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Deposits

Deposits consist of held-to-maturity investments placed with the NSW Treasury Corporation and the Commonwealth Bank of Australia.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

j) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortised cost the reversal is recognized in profit or loss.

2. Basis Of Preparation

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Harness Racing Act 2009 (as amended). The financial report of the Fund also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of HRNSW on 28 September 2010.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

Notes to the Financial Statements continued

c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Fund's functional currency.

d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

3. Operating Income

	Note	2010 \$	2009 \$
a) HRNSW Distribution			
Funds totalling 2% (2009: 2%) of the TAB Distribution were provided by HRNSW.			
b) EI Cost Recovery			
Recovery of EI costs from HRNSW		140,000	-
c) Other Income			
Recovery of contingent liability for HRNSW	9	-	381,000
Proceeds from sale of motor vehicles		121,682	-
Other		21,605	559
		143,287	381,559

4. Expenses

	Note	2010 \$	2009 \$
a) Grants made			
Grants	12	100,043	839,101
b) Sky Video Production Subsidy			
Sky Subsidy		1,147,627	315,724
The subsidy will be recovered from future Racefields receipts.			

5. Loans Receivables

	Note	2010 \$	2009 \$
Balance at the Beginning of the Year		2,136,107	2,141,727
Loans Made During the Year		2,597	-
Loans Repaid During the Year		(61,972)	(5,620)
Balance at the End of the Year		2,076,732	2,136,107
Of which:			
Balance Owing Due Within One Year		32,390	225,900
Balance Owing Due Longer than One Year		2,044,342	1,910,207
		2,076,732	2,136,107

Notes to the Financial Statements continued

6. Receivables

	2010 \$	2009 \$
HRNSW Other	1,253,280	168,738
HRNSW Loan repayment	140,000	381,000
Interest Accrued on Bank and Investments	10,479	6,511
Other	37,283	54,187
	1,441,042	610,436

7. Payables

	2010 \$	2009 \$
Amount due to Industry Funds for Breeding Scheme	-	381,000
IT Expenditure	-	220,000
Related Party – Harness Racing Industry Funds	1,147,627	
Other	30,587	186,675
	1,178,214	787,675

8. Contingent Liabilities & Commitments For Expenditure

The RDF is not aware of any claims, commitments or other contingent liabilities.

9. Contingent Assets

Interest Free Interminable Loans

The RDF and its predecessor have made Interest Free Interminable Loans (IFIL). These loans are not repayable except in the exceptional circumstances which are described in Note 1(d). The loans subject to this condition as at 30 June 2010 amount to:

	2010 \$	2009 \$
Carried Forward from previous year	49,865,167	49,865,167
IFIL made between 1 July 2009 and 30 June 2010	58,589	-
	49,923,756	49,865,167

The balance carried forward included contingent assets of \$39,512,799 transferred from the TAB Racecourse Development Fund in respect to IFIL made 1 November 1971 to 30 June 1998.

During the year ended 30 June 2006 the RDF advanced to Harness Racing NSW \$1.038 million in consultation with and agreement of the Harness Racing Clubs Committee to top up the distribution for that year. The Board of Harness Racing NSW repaid this advance from future TAB distributions without adversely affecting existing prize money levels. This has been treated as a contingent asset as the repayment of the advance is dependent upon sufficient improvement of the TAB distribution. During the year ended 30 June 2009 the last remaining portion of that contingent asset \$381,000 was repaid by Harness Racing NSW.

Notes to the Financial Statements continued

10. Notes to the Statement of Cash Flows

	2010 \$	2009 \$
a) Reconciliation of Net Cash from Operating Activities to (Deficit)/Surplus for the Year		
Deficit for the year	(514,698)	(170,487)
Changes in Assets and Liabilities:		
Change in Receivables	(830,606)	(405,273)
Change in Payables	390,539	245,050
Net Cash from Operating Activities	(954,765)	(330,710)
b) Cash and Cash Equivalents includes the following:		
Cash at bank	124,244	97,277
11. Deposits		
	2010 \$	2009 \$
NSW Treasury Corporation	-	935,192
Commonwealth Bank of Australia	260,000	260,000
	260,000	1,195,192

12. Financial Assistance Payments & Commitments Outstanding

	Project	Commitment B/Forward from 30/5/2009 \$	Funding withdrawn/ Not used	Funding approved 2009/10 \$	Payment made 2009/10 \$	Commitment remaining 30/6/2010 \$
Club						
Bathurst	Storm water drainage	-	-	4,719	4,719	-
Goulburn	Semaphore Board	-	-	19,525	19,525	-
Eugowra	Wash Bay	-	-	3,501	3,501	-
Broken Hill	Track Maintenance	-	-	4,773	4,773	-
Fairfield	Track Maintenance	-	-	3,500	3,500	-
Cessnock	Track Maintenance	-	-	2,436	2,436	-
Riverstone	Equipment Maintenance	-	-	3,000	3,000	-
Bankstown	Lighting Repairs	-	-	14,361	14,361	-
Bankstown	Storm Water repairs	-	-	44,228	44,228	-
				100,043	100,043	-
Assistance for projects \$50,000 and over						
Projects	Interest free Interminable Loans	-	-	-	-	-
	Grants	-	-	-	-	-
Assistance for projects under \$50,000						
Projects	Interest free Interminable Loans	-	-	58,589	58,588	-
	Grants	-	-	41,454	41,454	-
Assistance all projects				100,043	100,043	

Notes to the Financial Statements continued

11. Financial Risk Management

Overview

The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Interest rate risk;
- Liquidity risk; and
- Market risk

This note presents information about the Fund's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Members has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities. The Fund through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's receivables from customers. For the Fund it arises from receivables due from race clubs.

Trade and other receivables

The Fund's exposure to credit risk is influenced mainly by the nature of the fund and the parameters associated with its funding. The Fund's principal income is derived from distributions from Horse Racing NSW which is obligated to distribute a certain percentage of its distributions from NSW racing Pty Ltd or the NSW TAB. The details are outlined in the NSW Harness Racing Intra Code Agreement. Consequently most of the Fund's revenue is attributable to transactions with a single customer which is highly dependent on two other customers. Given the nature of that customer and where it derives its income the Board is comfortable with the Fund's credit exposure.

Deposits

The Fund may also have a credit exposure to entities in which it invests funds from time to time.

The Members minimise this risk by only investing in highly rated financial institutions.

The carrying amount of the Fund's financial assets represents the maximum credit exposure. The Fund's maximum exposure to credit risk at the reporting date was:

	2010 \$	2009 \$
Exposure to Credit Risk		
Cash and Cash Equivalents	124,244	97,277
Trade and Other Receivables	1,441,042	610,436
Loans Receivables	2,076,732	2,136,107
Deposits	260,000	1,195,192
	3,902,018	4,039,012

Notes to the Financial Statements continued

11. Financial Risk Management continued

	2010 \$	2009 \$
The Fund's maximum exposure to credit risk for Trade and Other Receivables at the reporting date was:		
HRNSW	1,393,280	549,736
Financial Institutions	10,479	6,511
Other	37,283	54,189
Cash at bank and on deposit	1,441,042	610,436
Not Past Due	1,403,759	592,948
Past Due – 0 – 30 days	-	-
Past Due – 31 – 120 Days	-	-
Past Due – 121 – 365 Days	-	-
Due more than one year	37,283	17,488
Cash at bank and on deposit	1,441,042	610,436
The Fund's maximum exposure to credit risk for Loans Receivable at the reporting date was:		
NSWHRC	1,700,000	1,700,000
Other Clubs	196,113	255,487
HRNSW ***	180,619	180,619
Cash at bank and on deposit	2,076,732	2,136,106

All loans were within loan terms and conditions.

*** on 1 July 2009 ownership of the building for which this loan relates was transferred to Greyhound Racing NSW and Harness Racing NSW in the following proportions 53%:47%.

In addition to the above, the Fund provided financial assistance by means of 'Interest Free Interminable Loans'. These advances are, in effect, a conditional grant. The loans are interest free and interminable and will not be subject to repayment unless:

- The club/association carries out its activities in such a manner as to jeopardise its financial position or;
- The club/association disposes of freehold property on which the improvements (the subject of the financial assistance) are located.

b) Interest Rate Risk

The Fund's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Fund	Weighted Average Range Effective Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Financial Assets								
Cash at Bank	1% - 5.05%	2% - 5.00%	124,244	97,277	0	0	124,244	97,277
Receivables			0	0	3,517,773	2,746,543	3,517,773	2,746,543
Deposits	2.95% - 5.00%	2.95% - 7.2%	260,000	1,195,193	0	0	260,000	1,195,193
Total Financial Assets			384,244	1,292,469	3,517,773	2,746,543	3,902,017	4,039,012
Financial Liabilities								
Payables	-	-	0	0	1,178,214	787,675	1,178,214	787,675
Total Financial Liabilities	0	0	0	0	1,178,214	787,675	1,178,214	787,675

Notes to the Financial Statements continued

The Fund adopts a policy of ensuring that its exposure to changes in interest rates is minimised by investing in products generally with short maturity profiles.

Sensitivities to Interest Rate risk

If interest rates had risen or decreased by 100 basis points the Fund's results for the year to 30 June 2010 would have increased / (decreased) by approximately \$12,400.

If interest rates had risen or decreased by 100 basis points the Fund's results for the year to 30 June 2009 would have increased / (decreased) by approximately \$15,000.

c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

Typically the Fund ensures that it has sufficient cash on demand to meet expected obligations for periods between 30 to 60 days.

Details of financial liabilities and their maturity dates are:

	At 30 June 2010	At 30 June 2009
Less than 1 year	1,178,214	787,675
Between 1 and 2 years	-	-
Between 2 and 5 years	-	-
Over 5 years	-	-
Total	1,178,214	787,675

d) Market risk

Market risk is the risk that changes in the gambling market will affect the Fund's income.

Price risk

The risk to the Fund is that allocations to HRNSW from either NSW Racing Pty Ltd or TAB Limited decrease due to lower turnover in the harness racing industry.

Currency risk

The Fund has no exposure to currency risk as all transactions are in Australian dollars.

Capital management

The Member's policy is to maintain a strong Accumulated Surplus to ensure that the Fund is able to meet any commitments which will sustain the future development of the industry. The

Members monitor the surplus on a regular basis and allocates funds to clubs when circumstances are appropriate.

The Fund is not subject to externally imposed capital requirements.

Notes to the Financial Statements continued

e) Fair Values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2010 \$	2009 \$
Carrying Amount		
Cash and cash equivalents	124,244	97,277
Deposits	260,000	1,195,193
Trade and other receivables	3,517,774	2,746,543
Trade and other payables	(1,178,214)	(787,675)
	2,723,804	3,251,337
Fair Value		
Cash and cash equivalents	124,244	97,277
Deposits	260,000	1,195,193
Trade and other receivables	3,517,774	2,746,543
Trade and other payables	(1,178,214)	(787,675)
	2,723,804	3,251,337

f) Accounting policies and methods adopted

The accounting policies and methods adopted in relation to each material class of financial asset and liability are disclosed in Note 1.

