



HARNES RACING NSW **ANNUAL REPORT** | 09

REPORT

Mission & OBJECTIVES

To develop a commercially sustainable and vigorous harness racing industry marked by high participation rates across all segments, a commitment to maximise returns to stakeholders and ongoing growth in wagering turnover.

OBJECTIVES

- To provide commercial and strategic leadership to the industry to ensure that the efforts of stakeholders realise maximum benefits that contribute to the overall achievement of a vibrant and sustainable industry.
- To provide professional, highly-motivated and responsible administration that is readily accessible to all stakeholders and which is focused on delivering innovative, high quality services to the industry in an efficient and cost-effective manner.
- To promote the further development of racing product that maintains harness racing's position as a leading racing code as well as meeting the industry's obligations to its business partners.
- To promote an open, transparent industry environment marked by high levels of consultation and accessibility in which all stakeholders can contribute on all aspects of the governance and development of the industry.
- To progressively undertake sensible, commercially-justified infrastructure development across the State to ensure that stakeholders have access to modern tracks and facilities.

Contents

Chairman's Message	4
Outgoing Chief Executive's Report	6
Incoming Chief Executive's Report	9
Review of Operations	10
External Relations	20
Corporate Structure	24
Corporate Governance	26
HRNSW Financials	28
Harness Racing Industry Funds Financials	45
Harness Racing Racecourse Development Fund Financials	55





Chairman's MESSAGE

The 2009 Financial Year was another full of challenges for our industry with the emergence from equine influenza and the steady resumption of the full racing program.

The introduction of Racefields Legislation late last year has been legally challenged by Betfair and Sportsbet. This matter has been set down to be heard by the Federal Court in November, 2009 and the outcome will be important for all of the racing codes.

It is pleasing to report that our relationship with the Minister of Gaming and Racing Kevin Greene and his Department and Officers is very positive. The Minister is well briefed and accessible with a "hands on" approach to issues. The approval of the amalgamation of the GHRRA was a welcome step forward and the integration of those activities has been completed without undue issues. At the date of takeover there were significant unfunded harness liabilities from the Authority which

were paid via an advance provided by Treasury and organised by our Minister. Harness Racing NSW have now fully relocated to the Meredith Street building and our colleagues from Greyhound Racing NSW have vacated electing to set up separate premises in Rhodes. We are in the process of discussing the possible acquisition of the building with our joint owners.

Sam Nati has recently been appointed as CEO of the merged entity. Sam brings to the organisation strong marketing and management skills coupled with a passion for our industry. Sam follows Max Pool who provided 6 years competent leadership. I wish Max well with his future endeavours.

Without doubt the major issue for the

industry is to achieve prize money levels which will make our sport economically viable for participants. If this can be achieved then we will experience increased participation levels and a greater demand for racing and breeding stock.

The sale of Harold Park is now progressing well. Current indications are that a rezoning may be achieved within 12 months. A successful sale would repatriate significant funds back to the industry to reinvest in track upgrades and training centre establishments as well as subsidising prize money levels. This initiative coupled with a successful Racefields Legislation outcome would form the basis for a rejuvenation of the industry.



Previous initiatives of the Carnival of Cups and Breeders Challenge are continuing to grow and have been well supported by the vast majority of the industry. Special mention should be given to our Clubs who through the Harness Racing Club Committee have embraced both concepts and fully supported their successful operation.

On behalf of the Board of Harness Racing NSW, I would like to thank all staff for their effort and commitment over the past year especially with the additional challenges provided by the integration of the Regulatory functions.

To my previous Board members Allan Briggs and Robert Corrie, who retired during the year, thank you for your efforts

and advice. Finally to my fellow Board members, Rex Horne, Rob Nalder, Les Bentley and Chris Edwards I extend my appreciation for your dedication and selfless efforts in serving our industry.

GRAEME CAMPBELL
CHAIRMAN



Chief Executive's REPORT

The implementation of Race Fields Legislation and dissolution of the Greyhound and Harness Racing Regulatory Authority (GHRRA) dominated the landscape for HRNSW during 2008/09.



The race fields issue, which has been under consideration since 2007/08, reflects the racing industry's determination to be able to charge individuals and organisations a fee for the commercial use of racing intellectual property.

The industry's right to charge a fee for the use of race fields information has been accepted by all parties. The basis on which applicable fees are charged has,

however, been challenged and is now the subject of legal proceedings.

HRNSW, Racing NSW and the NSW Government are defending the application of a turnover-based fee against challenges raised by Betfair and corporate bookmakers.

The case is currently before the courts and is expected to be resolved during the course of 2009/10.

Following the completion of the Five Year Review of the Harness Racing Act in 2007/08, the NSW Government announced that the GHRRA was to be abolished with responsibility for the commercial and regulatory management of the industry to be transferred to HRNSW.

The announcement of this decision was met with almost universal approval by the industry which has long sought a return to the single board structure for industry management as existed prior to 2002/03.

Considerable effort was required to bring about the amalgamation of the commercial and regulatory functions to meet the timetable of 1 July set by the NSW Government for the transition.

The deadline was met and on 1 July 2009 HRNSW commenced operations as the single controlling body responsible for the management of harness racing in NSW.

During the process HRNSW was made aware of significant financial liabilities incurred by the GHRRA which needed to be addressed for the amalgamation to proceed.

These liabilities, which included unfunded staff superannuation and leave entitlements as well as redundancy and transfer payments for GHRRA staff, could not be funded from industry cash reserves and ultimately required HRNSW to secure a \$2M loan from the NSW Government repayable with interest over the next 10 years.

While most of the necessary operational infrastructure has been put in place, a significant amount of work remains to be undertaken by HRNSW to give full effect to the consolidation of commercial and regulatory functions.



This will be one of the primary objectives during the forthcoming year along with implementation of a range of other initiatives introduced in the Harness Racing Act 2009.

Operationally HRNSW continued to refine initiatives introduced in 2007/08 such as the race date allocation process, the use of programming committees to reduce the likelihood of clashes and the formalised budget preparation and monitoring system.

The Breeders Challenge Series, which has now become accepted as a central part of the NSW breeding and racing calendar, continued to receive heavy promotion by HRNSW which was also successful in securing Alabar Farms as the Series' major sponsor.

In terms of overall financial performance, HRNSW returned a modest loss of \$367,885 driven primarily by increased costs associated with implementing the amalgamation of the commercial and regulatory functions.

Additional capital expenditure of just \$220,000 was also required to rebuild HRNSW's information technology infrastructure following the relocation of greyhound staff and IT assets from 22 Meredith Street to new GRNSW premises at Rhodes over.

Other major capital projects undertaken by HRNSW during the year included investment in the Menangle Park precinct, advancement of plans for the commercialisation of industry-owned land at Beresfield in the Hunter Valley and acquisition of land adjacent to the Goulburn facility.

HRNSW continued to provide support to the NSW HRC to further the proposed sale of Harold Park which has been generally acknowledged as one of the most important strategic initiatives to secure the long-term future of the industry in NSW.

In relation to the future, HRNSW will be heavily engaged during 2009/10 in rebuilding systems, processes and mechanisms that will give full effect to the changes introduced in the Harness Racing Act 2009.

The development of a Strategic Plan for the next three years, transition to an independent board and bedding in of new and revised mechanisms such as the Integrity Auditor and Harness Racing Industry Consultation Group are expected to take centre stage over the next 12 months.

Review and revision where necessary of regulatory structures and processes will also be of primary importance as the full integration of functions previously performed by two organisations is brought to a natural conclusion.

After a long period of less than optimum outcomes arising from the dual board structure, expectations are high that the return to a single board will create a more favourable environment for the positive development of the industry.

As the outgoing Chief Executive it is not in my remit to set out the process and directions that HRNSW will embark on in the year ahead to meet these expectations beyond the general initiatives required to give full effect to the requirements of the Harness Racing Act 2009.

It is a given however that realisation of the expectations arising from the return to a single board will require the cooperation of all stakeholders and their support for the Board and new management at HRNSW.

In closing my last report, I would like to thank Minister Greene for the strong support that he has provided to the industry especially through revision of harness racing legislation to reflect the wishes of the industry.

I would also like to thank Mr Michael Foggo and Mr Frank Marzic of the Office of Liquor, Gaming and Racing along with Mr Darrell Loewenthal who were at the forefront in working through the issues and requirements to bring about the return to a single board.

Finally, I would like to thank past and present HRNSW staff for their efforts and assistance over the last eight years.

We may not have been as successful as planned in everything that we undertook to achieve, it was not however for want of effort or commitment.

MAX POOL

OUTGOING
CHIEF EXECUTIVE OFFICER



Incoming Chief Executive

OCTOBER 2009

The amalgamation of the commercial and regulatory bodies has provided a platform to forge ahead with the necessary enhancements.



I'd like to sincerely thank Max for the Chief Executive's Report and his contribution to HRNSW and the harness racing industry in general.

I'm both excited and honoured to be given the opportunity to take over as Chief Executive. The sport faces a number of challenges, but there is every reason to be optimistic about the future given the proposed sale of Harold Park and the potential earnings from the Race Fields' Legislation.

It is important that we continue to improve the harness racing product so as to attract a broad demographic of fans and participants and to maximise our revenue to ensure healthier returns to stakeholders.

The amalgamation of the commercial and regulatory bodies has provided a platform to forge ahead with the necessary enhancements.

Meanwhile the state's premier event, the Miracle Mile, and the jewel in the harness racing crown, the Inter Dominion, will both be conducted at Menangle Park for the first time in 2009/2010, reinforcing the recently developed venue as a strategic hub for the sport in NSW.

And the scope for capital investment in new and improved tracks is being vigorously pursued at this time.

Finally, the ever-expanding television landscape presents an opportunity for mainstream media coverage of harness racing, which is something that has unfortunately dwindled significantly in recent years.

A handwritten signature in blue ink that reads "S.Nati".

SAM NATI
INCOMING CHIEF EXECUTIVE OFFICER

Review of Operations

FINANCIAL PERFORMANCE

HRNSW produced a loss of \$367,885 for 2008/09 due in the main to increased staff/consultancy costs arising from actions required to bring about the amalgamation of the commercial and regulatory functions under the control of a single board.

In the main HRNSW financial operations were not affected by the Global Financial Crisis (GFC) with the exception of the Gazette which experienced a shortfall in advertising revenue against budget for the year.

The TAB Distribution for 2008/09 was higher than budgeted though this reflects HRNSW's conservative approach to estimating annual TAB revenue rather than any substantial improvement in turnover and Distribution performance.

A total of \$32.9M was received which confirmed that in most respects the racing industry has recovered well from the impact of equine influenza in the preceding year.

Distribution to clubs of a tranche of funding received during 2007/08 but not distributed during that year due to the cessation of racing also provided a boost to clubs which enabled declared prizemoney levels to be maintained.

Income in excess of \$5M was 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.

HRNSW has commenced dialogue with clubs on the matter of how race fields income could be distributed to the industry taking into account that existing agreements between HRNSW and clubs such as the Intracode Agreement make no provision for distributing non-TAB Distribution income.

The Industry Funds showed a loss for 2008/09 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.

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

Club repayment of debt to the RDF was not stringently enforced by HRNSW in recognition of the impact of financial pressures arising from equine influenza.

Given that 2007/08 was affected by equine influenza, comparisons with the year ended 30 June 2009 are difficult. It is perhaps more illuminating to state that the recovery from the effect of equine influenza has been sustained and that industry performance and funding levels have returned to those experienced in 2006/07.

GHRRA FINANCIAL LIABILITIES

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.

A large component of these liabilities was made up of over \$500,000 in unfunded staff superannuation contributions.

The GFC, which impacted heavily on superannuation funds, drew the liability out to close to \$1M at one stage though recovery towards the end of 2008/09 saw a slight improvement in the overall situation.

An additional \$583,000 in unfunded staff leave entitlements was also brought to light which HRNSW was required to address.

Further to this \$275,000 was required to be paid to ex-GHRRA staff in redundancies and \$257,000 in transfer payments to GHRRA staff who elected to transfer to HRNSW.

The total nominal amount for GHRRA liabilities and staff transition costs as at 30 June 2009 was \$1.6M which was met by HRNSW securing a \$2M interest-bearing repayable loan from the NSW Government which will impose an additional \$279,000 cost on the industry for the next ten years commencing in 2010/11.

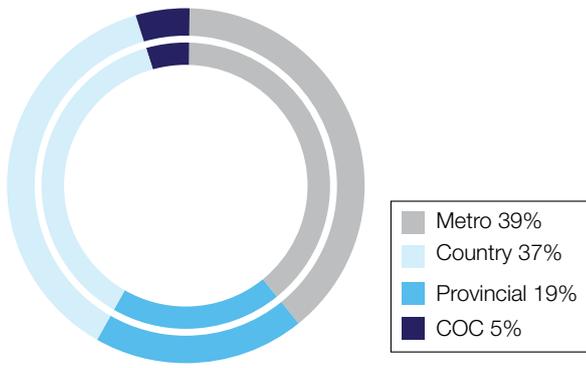
INDUSTRY FUNDING & TURNOVER

Harness turnover for the year was \$210M up from the \$74M recorded for 2007/08 which was of course affected by the loss of races during the period August 2007 to January 2008 due to equine influenza.

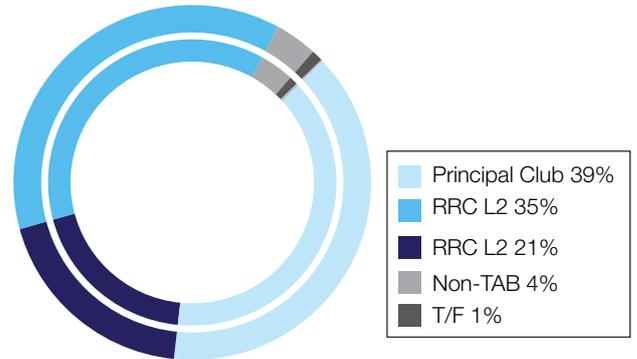
Country racing was the main turnover contributor followed by the Principal Club and then Provincial Racing.

The operation of Menangle Park continues to have a positive impact on Tuesday turnover continuing the trend noted last year and confirming the belief that modern tracks offer greater financial prospects through reduced overheads, fuller fields and resultant improvements in turnover, performance and profitability.

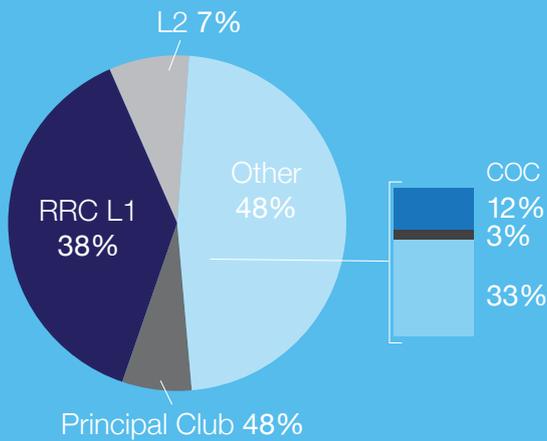
The realisation of a commercial benefit from the Beresfield Land in the Hunter region remains on HRNSW's agenda and continues to be pursued with the assistance of the Newcastle Harness Racing Club and other members of the Beresfield Trust established by HRNSW to manage the project.



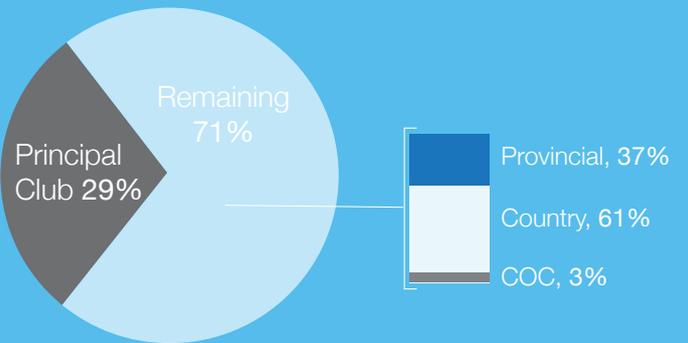
Prize money Return FY09



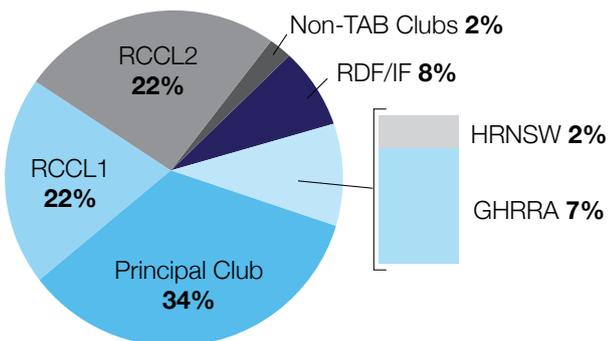
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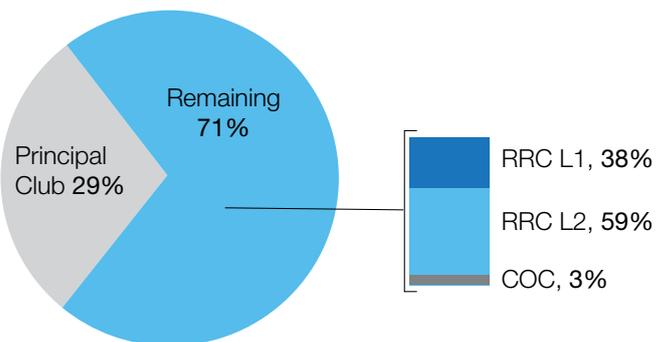
TAB Turnover By Source FY09



TAB Turnover by Club FY09



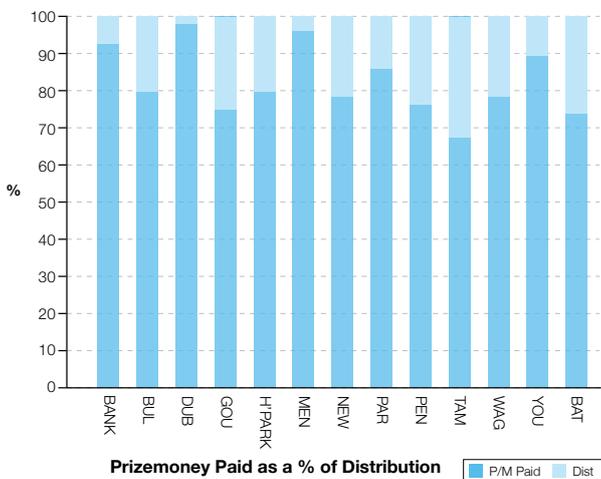
TAB Distribution by Club FY09



TAB Turnover FY09

Progress has been made towards the planned sale of Harold Park by the NSWHRRC. During the year assistance was provided by HRNSW to consultants engaged by the Club tasked with furthering consideration by the NSW Government to the rezoning proposals necessary for the industry to obtain the maximum commercial benefit from the sale.

CLUB & 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 Funds) and capital works (Racecourse Development Fund), and funding of controlling body (HRNSW and the GHRRRA) 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 Bodies.

The TAB Distribution for 2008/09 amounted to \$32.9M, an increase of \$3.0M on funding received in 2007/08.

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.

\$2.9M was allocated from the Distribution to fund the annual increases in the Industry Funds (\$2.3M) and Racecourse Development Fund (\$0.6M) at the prescribed rates of 6% and 2% respectively.

\$2.4M was provided to the Controlling Bodies of which \$1.6M went to the GHRRRA as approved by the Minister for Gaming and Racing and \$0.8M to HRNSW as endorsed by the NSW Harness Racing Clubs Committee.

The balance of \$28.9M 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 \$5M received by HRNSW as race fields income – a position that is expected to continue in 2009/10 until such time as litigation currently underway has been resolved.

All unused prizemoney collected by HRNSW will be returned to clubs with the fourth quality product fee (QPF) payment in October. Clubs are reminded that these funds must be used prior to 30 June 2010 otherwise they will be forfeited to the RDF.

INDUSTRY FUNDS

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

In 2008/09 \$2.3M was paid into the Industry Funds from the Distribution against expenditure for the year of \$3.3M. Other income of \$0.9M offset most of the additional expenditure

Following a complete review and overhaul of the way in which the Industry Funds 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 Funds 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.

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

Further work is being undertaken by the Association with HRNSW to refine the manner in which funding 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 2008/09 \$0.6M was provided to the RDF from the TAB Distribution as annual funding.

Following the decision by SKY Channel 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 \$320,000 would be provided to clubs from the RDF to meet the funding shortfall in 2008/09 to be repaid from race fields income at a future date.

A further \$220,000 was granted to HRNSW from the RDF to fund the implementation of a new IT system at 22 Meredith Street as part of the amalgamation process arising from the dissolution of the GHRRA.

In relation to the study for development of a new 1,000m track at Tamworth, which was funded through the RDF in 2007/08, the project has advanced to the decision stage.

With construction expected to cost between \$5M and \$6M, HRNSW will require financial assistance in the form of loans from the NSW Government to supplement RDF funding to realise the Tamworth project.

Consideration of the development of a modern harness racing facility in the South-West and Riverina region continued in 2008/09.

Submissions have been received from several clubs and councils in the region, and have received initial consideration by HRNSW.

A decision on the project including linkages and possible timetables is expected early in 2009/10.

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 intends to reintroduce the practice of redirecting a portion of fines to the Benevolent Fund to 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.

RISING STARS SERIES

HRNSW continued to invest in the Rising Stars Series which has proven to be one of the major successes of recent years.

Along with the NSW Harness Racing Clubs Committee and the Graduation & Penalty Free Clubs Association, HRNSW was able to continue the expansion of the Rising Stars Series to provide its participants with a more rounded experience that included educational aspects on top of traditional racing activities.

In keeping with HRNSW's aims for the Series a range of character-building and educational activities were provided including a session with GHRRA stewards who provided the young drivers with a greater understanding of the control and management of races as well as keys to safe and fair racing.

The increase in interest from young drivers to participate in the Rising Stars Series leading to greater competition for the few available places has been welcomed by HRNSW which will continue with the development of the Series to provide the State's leading up and coming drivers with valuable experience and exposure on the finer points of the sport.

SIRES STAKES SERIES

The 2009 NSW Sires Stakes Series comprised 43 races made up of 31 heats, 8 semi-finals and 4 finals with a total of \$830,000 being distributed as prizemoney.

All four Group 1 \$100,000 finals were conducted at Menangle Park on 14 June 2009, showcasing many of the outstanding juveniles our state has produced this season.

Details of the entire series are as follows:

Two Year Old Colts & Geldings

11 races in total and \$210,000 in total prizemoney paid.

Races	P/M per race	Total P/M
8 Heats	\$10,000	\$80,000
2 Semi-Finals	\$15,000	\$30,000
1 Final	\$100,000	\$100,000

The final held at Menangle on June 14, 2009 was won by RENAISSANCE MAN, Bred by Sloys Company Pty Ltd, Owned by M A Nalder, R J Nalder, M J Nalder, A L Lovelock, K M Gath, Trained by A P Gath, and Driven by K M Gath.

Two Year Old Fillies

11 races in total and \$210,000 in total prizemoney paid.

Races	P/M per race	Total P/M
8 Heats	\$10,000	\$80,000
2 Semi-Finals	\$15,000	\$30,000
1 Final	\$100,000	\$100,000

The final held at Menangle on June 14, 2009 was won by LADY EUTHENIA, Bred by P F Lewis, Owned by P F Lewis, Trained by P F Lewis, and Driven by M J Reese.

Three Year Old Colts & Geldings

11 races in total and \$210,000 in total prizemoney paid.

Races	P/M per race	Total P/M
8 Heats	\$10,000	\$80,000
2 Semi-Finals	\$15,000	\$30,000
1 Final	\$100,000	\$100,000

The final held at Menangle on June 14, 2009 was won by ITAINTOVER, Bred by K D Parker, Owned by K D Parker, Trained by N A Day, and Driven by N A Day.

Three Year Old Fillies

10 races in total and \$200,000 in prizemoney paid.

Races	P/M per race	Total P/M
7 Heats	\$10,000	\$70,000
2 Semi-Finals	\$15,000	\$30,000
1 Final	\$100,000	\$100,000

The final held at Menangle on June 14, 2009 was won by JUST CUDDLES, Bred by W L Lamb, Owned by J J Scotts Pty Ltd, Trained by P H Rixon, and Driven by C E Rixon.

Stallion Performance

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

Sire	Wins
ACES N SEVENS USA	10
ART MAJOR USA	8
BRIOSO HANOVER USA	8
JOHN STREET NORTH USA	3
BROWNING BLUE CHIP USA	2
IFIHADYURLUCK USA	2
JENNAS BEACH BOY USA	2
STRONG LIFE USA	2
SUN LAMP USA	2
TRUMP CASINO USA	2
ARMBRO OLIVER CA	1
BAD BERT USA	1

Dam Sire *	Wins
IN THE POCKET USA	4
SAFELY KEPT USA	4
CLASSIC GARRY	3
HOLMES HANOVER USA	3
MAPLE LANES STRIKE USA	3
SHIPPS FELLA USA	3
STATURE USA	3
MY GLENGOWER	2
RAVEN'S ROMEO	2

* Minimum 2 wins

NSW BREEDERS CHALLENGE SERIES

The addition of a naming rights sponsor in Alabar Bloodstock, the first 3YO race series and an increase in the number of Breeders Challenge Cash Bonuses highlighted a positive direction for the Breeders Challenge in 2009.

14 heats conducted at the country's premier track in late June, founded an outstanding race series culminating in 4 exhilarating finals witnessed by many of the most prominent breeders and owners in the southern hemisphere.

13 of the 14 heat winners won in under a two minute mile rate, the fastest 2YO and 3YO times both recorded being 1:55.4.

In addition to the \$710,00 race series prizemoney, \$184,000 in Alabar Breeders Challenge Cash Bonuses was distributed in 2009.

Details of the series are as follows:

Two Year Old Colts & Geldings

5 races in total and \$185,000 in prizemoney paid.

Races	P/M per race	Total P/M
4 Heats	\$15,000	\$60,000
1 Final	\$125,000	\$125,000

The Final held at Menangle on June 28, 2009 was won by CUTTHEATTITUDE, Bred by J F Hausfield, Owned by G A Targett, M J Targett, Trained by F L Gallagher, and Driven by J C Brown.

Two Year Old Fillies

4 races in total and \$170,000 in total prizemoney paid.

Races	P/M per race	Total P/M
3 Heats	\$15,000	\$45,000
1 Final	\$125,000	\$125,000

The Final held at Menangle on June 28, 2009 was won by LADY EUTHENIA, Bred by P F Lewis, Owned by P F Lewis, Trained by P F Lewis, and Driven by M J Reese.

Three Year Old Colts & Geldings

5 races in total and \$185,000 in prizemoney paid.

Races	P/M per race	Total P/M
4 Heats	\$15,000	\$60,000
1 Final	\$125,000	\$125,000

The Final held at Menangle on June 28, 2009 was won by CAPTAIN JOY, Bred by M H Ross, Owned by M H Ross, Trained by S M Hunter, and Driven by G Lang.

Three Year Old Fillies

4 races in total and \$170,000 in total prizemoney paid.

Races	P/M per race	Total P/M
3 Heats	\$15,000	\$45,000
1 Final	\$125,000	\$125,000

The Final held at Menangle on June 28, 2009 was won by NEW YORK FASHION, Bred by K J Meyers, Owned by K J Meyers, Trained by B F Matterson, and Driven by A R Ruggari

Stallion Performance

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

Sire	Wins
ART MAJOR USA	4
ACES N SEVENS USA	2
FALCON SEELSTER USA	2
MACH THREE CA	2
MODERN ART USA	2
BRIOSO HANOVER USA	1
CHRISTIAN CULLEN NZ	1
PACIFIC FELLA USA	1
PRESIDENTIAL BALL USA	1
RED RIVER HANOVER USA	1
SUN LAMP USA	1

Dam Sire *	Wins
HOLMES HANOVER USA	2
MAPLE LANES STRIKE USA	2
NEW YORK MOTORING USA	2
TALK ABOUT CLASS USA	2
TROUBLEMAKER USA	2

* Minimum 2 wins

FEATURE RACES

The 2009 NSW feature race card was eagerly awaited following the abandonment of many of the previous year's classics due to the EI outbreak, however it was for the most part void of champion NSW pacer Lombo Pocket Watch, who farewelled fans in a courageous second to Ebony Gem in the Chariots of Fire on 29 August 2008.

In what many thought to be his last race, Paul Fitzpatrick's star was beaten narrowly by the smart kiwi after enjoying the run of the race behind favourite Melpark Major who fought on well for third.

The "Grey Bullet" returned from stud duties in June 2009 to claim a hat-trick of wins, headed by the Joe Ilsley Cup in 1:53.6.

The \$60,000 Newcastle Mile saw a brave Special Albert defy a smart field of open class horses including Inter Dominion hopefuls Iron Hudge, Karloo Mick and Divisive, who 13 days later would take out the nation's premier sprint, the Miracle Mile.

Also amongst the beaten brigade was Robin Hood who produced an unbelievable performance a week later in the Cordina Sprint to force his way into the Miracle Mile where he was to be joined by Ladyship Mile winner Deanna Troy.

Unfortunately for the mare's connections, she was scratched three days prior to the race allowing 1st Emergency Make Me Smile to take his place in the field.

The Paul Fitzpatrick trained gelding made the most of his late opportunity, finishing a gallant 3rd behind a brilliant Divisive and a game Melpark Major, a horse proving to be a sprint sensation and fast earning a reputation as the country's next super star.

While the 1:56 mile rate was below expectations, it belied an amazing race featuring three lines of horses and a late split for Divisive and Peter Rixon who amazingly found a way off the fence with less than a furlong to go and finished too well for the Victorian visitor.

Proving that a week is a long time in any sport, the champ was below his best 8 days later in the Treuer Memorial but carried a flat tyre throughout the gruelling event.

A brave Robin Hood took out the event from ever green and ever consistent war horse Karloo Mick, and the fast finishing, Johnny Tapp trained, Misty Miller.

Continuing his run of seconds, Karloo Mick succumbed to Divisive in the Shirley Turnbull Memorial who then headed west for the Fremantle and WA Pacing Cups, himself finishing second in both.

Karloo Mick meanwhile captured the Harold Park Cup before heading north and hitting top form in the Inter Dominion series. Having won two heats, the Dubbo pacer carried the weight of

NSW into the rich final, finishing a tough third behind US import Mr Feelgood and triple champion Blacks A Fake.

It was a great night for NSW contestants with smart mare Dymondee beating Slipnslide in the FFA and Captain Joy winning the second of his three Derbys. Last year's champion two year old had previously captured the Victorian Derby and went on to add the NSW Derby and Alabar Breeders Challenge Final to his list of feature wins.

Last year's Breeders Challenge filly winner For Dear Life looked set for an equally successful 3YO career winning the NSW Oaks and APG 3YO Fillies Final before succumbing to a leg injury.

Two of her Oaks competitors in Ima Spicey Lombo and New York Fashion also tasted Group 1 glory winning the Queensland Oaks and Alabar Breeders Challenge 3YO Fillies Final respectively.

A huge amount of excitement surrounded the quality crop of NSW bred two year olds, in particular the progeny of Art Major. Not to be outshone however was a rather fancy Grenfell trained gelding named Two Eye See.

Minus an eye as the result of a paddock accident as a foal, and subsequently not nominated for the majority of feature series, the horse overcame his apparent disability to capture seven of his nine starts including the Linden Huntly and Kevin Seymour Finals, and ran second in his only losses, the last of these in the Vicbred Super Series Final for 2YO Colts and Geldings.

The new season brings much anticipation of his clashes in the 3YO features with the likes of Cuttheattitude, Chariot King and Renaissance Man who between them won the Alabar Breeders Challenge, NSW Sires Stakes Final, Australian Pacing Gold Final and Bathurst Gold Crown.

Perhaps the star of the 2YO crop though was a filly. Winning eleven of her thirteen starts, Lady Euthenia amassed nearly \$300,000 in earnings and proved her dominance over her rivals by capturing four Group 1 classics by an average of ten metres.

Johnny El Gringo capped a great season by taking out the Group 2 Renshaw Cup in April, beating a strong field that included kiwi visitor Zenad. Three days later another kiwi visitor in Changeover upstaged the locals in the Len Smith Mile at Menangle.

Although first past the post however, at the time of going to print, the horse looked likely to lose the race following the return of positive reading to a prohibited substance, leaving last year's winner of the event, Smoken Up, the likely winner again.

Along with the Derby Final and Len Smith mile, the program held something for all enthusiasts with the Bill Whitaker Carousel Final, Teeny Teeny Stakes and Trotters Mile all decided on the day. The Victorians held onto the Trotters Mile trophy when Just Glorious prevailed in 1:57.6, Trusty Courage was brave for Greg Bennett in the Carousel and Lady Lexus gave Team Fitzpatrick a double by

taking out the Teeny Teeny Stakes, their other winner on the day being previous smart 3YO Esprit De Kayjay.

The Carnival of Cups, also interrupted in the previous year due to EI, experienced strong growth on the 2007 series with average turnover per race increasing by over \$10,000 per race and prizemoney paid out during the series increasing by \$350,000.

Carnival of Cups 2009 saw feature races conducted at 10 TAB tracks and 5 non-TAB tracks, beginning with the Canola Cup at Eugowra in October and finishing with the Young Services Club Cup at Young in May.

BREEDING SCHEMES

For the first time since its inception, interstate and international stallions 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.

71 stallions from the most prominent studs in Australia and New Zealand were nominated during the 2008/09 breeding season.

The HRNSW Board agreed to five percent of Alabar Breeders Challenge prizemoney being paid to stallion nominators and breeders alike from series 4 onwards and to allocate Alabar Breeders Challenge heats to regional NSW following the cessation of the NSW Sires Stakes in 2010.

Eligibility for the NSW breeding schemes was also extended to foals that were conceived overseas but born and registered in NSW, provided that the foal was not eligible for any other Australian state's breeding scheme.

NSW Breeders Challenge

The second running of the Breeders Challenge race series was highlighted by the addition of a race name sponsor in Alabar Bloodstock.

The combination of the high profile stud with the state's premier breeding scheme event created optimism for both the future of the NSW Breeding Industry and the success of the race series.

The Alabar Breeders Challenge Finals day at Menangle celebrated the commitment of NSW breeders and the creation of outstanding NSW bred talent.

Breeders Challenge Cash Bonuses again proved extremely popular with horsemen, being added to all TAB 2YO and 3YO events from 1st February to the 30th April.

Sires Stakes Series

The terms and conditions for the NSW Sires Stakes Series remained unchanged allowing only progeny of a NSW based stallion to be eligible for the series.

While the series has been widely supported, decreases in eligible horse numbers meant that some heats of the series were run with smaller than normal field sizes and had to be reprogrammed at different venues to attain sufficient nominations to be run.

Entering its final year, the NSW Sires Stakes Finals will see a return to Harold Park and reduced prizemoney.

State Bred Bonus Scheme

Eligibility for the SBBS became limited to NSW Breeders Challenge eligible horses for foals born in the 2006/07 season.

In 2008/09 this saw SBBS certificates limited to Breeders.

Challenge eligible 2YOs while 3YOs remained eligible under the old conditions.

\$550,000 was allocated towards the scheme and distributed through both TAB and non-Tab clubs.

The Board's decision to limit their use for stallion services to NSW based stallions or stallions based elsewhere that were nominated for the NSW Breeding Schemes, provided an incentive for interstate and international studs to contribute financially towards the breeding industry in NSW.

Allocation of SBBS certificates to race clubs was again based on the number of race meetings to be conducted annually by clubs.

In FY2009, HRNSW reintroduced the 'Use It or Lose It' policy to encourage clubs to distribute their allocation of certificates.

SBBS certificates remain the most popular addition to juvenile races, justifying a budgeted increase to their allocation of \$600,000 for the forthcoming season.

CLUB OPERATIONS

Principal Club

The NSWHRRC (Harold Park and Tabcorp Park Menangle) conducted 92 race meetings (753 races) and received \$11.5M in total funding from the Distribution in 2009.

Total turnover on metropolitan meetings was \$60.6M.

Regional Racing Centres Level 1

The Regional Racing Centres Level 1 (Menangle, Newcastle and Penrith) conducted 145 race meetings (1216 races) and received \$7.4M in total funding from the Distribution in 2007.

Total turnover on TAB meetings conducted by these three clubs was \$71M.

Regional Racing Centres Level 2

The Regional Racing Centres Level 2 (Bankstown, Bathurst, Bulli, Dubbo, Parkes, Tamworth, Wagga and Young) conducted 213 race meetings (1,648 races) and received \$8.6M in total funding from the Distribution.

Total turnover on TAB meetings conducted by these eight clubs was \$77M.

In 2009 Bankstown, Bathurst, Bulli, Dubbo, Parkes, Wagga and Young were successful in securing a Carnival of Cups event.

Graduation Clubs

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

In 2009 these clubs conducted 34 race meetings (237 races) and in the case of Junee, Leeton, Orange and Temora were also successful in securing a Carnival of Cups event.

Penalty Free Clubs

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

In 2009 these clubs conducted 35 race meetings (214 races). Eugowra was the only club in this category to conduct a Carnival of Cups event during the year.

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 2009 these clubs received a total of \$65,000 in direct funding from the distribution for their operations and were also successful in securing a Carnival of Cups event each.

A track maintained by Hawkesbury participants at Clarendon was also supported financially by HRNSW with track resurfacing work undertaken.

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 2009 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.



"While the series has been widely supported, decreases in eligible horse numbers meant that some heats of the series were run with smaller...field sizes"

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 GRNSW, 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.

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 Max Pool (HRNSW outgoing CEO). During the year Mr Ray Sharman was replaced by Mr John Dumesny as the NSWHRRC representative on the Racingcorp Board.

Matters on the Racingcorp agenda included further consideration of support for the introduction of merged pools, taxation relief and implementation of Race Fields Legislation.

Harness Racing Australia

During 2008/09 HRNSW was a joint member with the GHRRA of Harness Racing Australia, the industry's peak consultative body on harness racing.

Following the dissolution of the GHRRA, HRNSW became the sole controlling body representative for NSW on Harness Racing 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 2008/09 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 and development of a stronger, better defined role for Harness Racing Australia.

HRIPAC

The Harness Racing Industry Participants Advisory Committee is a consultative body consisting of industry representatives that assists HRNSW with the development and implementation of industry initiatives.

HRNSW enjoys a sound working relationship with HRIPAC and has met with the members of the Committee as required by the Harness Racing Act 2002.

HRIPAC did not meet as frequently as planned with HRNSW during 2008/09 and is to be replaced by a new body named the Harness Racing Industry Consultation Group under the terms of the Harness Racing Act 2009 which has also defined revised meeting requirements and frequencies.

INDUSTRY ASSOCIATIONS

HRNSW continued to enjoy good working relations with the three active industry associations – the United Harness Racing Association, NSW Standardbred Breeders and Studmasters Association, and the NSW Mini-Trotting Association.

All three 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 NSWBSA in particular continued to provide substantial feedback to HRNSW on current and emerging industry concerns, and have been instrumental in assisting with the development of policies aimed at addressing these concerns.

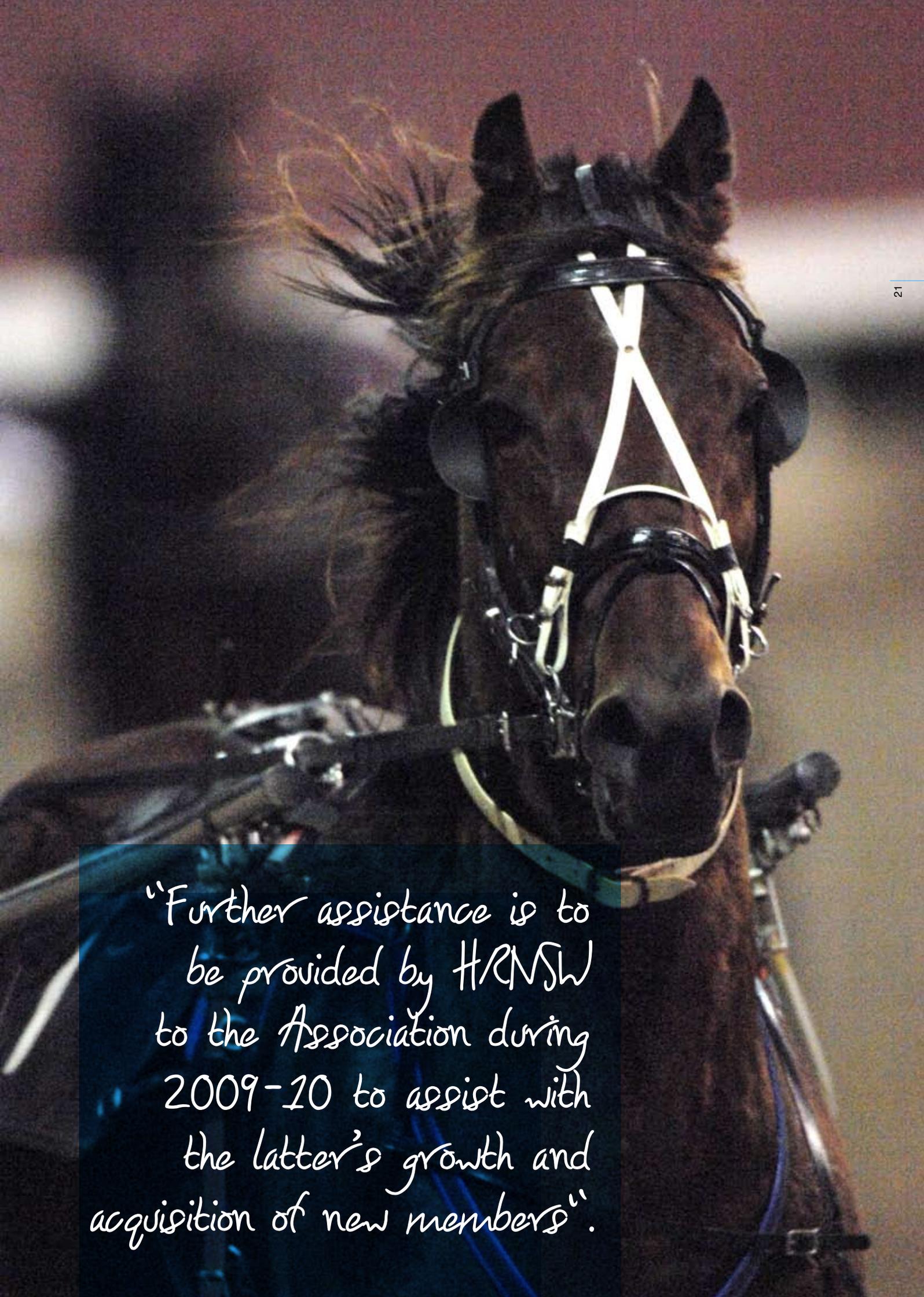
HRNSW provided assistance with the implementation of the three year plan for the Mini-Trotting Association developed with the assistance of HRNSW.

A commitment has been made by HRNSW to examine with the Associations ways and means by which their membership may be increased as well as options for improving their financial bases.

As forecast in 2008/09 HRNSW's commitment towards the establishment of strong, representative industry associations would result in the creation of new associations to represent segments of the industry that at this time lack a mechanism to more actively participate in industry administration.

In this respect HRNSW provided administrative assistance which resulted in the formation of the NSW Standardbred Owners Association to represent the interests of owners.

Further assistance is to be provided by HRNSW to the Association during 2009/10 to assist with the latter's growth and acquisition of new members.



"Further assistance is to be provided by HRNSW to the Association during 2009-10 to assist with the latter's growth and acquisition of new members".

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 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 & Penalty Free Clubs Association

The Graduation & 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 all of the Graduation & Penalty Free Clubs Association meetings held in 2009 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 SW Riverina and handicapping policies.

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

FIVE YEAR REVIEW OF THE HARNESS RACING ACT

The Five Year Review of the Harness Racing Act 2002 resulted in recommendations by the NSW Government that control of the commercial and regulatory management of the industry be returned to a single board.

The recommendations resulted in the repeal of the Harness Racing Act 2002 and Greyhound and Harness Racing Regulatory Administration Act 2003, which were replaced by the Harness Racing Act 2009.

The new Act, which came into effect on 1 July 2009, establishes HRNSW as the single controlling body for the management of the industry in NSW.

The Act also calls for the introduction of an independent board to replace the direct nomination process wherein segments of the industry nominated HRNSW board members, the establishment of a Harness Racing Industry Consultation Group (HRICG) to replace the Harness Racing Industry Participants Advisory Committee (HRIPAC), and the establishment of the independent office of the Integrity Auditor to hear complaints against racing officials.

Implementation of these and other aspects of the Harness Racing Act 2009 is to be completed during the course of 2009/10.

INDEPENDENT REVIEW OF THE REGULATORY OVERSIGHT OF THE NSW RACING INDUSTRY

The Independent Review of the Regulatory Oversight of the NSW Racing Industry (Scott Review) arose from a recommendation made in the Review of the Thoroughbred Racing Act undertaken by Mr Ken Brown.

The recommendation to the Minister called for a review of the powers and procedures of controlling bodies tasked with the Regulatory Management of the racing industry, in this case RacingNSW and the GHRRA.

Mr Malcolm Scott was appointed by the Minister for Gaming and Racing to undertake this review which was commenced and completed during 2007/08.

In essence the Scott Review recommended changes to the disciplinary and appeals processes used by the racing industry and the consolidation of stewarding activities across all three racing codes into a single body.

The majority of Mr Scott's recommendations were incorporated into the Harness Racing Act 2009 and as such as due for implementation during the course of 2009/10.

In relation to the proposed merger of the stewarding function of the three codes into a single body, HRNSW has expressed in principle support for the proposal subject to further evaluation of necessity, practicality and the views of the industry.

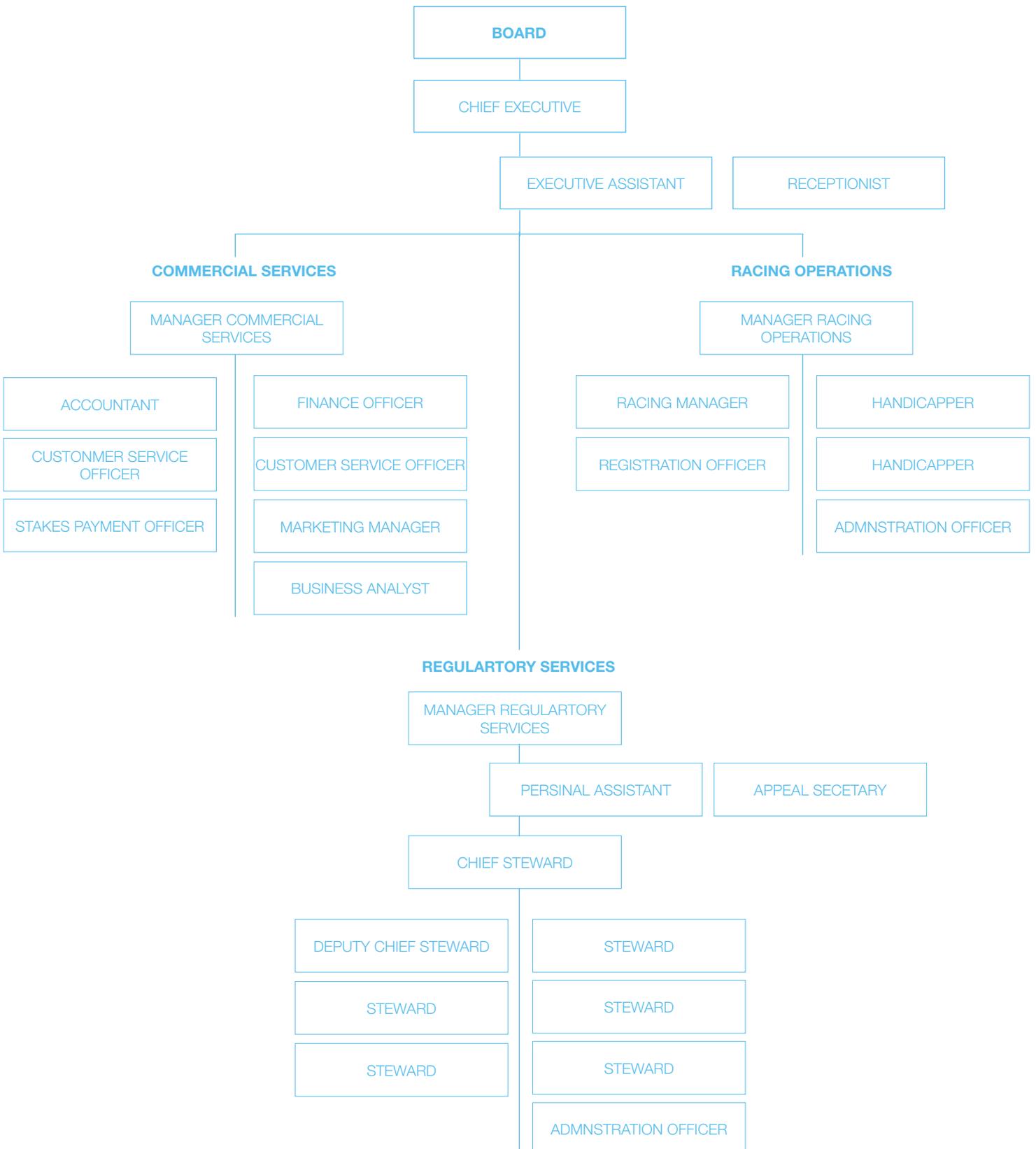
INDEPENDENT REVIEW OF WAGERING REGULATION IN NSW

The Cameron Review of wagering regulation in NSW was completed in 2007/08 however the NSW Government's position on the review was not released during 2008/09.

The purpose of the review was to ascertain impediments and prospects for the future growth and development of a sustainable racing industry in NSW in light of the industry's dependence on revenue generated through wagering operations.

HRNSW's positions, as reported in 2007/08, were generally that internal industry funding arrangements should be left to the codes to determine and agree under the provisions of existing industry commercial arrangements and, harness racing supported in principle the deregulation of the wagering industry as long as assurances were provided that the racing industry would be no worse off financially as a result.

Organisation Structure



Corporate Structure

STAFFING

HRNSW's permanent staffing levels did not change during the course of the year in relation to its pre-amalgamation structure.

A new organisation structure was prepared and approved for implementation in the lead-up to the merger of HRNSW and GHRRA staffing.

The following comment refers to the new structure which came into effect prior to 1 July 2009 but which was still subject to recruitment action on 30 June 2009.

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 9.

The Division is responsible for the administration of funding arrangements with Tabcorp, payment of funds to clubs and management of industry 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 Regulatory Services Division is headed by the Manager – Regulatory Services, a position still subject to recruitment action on 30 June 2009.

The Division which is responsible for the provision and coordination of all regulatory services including rules development, stewarding, inquiries and appeals has a permanent staffing complement of 12.

The Manager – Regulatory Services is responsible for coordinating the activities of the Division as well as serving as the primary focus for regulatory policy development and provision of advice to the CEO and Board on these matters.

Day-to-day control of the stewards and provision of stewarding services is provided by the Chairman of Stewards who reports to the Manager – Regulatory Services.

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 6.

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 and the issue and redemption of State Bred Bonus Certificates.

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

In addition to these responsibilities the section 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 & BOARD UNIT

The CEO and Board Unit has a staffing complement of 3.

The Unit is responsible for providing administrative support to the CEO and Board as well as general administration functions for the organisation such as building maintenance, stores and stationery management, travel, accommodation and records management.

Board of Directors



Rex Horne
BOARD DIRECTOR



Les Bentley
BOARD DIRECTOR



Graeme Campbell
CHAIRMAN



Rob Nalder
BOARD DIRECTOR



Chris Edwards
BOARD DIRECTOR

Chief Executive Officer



Sam Nati
CHIEF EXECUTIVE OFFICER

Chief Financial Officer



Peter Carney
CHIEF FINANCIAL OFFICER

Key Staff



Arron Lombardo
BUSINESS ANALYST



Harry Luo
ASSISTANT ACCOUNTANT



Joel Fowler
RACING MANAGER



Alison Zammit
ADMINISTRATION OFFICER



Lauren Sykes
MARKETING MANAGER



Olivera Aceski
FINANCE OFFICER



Amber Lovelock
EXECUTIVE ASSISTANT

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 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.

NEW BOARD MEMBERS

The HRNSW Board's term ended in February 2009.

Nominations for the Board were called in late 2008 followed by internal and external interviews for the various positions.

As a result of these processes, Mr Les Bentley (TAB Clubs) and Mr Chris Edwards (Country Clubs) were appointed to the Board replacing Mr Allan Briggs and Mr Robert Corrie respectively.

Mr Rex Horne (Principal Club) and Mr Rob Nalder (Industry Representative) were both returned as Board Members.

One of the first acts of the new HRNSW Board was commence the process for the selection of an independent Chairman.

The position, which was advertised externally and managed by an external recruitment agency in accordance with the Harness Racing Act 2002, was filled by Mr Graeme Campbell who was returned as Chairman for a second term.

MEETINGS

HRNSW conducts Board Meetings on a monthly basis usually on the last Tuesday.

Regular meeting attendances for 2008/09 were:

BOARD MEMBER	NORMAL MEETINGS	TOTAL ATTENDED
G Campbell	12	12
A Briggs ¹	7	7
R Corrie ²	6	6
R Horne ³	11	11
R Nalder	12	12
L Bentley ¹	5	5
C Edwards ²	5	5
R Turner ³	1	1

1. Mr Briggs was replaced by Mr Bentley. Combining Mr Briggs and Mr Bentley's attendances brings the total normal meeting attendances for the TAB Clubs nominee to 12 for the year.
2. Mr Corrie was replaced by Mr Edwards. Combining Mr Corrie and Mr Edwards' attendances brings the total normal meeting attendances for the Country Clubs nominee to 12 for the year.
3. Mr Turner attended one meeting as the alternate for Mr Horne which means the Principal Club was represented at all 12 normal meetings.

Financial Statements

HARNESS RACING NEW SOUTH WALES

Members' Report
Members' Declaration
Lead Auditor's Independence Declaration
Auditor's Report
Income Statement
Balance Sheet
Statement of Charges in Equity
Cash Flow Statement
Notes to the Financial Statements

Industry Funds
Members' Declaration
Auditor's Report
Income Statement
Balance Sheet
Statement of Changes in Equity
Cash Flow Statement
Notes to the Financial Statements

Racecourse Development Fund
Members' Declaration
Auditor's Report
Income Statement
Balance Sheet
Statement of Changes in Equity
Cash Flow Statement
Notes to the Financial Statements

MEMBERS' REPORT

The Members' of Harness Racing New South Wales (HRNSW) present their report for the financial year ended 30 June 2009

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

Robert Nalder

Rex Horne

During the year the following Members retired from office:
Alan Briggs and Robert Corrie.

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 deficit for the year amounted to \$367,885 (2008: surplus \$964,731).

5. There have been no significant changes in the state of affairs of the entity during the year.

6. The entity employed ten employees as at 30 June 2009. As at the date of this report the entity had thirty employees.

7. The entity received certain monies from operators under Betfair legislation. Due to impending litigation 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 years

Except that on 30 June 2009 the operations of the Greyhound and Harness Racing Regulatory Authority were wound up and the relevant functions previously undertaken by this entity were transferred to either Harness Racing New South Wales ("HRNSW") or Greyhound Racing New South Wales ("GRNSW"), effective from 1 July, 2009.

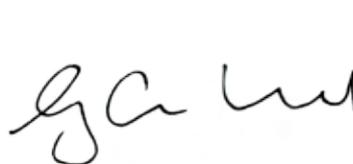
On 1 July 2009;

- (i) Certain staff transferred to HRNSW;
- (ii) Certain assets and liabilities transferred to HRNSW;
- (iii) HRNSW became responsible for additional amalgamation expenses of up to \$1.3m which will become payable subsequent to balance date;
- (iv) Certain contingent assets and liabilities arose as a result of the amalgamation;
- (v) HRNSW became liable to make payments to former GHARRA staff or the entities to which they transferred within the NSW government;

In addition, following the move by HRNSW to new premises, certain assets used at HRNSW's former offices were sold at a loss.

- 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, 30th day of September 2009.



Graeme Campbell - Chairman Robert Nalder - Member

MEMBERS' DECLARATION

The Members of Harness Racing New South Wales (HRNSW) present their declaration for the financial year ended 30 June 2009

In the opinion of the Members of the entity -

- a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial performance of the entity for the year ended 30 June 2009,
- b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2 (a),
- c) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due, and
- d) the financial statements have been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 1.

Signed in accordance with a resolution of the Members at Bankstown, dated 30 September 2009:



Graeme Campbell - Chairman



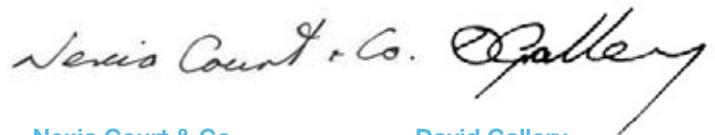
Robert Nalder - Member

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 2009 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.



**Nexia Court & Co
Chartered Accountants
Sydney**

**David Gallery
Partner**

Dated: 30 September 2009

INDEPENDENT AUDITORS' REPORT

To the members of Harness Racing New South Wales

Report on the financial report

We have audited the accompanying financial report of Harness Racing New South Wales (the 'company') which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity, and cash flow statement 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.

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 required, provided to the members of Harness Racing NSW on 30 September 2009, 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 New South Wales:
 - (i) gives a true and fair view of the company's and the group's financial position as at 30 June 2009 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 2(a).



Nexia Court & Co
Chartered Accountants
Sydney

David Gallery
Partner

Dated: 13 October 2009

INCOME STATEMENT

for the financial year ended 30 June 2009

	Note	2009	2008
REVENUE FROM CONTINUING OPERATIONS			
		\$	\$
Product Fee	4a	26,844,754	24,932,446
Wagering Incentive Fee	4a	6,144,733	5,081,269
Finance Income – Interest Revenue		64,881	66,535
Grants Received - Racecourse Development Fund	4b	220,000	44,283
Grants Received - Industry Funds	4c	130,000	130,000
NSW Harness Racing Gazette	4d	229,919	122,518
Black Hill Land Contribution	4e	-	950,000
Sponsorship		27,670	20,000
Other Income	4f	343,056	97,853
Total Revenue		34,005,013	31,444,904
EXPENSES FROM CONTINUING OPERATIONS			
HRNSW Distribution			
to Clubs	5a	28,889,889	24,011,995
to Industry Funds	5b	2,274,309	2,052,382
to Racecourse Development Fund	5c	650,770	586,497
Greyhound & Harness Racing Regulatory Authority	5d	1,627,034	2,183,748
El funding Carried Forward	5k	(1,777,204)	-
Repayment re FY2006 Distribution Top-up	5e	381,000	357,000
Employee Salaries and Related Expenses	5f	793,660	654,772
Members Fees	5g	84,162	80,987
NSW Harness Racing Gazette		229,146	109,399
Postage, Printing & Stationery		98,004	58,962
Travel	5h	40,450	35,349
Consultancy & Contractors		20,614	20,000
Occupancy Costs		83,558	79,253
Equipment & Communication Costs		94,642	81,651
Other Expenses	5i	230,320	168,178
Amalgamation Costs	5j	652,544	-
Total Expenses		34,372,898	30,480,173
(Deficit) / surplus for the year		(367,885)	964,731

The accompanying notes form part of these statements

BALANCE SHEET

for the financial year ended 30 June 2009

	Note	2009	2008
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	6	2,617,335	1,168,829
Receivables	7	11,306,731	10,061,376
Other Assets	8	5,329,170	3,991
Total Current Assets		19,253,236	11,234,196
NON-CURRENT ASSETS			
Property, Plant and Equipment	9	483,215	319,934
Land	10	950,000	950,000
Total Non-Current Assets		1,433,215	1,269,934
TOTAL ASSETS		20,686,451	12,504,130
LIABILITIES			
CURRENT LIABILITIES			
Payables	11	13,080,322	11,129,382
Income Received in Advance	12	29,884	122,662
Provision for Employee Benefits		84,991	80,284
Other Liabilities	14	4,846,405	-
Total Current Liabilities		18,041,602	11,332,328
NON-CURRENT LIABILITIES			
Payables	15	1,840,932	-
Total Non-Current Liabilities		1,840,932	-
TOTAL LIABILITIES		19,882,534	11,332,328
NET ASSETS		803,917	1,171,802
EQUITY			
Accumulated Surplus		803,917	1,171,802
Total Equity		803,917	1,171,802

The accompanying notes form part of these statements

CASH FLOW STATEMENT

for the financial year ended 30 June 2009

	Note	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES		\$	\$
Receipts from Participants and Government Grants		40,877,856	31,538,201
Receipts from Other Operating Income		417,444	457,247
Interest Received		64,881	66,535
Payments to Suppliers, Employees and Participants		(41,025,003)	(30,912,222)
Amalgamation Costs		(652,543)	-
Net Cash from Operating Activities	18	(317,365)	1,149,761
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Property, Plant & Equipment		(234,129)	(48,760)
Net Cash from Investing Activities		(234,129)	(48,760)
CASH FROM FINANCING ACTIVITIES			
Loan from NSW Government		2,000,000	-
Net Cash from Financing Activities		2,000,000	-
Net Increase in Cash Held		1,448,506	1,101,001
Cash and Cash Equivalents at the Beginning of the year		1,168,829	67,828
Cash and Cash Equivalents at the End of the Year	6	2,617,335	1,168,829

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2009

	Note	2009	2008
		\$	\$
Total equity at the beginning of financial year		1,171,802	207,071
(Deficit) / Surplus for the year		(367,885)	964,731
Total recognised income and expense for the year		(367,885)	964,731
Total equity at the end of the financial year		803,917	1,171,802

The accompanying notes form part of these statements

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

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. All three financial reports were authorised for issue by the Members on 30th September 2009. The Members have the power to amend and re-issue the financial reports.

2. 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 Accounting Standards, Urgent Issues Group consensus views and other authoritative pronouncements of the Australian Accounting Standards Board.

(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 30 September 2009.

(b) Income Tax

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

(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

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

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

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

(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.

1. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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;

On 30 June 2009 the operations of the Greyhound and Harness Racing Regulatory Authority were wound up and the relevant functions previously undertaken by this entity were transferred to either Harness Racing New South Wales ("HRNSW") or Greyhound Racing New South Wales ("GRNSW"), effective from 1 July, 2009.

On 1 July 2009 (refer Note 16);

- Certain staff transferred to HRNSW;
- Certain assets and liabilities transferred to HRNSW;
- HRNSW became responsible for additional amalgamation expenses of approximately \$1.3m which will become payable subsequent to balance date;
- Certain contingent assets and liabilities arose as a result of the amalgamation
- HRNSW became liable to make payments to former GHRRA staff or the entities to which they transferred within the NSW government;

In addition, following the move by HRNSW to new premises, certain assets used at HRNSW's former offices were sold at a loss.

(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 2008, but have not been applied in preparing these financial statements:

- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the entity's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the entity's Chief Executive Officer in order to assess each segment's performance and to allocate resources to them. The entity does not expect this will have any impact on the financial statements.
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Entity's 30 June 2010 financial statement. The entity has not yet determined the potential effect of the revised standard on the Entity's disclosures.
- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Fund's 30 June 2010 financial statements. The Fund does not expect the revised standard to have any effect on future earnings.

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

(n) 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.

3. BASIS OF PREPARATION

(a) Basis of measurement

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

(b) Functional and presentation currency

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

(c) 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.

4. REVENUE

	Note	2009	2008
		\$	\$

(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).

(b) Grants Received – Racecourse Development Fund

Funding of Capital Expenditure		220,000	44,283
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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 an amount of \$381,000 was repaid against this advance.

(c) Grants Received – Industry Funds

Centralised Stakes Payment System		110,000	110,000
Sires Stakes Management Fee		20,000	20,000
		130,000	130,000

(d) Harness Racing Gazette Income

Subscriptions		147,747	101,627
Advertising		82,172	20,891
Sponsorships & Donations		-	-
		229,919	122,518

(e) Black Hill Land Contribution

During the year ended 30 June 2008 HRNSW acquired, by non-reciprocal transfer, a parcel of land at Black Hill for the purposes of furthering harness racing in the Hunter Region	10	-	950,000
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(f) Other Income

Income for use of race fields by overseas operator		292,092	-
Other		50,964	97,853
		343,056	97,853

5. OPERATING EXPENSES

	2009	2008
	\$	\$
(a) HRNSW Distribution to Clubs		
NSWHRC – Harold Park	11,717,964	10,247,925
NSWHRC – Tabcorp Menangle Park	1,078,712	731,082
Bankstown	1,061,258	805,436
Bathurst	2,257,905	1,937,781
Bulli	984,438	504,700
Dubbo	540,648	285,995
Goulburn	269,422	-
Newcastle	3,800,933	2,528,643
Parkes	550,454	312,636
Penrith	2,627,244	1,466,181
Tamworth	854,953	529,568
Wagga Wagga	1,436,834	1,335,698
Young	718,417	429,400
Non-TAB Clubs	743,507	380,500
Industry Funds - Carnival of Cups	247,200	113,348
Washed out TAB meetings	-	22,500
Carried Forward (Equine Influenza related)	-	2,380,602
	28,889,889	24,011,995
(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	1,952,309	1,759,494
The amount distributed to Industry Funds is equal to 6% (2006:6%) of the HRNSW share of the TAB Distribution		
Additional Carnival of Cups Levy (1%)	322,000	292,888
	2,274,309	2,052,382
(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	650,770	586,497
(d) Greyhound & Harness Racing Regulatory Authority		
The amount paid to the Greyhound & Harness Racing Regulatory Authority (GHRRA) for provision of regulatory functions and services is determined annually by the Minister for Gaming and Racing	1,678,000	2,206,259
Adjustment from FY 2007	(50,966)	(22,511)
	1,627,034	2,183,748
(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	357,000

5. OPERATING EXPENSES (CONTINUED)

	Note	2009	2008
		\$	\$
(f) Employee Salaries and Related Expenses			
Salaries		615,377	589,855
Superannuation		54,391	45,287
Workers Compensation Insurance, Payroll Tax, FBT, temporary staff and other		123,892	19,630
		793,660	654,772
(g) Member Fees			
The Members in office during the financial year were:			
Graeme Campbell – Chairman		31,936	30,731
Robert Corrie		7,616	12,564
Robert Nalder		13,057	12,564
Rex Horne		13,057	12,564
Allan Briggs		7,616	12,564
Les Bentley		5,440	-
Chris Edwards		5,440	-
		84,162	80,987
No Member of HRNSW is a full-time employee and no Member has received a salary			
(h) Travel			
Employees		28,481	21,844
Members		11,969	13,505
		40,450	35,349
(i) Other Expenses			
Advertising		540	1,512
Audit Fees (*)		36,736	16,000
Bad and Doubtful Debts		892	-
Bank Charges		9,956	8,002
Depreciation		70,848	56,867
Legal Fees		26,194	800
Media & Communications		2,805	960
Office Amenities		7,443	3,368
Professional Indemnity Insurance		9,766	9,117
Subscriptions		507	809
Training		1,965	-
Benevolent Fund Expenses		34,622	48,636
Sundry Expenses		25,046	22,107
		230,320	168,178

*The company's auditors, Nexia Court & Co, did not perform any additional services not directly related to the audit of the financial statements.

5. OPERATING EXPENSES (CONTINUED)

	Note	2009	2008
		\$	\$
(j) Amalgamation expenses			
Retrenchment costs		267,503	-
GHRRA expense reimbursements		275,000	-
Property valuation		2,200	-
Staff recruitment		9,180	-
Other		98,661	-
		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.

(k) EI Funding Carried Forward

Funds retained from FY 2008 utilised during the year		(1,777,204)	
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For the year ended 30 June 2008 an amount of \$2,380,602 was withheld and carried forward into subsequent years to supplement prize money.

6. CASH AND CASH EQUIVALENTS

Cash at bank		2,617,135	1,168,629
Cash on hand		200	200
		2,617,335	1,168,829

The entity has an overdraft limit of \$250,000 at the bank (2008 \$250,000) – unused at year end.

7. RECEIVABLES

Trade Debtors		7,576,901	2,702,274
Less: Provision for Doubtful Debts		(40,611)	(39,719)
NSW Racing Pty Limited (TAB Distribution)		2,772,537	7,394,080
Other Debtors		997,904	4,741
		11,306,731	10,061,376

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 ASSETS

Race Fields Account		5,327,730	-
Other		1,440	3,991
		5,329,170	3,991

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

9. PROPERTY, PLANT & EQUIPMENT

Plant & Equipment – At Cost			
Balance at the Beginning of the Year		429,279	394,807
Additions		234,129	48,762
Disposals		-	(14,290)
Balance at the End of the Year		663,408	429,279

9. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

	Note	2009	2008
		\$	\$
Accumulated Depreciation			
Balance at the Beginning of the Year		109,345	66,768
Depreciation Expense		70,848	56,867
Disposals		-	(14,290)
Balance at the End of the Year		180,193	109,345
Written Down Value at the End of the Year		483,215	319,934

10. LAND

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.

		950,000	950,000
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11. PAYABLES

Australian Taxation Office		26,037	295,186
Prizemoney Payments		9,281,202	1,046,442
HRNSW Distribution		765,633	7,622,236
Other Creditors		2,848,382	2,165,518
Loan – NSW Government		159,068	-
		13,080,322	11,129,382

HRNSW secured a loan of \$2.0m from NSW government repayable over a ten year period to enable it to pay for all liabilities arising from the transfer of business from GHRRA to HRNSW

12. INCOME RECEIVED IN ADVANCE

NSW Harness Racing Gazette Subscriptions		2,417	35,248
Compulsory Insurance Subscriptions		27,467	87,414
		29,884	122,662

13. BENEVOLENT FUND

Interest Earned		6,685	10,022
Less Administration Expenses		(405)	(6,000)
Less Disbursements Made		(34,622)	(27,255)
Operating Deficiency		(28,342)	(23,233)
Accumulated Surplus – brought forward		151,619	174,852
Accumulated Surplus – carried forward		123,277	151,619
Represented by:			
Cash		646	5,658
Other Financial Assets			
Investments		121,191	144,521
Transferable Funeral Certificates		1,440	1,440
Net Assets		123,277	151,619

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.

14. OTHER LIABILITIES

	Note	2009	2008
		\$	\$
Unearned Race Fields Revenue		4,846,405	-
		4,846,405	-
Racefields Account includes monies received from operators during the year. Due to the impending court action none of this income has been recognised			

15. NON-CURRENT PAYABLES

Loan – NSW Government		1,840,932	-
		1,840,932	-

16. CONTINGENT ASSETS AND LIABILITIES

On 30 June 2009 the operations of the Greyhound and Harness Racing Regulatory Authority were wound up and the relevant functions previously undertaken by this entity were transferred to either Harness Racing New South Wales (“HRNSW”) or Greyhound Racing New South Wales (“GRNSW”), effective from 1 July, 2009.

On 1 July 2009;

- (i) Certain staff transferred to HRNSW;
- (ii) Certain assets and liabilities transferred to HRNSW;
- (iii) HRNSW became responsible for additional amalgamation expenses of up to \$1.3m which will become payable subsequent to balance date;
- (iv) Certain contingent assets and liabilities arose as a result of the amalgamation
- (v) HRNSW became liable to make payments to former GHRRA staff or the entities to which they transferred within the NSW government;

The exact amount of these contingent assets and liabilities cannot be determined at this time.

In addition the Unearned Revenue of \$4,846,405 presently held in the Racefields bank account (Notes 8 and 14) is subject to litigation which will be heard by the Federal Court later this year. If the decision is found in favour of HRNSW the revenues will accrue to HRNSW.

17. 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 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 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 Members are 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 Members minimise 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:

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Note	2009	2008
		\$	\$

Exposure to Credit Risk

Cash and Cash Equivalents		2,617,335	1,168,829
Trade and Other Receivables		11,306,731	10,061,376
		13,924,066	11,230,205

The entity's maximum exposure to credit risk for Trade and other Receivables at the reporting date was:

NSW Racing Pty Ltd		2,772,537	7,394,080
Other		8,534,194	2,667,296
		11,306,731	10,061,376
Not Past Due		11,188,195	7,394,080
Past Due – 0 – 30 days		-	2,522,334
Past Due – 31 – 120 Days		3,408	5,908
Past Due – 121 – 365 Days		115,128	139,054
		11,306,731	10,061,376

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

(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		Floating		Non-Interest			
	Effective Interest Rate		Interest Rate		Bearing		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Financial Assets								
Cash at bank	2% - 5%	2% - 5%	2,396,145	1,168,829	0	0	2,396,145	1,168,829
Receivables			0	0	11,306,731	10,061,376	11,306,731	10,061,376
Cash on Deposit	2.95% - 7.2%	2.95% - 7.2%	221,190	0	0	0	221,190	0
Total Financial Assets			2,617,335	1,168,829	11,306,731	10,061,376	13,924,066	11,230,205
Financial Liabilities								
Payables	-	-	0	0	0	(11,129,382)	0	(11,129,382)
Total financial Liabilities	0	0	0	0	0	(11,129,382)	-	(11,129,382)

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 2009 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 2008 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.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 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:

	Less Than 1 Year	Between 1 And 2 Years	Between 2 And 5 Years	Over 5 Years	Total
At 30 June 2009					
Payables	(13,080,322)	-	-	-	(13,080,322)
At 30 June 2008					
Payables	(11,129,382)	-	-	-	(11,129,382)

(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 HRNSW 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.

(e) Fair Values

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

	2009	2008
	\$	\$
Carrying Amount		
Cash and Cash equivalents	2,396,145	1,168,829
Deposits	221,190	-
Receivables	11,306,731	10,061,376
Payables	(13,080,322)	(11,129,382)
	843,744	100,823
Fair value		
Cash and Cash equivalents	2,396,145	1,168,829
Deposits	221,190	-
Receivables	11,306,731	10,061,376
Payables	(13,080,322)	(11,129,382)
	843,744	100,823

(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 2.

18. NOTES TO THE CASH FLOW STATEMENT

	2009	2008
Reconciliation of Net Cash from Operating Activities to (Deficit) / Surplus for the Year		
(Deficit) / Surplus for the Year	(367,885)	964,731
Depreciation and Amortisation	70,848	56,867
Less Profit on Land Acquisition	-	(950,000)
Operating Profit before changes in working capital and provisions	(297,037)	71,598
Change in Assets and Liabilities		
Change in Receivables	(1,245,355)	(1,724,277)
Change in Prepayments and Other Assets	(5,325,179)	19,933
Change in Creditors	1,791,872	2,649,343
Change in Income Received in Advance	(92,778)	100,561
Change in Employee Benefits	4,707	32,603
Change in Other Liabilities	4,846,405	-
Net Cash from Operating Activities	(317,365)	1,149,761

MEMBERS' DECLARATION

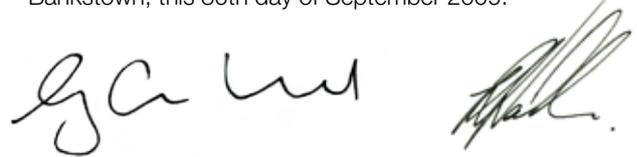
The Members of Harness Racing New South Wales (HRNSW) present their declaration for the Harness Racing Industry Funds for the financial year ended 30 June 2009

In the opinion of the Members of the entity –

- (a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial performance of the entity for the financial year ended 30 June 2009,
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2 (a),
- (c) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due, and

(d) the financial statements have been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 1.

Signed in accordance with a resolution of the Members at Bankstown, this 30th day of September 2009.



Graeme Campbell - Chairman Robert Nalder - Member

INDEPENDENT AUDITORS' REPORT HARNESS RACING INDUSTRY FUNDS

Report on the financial report

We have audited the accompanying financial report of Harness Racing Industry Funds (the 'entity') which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity, and cash flow statement 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.

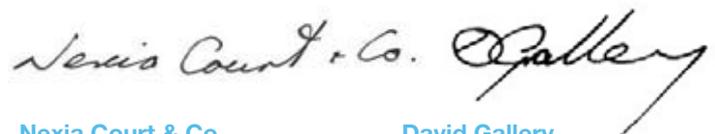
Independence

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 30 September 2009, 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 Funds:
 - (i) gives a true and fair view of the entity's financial position as at 30 June 2009 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 entity also complies with International Financial Reporting Standards as disclosed in note 2(a).



Nexia Court & Co
Chartered Accountants

David Gallery
Partner

Sydney
Dated: 13 October 2009

HARNESS RACING INDUSTRY FUNDS

INCOME STATEMENT

for the financial year ending 30 June 2009

	Note	2009	2008
		\$	\$
REVENUE FROM CONTINUING OPERATIONS			
HRNSW Distribution	3(a)	2,274,309	2,052,382
Foal and Sire Registration Fee		245,623	196,853
Interest Earned		81,883	55,300
Other income	3(b)	611,000	113,348
		3,212,814	2,417,883
EXPENSES OF CONTINUING OPERATIONS			
Prizemoney Subsidies	4(a)	1,304,636	495,199
Breeders' Bonus Incentive Certificates	8	411,818	167,557
Grants and Other Subsidies	4(b)	991,654	1,183,661
Carnival of Cups	4(c)	518,914	66,854
Management Fee / Bank Charges	4(d)	146,593	132,069
		3,373,615	2,045,340
(Deficit) / Surplus for the Year		(160,801)	372,543

HARNESS RACING INDUSTRY FUNDS

STATEMENT OF CHANGES IN EQUITY

for the financial year ending 30 June 2009

	Note	2009	2008
		\$	\$
Total Equity at the beginning of financial year		610,448	237,905
(Deficit) / Surplus for the year		(160,801)	372,543
Total recognised income and expense for the year		(160,801)	372,543
Total Equity at the end of the financial year		449,647	610,448

The accompanying notes form part of these statements

HARNESS RACING INDUSTRY FUNDS

BALANCE SHEET

for the financial year ending 30 June 2009

	Note	2009	2008
		\$	\$
ASSETS		\$	\$
CURRENT ASSETS			
Cash and Cash Equivalents	9(a)	296,236	1,088,577
Receivables	5	1,967,843	1,826,943
Other Assets	1(m)	28,685	-
Total Current Assets		2,292,764	2,915,520
		2,292,764	2,915,520
LIABILITIES			
CURRENT LIABILITIES			
Income received in advance	6	327,720	266,238
Payables	7	421,156	489,571
Provision for unredeemed Breeders Bonus Incentive Certificates	8	403,176	457,241
Total Current Liabilities		1,152,052	1,213,050
NON-CURRENT LIABILITIES			
Income received in advance	6	691,065	1,092,022
Total Non-Current Liabilities		691,065	1,092,022
Total Liabilities		1,843,117	2,305,072
Net Assets		449,647	610,448
EQUITY			
Accumulated Surplus		449,646	610,448
TOTAL EQUITY		449,647	610,448

HARNESS RACING INDUSTRY FUNDS

CASH FLOW STATEMENT

for the financial year ending 30 June 2009

	Note	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Participants and Others		3,289,034	2,692,396
Interest on Investments and Bank Account		81,883	59,412
Payments Made to Suppliers and Participants		(4,086,262)	(1,984,523)
Expenditure relating to EI		(76,996)	(299,630)
Net cash from operating activities	9(b)	(792,341)	467,655
Net (Decrease) / Increase in Cash held		(792,341)	467,655
Cash and Cash Equivalents at the Beginning of the Year		1,088,577	620,922
Cash and Cash Equivalents at the End of the Year	9(a)	296,236	1,088,577

The accompanying notes form part of these statements

INDEPENDENT AUDITORS' REPORT

HARNESS RACING INDUSTRY FUNDS

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.

(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

The following standards, amendments to standards and interpretations have been identified as those which may impact the Fund in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing these financial statements:

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

- AASB 8 Operating Segments introduces the “management approach” to segment reporting. AASB 8, which becomes mandatory for the entity’s 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the entity’s Chief Executive Officer in order to assess each segment’s performance and to allocate resources to them. The Fund does not expect this will have any impact on the financial statements.
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly “primary” statement) the “statement of comprehensive income”. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Fund’s 30 June 2010 financial statements. The Fund has not yet determined the potential effect of the revised standard on the Fund’s disclosures.
- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Fund’s 30 June 2010 financial statements. The Fund does not expect the revised standard to have any effect on future earnings.

No other standards issued but 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.

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.

(m) Other Assets

Other assets consist of prepaid expenses recognised on an accrual basis.

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 2009.

(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.

3. REVENUE

	Note	2009	2008
		\$	\$

(a) HRNSW Distribution

Funds totalling 6% (2008: 6%) plus \$322,000 for the Carnival of Cups of the HRNSW share of the TAB Distribution were provided by HRNSW.

(b) Grants Received – Racecourse Development Fund			
Grant Received - RDF		381,000	113,348
Club Marketing Contribution		150,000	-
Grant Received – Sky		60,000	-
Advertising Recoveries		20,000	-
		611,000	113,348

4. EXPENSES

(a) Prizemoney Subsidies

Trotters Foundation Series		43,000	8,000
Nursery Stakes		-	(3,000)
Sire Stakes Series (excluding rugs and trophies)		515,670	485,654
Leeton Breeders Plate		-	4,545
Breeders Challenge		745,966	-
		1,304,636	495,199

(b) Grants & Other Subsidies

Marketing & Media		234,008	66,543
NSW Mini-Trotting Association		13,022	12,000
Training Centre Funding		115,000	89,424
Sires Stakes Rugs & Trophies		18,269	19,469
Marker Pegs		-	(25,304)
Breeding Scheme Changes		-	14,215
NSW Rising Stars Series		11,118	-
Miscellaneous		44,761	8,389
Training		21,742	15,342
Racing Support		98,869	47,611
Sky Media Enhancement Strategy		10,971	5,500
Mini Trots Safety Vests		-	21,999
Race Field Legislation		-	20,000
Canberra HRC – Share Video Costs		-	17,618
Tax /Legal Advice		5,839	7,500
RISE		105,511	101,495
AHRC Levy		125,021	114,906
Inter Dominion Marketing contribution		84,232	70,455
Vaccinations/ Micro Chipping		76,996	354,923
Bathurst/Wagga Funding		-	221,576
Industry Research		15,550	-
Sponsorship expenses		10,745	-
		991,654	1,183,661

4. EXPENSES (CONTINUED)

	Note	2009	2008
		\$	\$

(c) Carnival of Cups

Prizemoney and related expenses		518,914	66,854
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(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 \$84 (2008:\$69) and audit fees \$2,000 (2008: \$2,000).

5. RECEIVABLES

HRNSW Distribution and other		1,214,014	1,785,360
Financial Institutions		2,130	41,583
Clubs		209,773	-
BAS Refund, Racecourse Development Fund and Other		541,926	-
		1,967,843	1,826,943

6. INCOME RECEIVED IN ADVANCE

Retained from foal and sire registration fees received in advance.

Current Liabilities		327,720	266,238
Non-Current Liabilities		691,065	1,092,022
		1,018,785	1,358,260

7. PAYABLES

Payable to HRNSW		291,328	213,269
Payable to Clubs		77,862	-
Creditors		51,966	276,302
			-
		421,156	489,571

8. 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.

9. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

Cash at bank and on deposit		296,236	1,088,577
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Cash on Deposit consists of \$134,219 (2008: \$128,019) invested with the NSW Treasury Corporation.

(b) Reconciliation of Net Cash from Operating Activities to (Deficit) / Surplus for the Year:

(deficit) / Surplus for the year		(160,801)	372,543
Changes in operating assets and liabilities:			
Change in receivables		(140,900)	(892,174)
Change in payables		(68,415)	339,177
Change in unredeemed bonus incentive certificates		(127,302)	(142,172)
Change in income received in advance		(266,239)	790,281
Change in Other assets		(28,684)	-
Net cash from operating activities		(792,341)	467,655

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

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	2009	2008
		\$	\$
Exposure to Credit Risk			
Cash and Cash Equivalents		162,016	960,558
Trade and Other Receivables		1,967,843	1,826,943
Deposits		134,220	128,019
		2,264,079	2,915,520

The Fund's maximum exposure to credit risk for Trade and other Receivables at the reporting date was:

HRNSW		1,214,014	1,785,360
Harness Racing Clubs		209,773	-
Financial Institutions		2,130	41,583
BAS Refund, RDF and Other		541,926	-
		1,967,843	1,826,943
Not Past Due		1,967,843	1,781,864
Past Due – 0 – 30 days		-	45,079
Past Due – 31 – 120 Days		-	-
Past Due – 121 – 365 Days		-	-
Due more than one year		-	-
		1,967,843	1,826,943

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

(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;

	Weighted Average Range		Floating		Non-Interest		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Fund								
Financial Assets								
Cash at bank	2% - 5%	5.5 - 6.5%	162,016	960,558	0	0	162,016	960,558
Receivables			0	0	1,967,843	1,826,943	1,967,843	1,826,943
Cash on Deposit	2.95% - 7.2%	6.2% - 7.2%	134,219	128,019	0	0	134,219	128,019
Total Financial Assets			296,236	1,088,577	1,967,843	1,826,943	2,264,079	2,915,520
Financial Liabilities								
Payables	-	-	-	-	421,155	489,571	421,155	489,571
Total financial Liabilities	0	0	0	0	421,155	489,571	421,155	489,571

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

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivities to Interest Rate risk

(d) Management Fee

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.

If interest rates had risen or decreased by 100 basis points the Fund's results for the year to 30 June 2008 would have increased / (decreased) by approximately \$19,200.

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:

	Less Than 1 Year	Between 1 And 2 Years	Between 2 And 5 Years	Over 5 Years	Total
At 30 June 2009					
Payables	421,155	-	-	-	421,155
At 30 June 2008					
Payables	489,571	-	-	-	489,571

(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:

	Note	2009 \$	2008 \$
Carrying Amount			
Cash and Cash equivalents		296,236	1,088,577
Trade and other receivables		1,967,843	1,826,943
Trade and other payables		(421,155)	(489,571)
		1,842,924	2,425,949
Fair value			
Cash and Cash equivalents		296,236	1,088,577
Trade and other receivables		1,967,843	1,826,943
Trade and other payables		(421,155)	(489,571)
		1,842,924	2,425,949

(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

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 2009.

In the opinion of the Members of the entity –

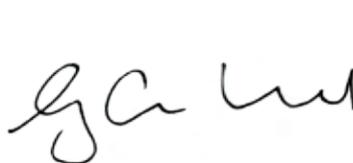
(a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial performance of the entity for the financial year ended 30 June 2009,

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2 (a);

(c) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due, and

(d) the financial statements have been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 1.

Signed in accordance with a resolution of the Members at Bankstown, this 30th day of September 2009.



Graeme Campbell - Chairman



Robert Nalder - Member

INDEPENDENT AUDITORS' REPORT

HARNESS RACING RACECOURSE DEVELOPMENT FUND

Report on the financial report

We have audited the accompanying financial report of Harness Racing Racecourse Development Fund (the 'entity') which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity, and cash flow statement 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 30 September 2009, 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 2009 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 entity also complies with International Financial Reporting Standards as disclosed in note 2(a).



Nexia Court & Co
Chartered Accountants

David Gallery
Partner

Sydney

Dated: 13 October 2009

HARNESS RACING RACECOURSE DEVELOPMENT FUND

INCOME STATEMENT

for the financial year ending 30 June 2009

	Note	2009	2008
		\$	\$
REVENUE FROM CONTINUING OPERATIONS			
HRNSW Distribution	3(a)	650,770	586,498
Interest Earned		67,265	162,362
Other Income	3(b)	381,559	357,000
		1,099,594	1,105,860
EXPENSES OF CONTINUING OPERATIONS			
Administration Expenses		69,537	77,121
Grants Made	4(a)	839,101	767,119
Legal Expenses		45,719	-
Video Production Subsidy	4(b)	315,724	-
		1,270,081	844,240
(Deficit) / Surplus for the Year		(170,486)	261,620

HARNESS RACING RACECOURSE DEVELOPMENT FUND

STATEMENT OF CHANGES IN EQUITY

for the financial year ending 30 June 2009

	Note	2009	2008
Total Equity at the beginning of financial year		3,421,824	3,160,204
(Deficit) / Surplus for the year		(170,486)	261,620
Total recognised income and expense for the year		(170,486)	261,620
Total Equity at the end of the financial year		3,251,337	3,421,824

The accompanying notes form part of these statements

HARNESS RACING RACECOURSE DEVELOPMENT FUND

BALANCE SHEET

for the financial year ending 30 June 2009

	Note	2009	2008
ASSETS			
Current Assets			
Cash and Cash Equivalents	10(b)	97,277	465,570
Deposits	11	1,195,192	1,151,989
Loans Receivables	5	225,900	231,520
Receivables	6	610,436	205,163
Total Current Assets		2,128,805	2,054,242
Non-Current Assets			
Loan Receivable	5	1,910,207	1,910,207
Total Non-Current Assets		1,910,207	1,910,207
TOTAL ASSETS		4,039,012	3,964,449
LIABILITIES			
Current Liabilities			
Payables	7	787,675	542,625
Total Current Liabilities		787,675	542,625
NET ASSETS		3,251,337	3,421,824
EQUITY			
Accumulated Surplus		3,266,788	3,421,824
TOTAL EQUITY		3,251,337	3,421,824

HARNESS RACING RACECOURSE DEVELOPMENT FUND

CASH FLOW STATEMENT

for the financial year ending 30 June 2009

	Note	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from participants and others		689,762	1,453,945
Interest on investments and bank account		67,265	162,362
Payments made to suppliers and participants		(1,087,737)	(778,628)
Net Cash From Operating Activities	10a	(330,710)	837,679
CASH FLOWS FROM LENDING ACTIVITIES			
Loans repaid – receipts		5,620	15,784
Loans made (payments)		-	(1,750,000)
Net Cash From Lending Activities		5,620	(1,734,216)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Payments for) / Proceeds from investments		(43,203)	1,298,928
Net Cash From Investing Activities		(43,203)	1,298,928
Net (Decrease)/Increase in Cash Held		(368,293)	402,393
Cash and Cash Equivalents at the Beginning of the Year		465,570	63,177
Cash and Cash Equivalents at the End of the Year	10b	97,277	465,570

The accompanying notes form part of these statements

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

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 Entity

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:

- a) The club/association carries out its activities in such a manner as to jeopardise its financial position or;
- b) 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.

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 fund in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing these financial statements:

- AASB 8 Operating Segments introduces the “management approach” to segment reporting. AASB 8, which becomes mandatory for the Fund’s 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the entity’s Chief Executive Officer in order to assess each segment’s performance and to allocate resources to them. The Fund does not expect this will have any impact on the financial statements.
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly “primary” statement) the “statement of comprehensive income”. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the entity’s 30 June 2010 financial statement. The Fund has not yet determined the potential effect of the revised standard on the Fund’s disclosures.
- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Fund’s 30 June 2010 financial statements. The Fund does not expect the revised standard to have any effect on future earnings.

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

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.

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 2009.

(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.

3. OPERATING INCOME

	Note	2009	2008
		\$	\$

(a) HRNSW Distribution

Funds totalling 2% (2008 2%) of the TAB Distribution were provided by HRNSW.

(b) Other Income

Recovery of contingent liability for HRNSW	9	381,000	357,000
Other		559	-
		381,559	357,000

4. EXPENSES

(a) Prizemoney Subsidies

Trotters Foundation Series		43,000	8,000
Nursery Stakes		-	(3,000)
Sire Stakes Series (excluding rugs and trophies)		515,670	485,654
Leeton Breeders Plate		-	4,545
Breeders Challenge		745,966	-
		1,304,636	495,199

(b) Grants made

Grants		839,101	767,119
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(c) Sky production Subsidy

Subsidy		315,724	-
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5. LOANS RECEIVABLE

Balance at the Beginning of the Year		2,141,727	407,511
Loans Made During the Year		-	1,755,607
Loans Repaid During the Year		(5,620)	(21,391)
Balance at the End of the Year		2,136,107	2,141,727

Of which:

Balance Owing Due Within One Year		225,900	231,520
Balance Owing Due Longer than One Year		1,910,207	1,910,207
		2,136,107	2,141,727

6. RECEIVABLES

HRNSW Distribution		168,738	170,805
HRNSW – Loan Repayment		381,000	-
Interest Accrued on Bank and Investments		6,511	12,044
Other		54,187	22,314
		610,436	205,163

7. PAYABLES

Amount due to Industry Funds for Breeding Scheme		381,000	392,000
IT Expenditure		220,000	-
Other		186,675	150,625
		787,675	542,625

HARNESS RACING RACECOURSE DEVELOPMENT FUND (CONTINUED)

	Note	2009	2008
		\$	\$

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 2009 amount to:

Carried Forward from previous year		49,865,167	49,865,167
IFIL made between 1 July 2008 and 30 June 2009		-	-
		49,865,167	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. 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 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, \$381,000 of this contingent asset was repaid by Harness Racing NSW.

10. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Net Cash from Operating Activities to (Deficit) / Surplus for the Year

(Deficit) / Surplus for the year		(170,487)	261,620
Changes in Assets and Liabilities			
Change in Receivables		(405,273)	378,271
Change in Payables		245,050	197,788
Net Cash from Operating Activities		(330,710)	837,679

(b) Cash and Cash Equivalents includes the following:

Cash at Bank		97,277	465,570
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11. DEPOSITS

NSW Treasury Corporation		935,192	891,989
Commonwealth Bank of Australia		260,000	260,000
		1,195,192	1,151,989

12. FINANCIAL ASSISTANCE PAYMENTS & COMMITMENTS OUTSTANDING

Club	Project	Commitment B/ Forward From 30/6/2008 \$	Funding Withdrawn/ Not Used	Funding Approved 2008/09	Payments Made 2008/09 \$	Commitment Remaining 30/6/2009 \$
Newcastle	Beresfield Land	-	-	21,432	21,431	-
Narrabri	Water Tanker	-	-	5,000	5,000	-
Wagga	Mobile Barrier	-	-	44,780	44,780	-
Wagga	Water Tanker	-	-	15,895	15,895	-
HRNSW	Hawkesbury	-	-	41,060	39,340	-
Dubbo	Track Upgrade	-	-	16,958	16,958	-
Newcastle	Towable Grader	-	-	11,636	11,636	-
Newcastle	Tractor	-	-	34,886	34,886	-
Bankstown	Semaphore Board	-	-	17,268	17,268	-
Young	Water Truck	-	-	26,259	26,259	-
Tamworth	Power Switchboard	18,636	(18,636)	-	-	-
Penrith	Mobile Semaphore Board	19,727	(19,727)	-	-	-
		38,363	(38,363)	235,174	235,174	

Assistance for projects \$50,000 and over

Projects	Interest free Interminable Loans		-	-	-
	Grants		-	-	-

Assistance for projects under \$50,000

Projects	Interest free Interminable Loans		-	15,895	15,895
	Grants		235,174	235,174	-
Assistance all projects		235,173	235,173	-	

13. 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.

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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:

	Note	2009	2008
		\$	\$

Exposure to Credit Risk

Trade and Other Receivables		610,436	205,163
Loans Receivables		2,136,107	2,141,727
Deposits		1,195,192	1,151,989
		4,039,012	3,964,449

The Fund's maximum exposure to credit risk for Trade and Other Receivables at the reporting date was:

HRNSW		549,736	170,805
Financial Institutions		6,511	12,044
Other		54,189	22,314
Not Past Due		592,948	186,952
Past Due – 0 – 30 days		-	-
Past Due – 31 – 120 Days		-	-
Past Due – 121 – 365 Days		-	-
Due more than one year		17,488	18,211
		610,436	205,163

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		255,487	261,108
GHRRA ***		180,619	180,619
		2,136,106	2,141,727

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.

13. FINANCIAL RISK MANAGEMENT (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;

	Weighted Average Range		Floating		Non-Interest			
	Effective Interest Rate		Interest Rate		Bearing		Total	
Fund	2009	2008	2009	2008	2009	2008	2009	2008
Financial Assets								
Cash at Bank	2% - 5.00%	5% - 6.25%	97,277	465,570	-	-	97,277	465,570
Receivables			-	-	610,436	205,163	610,436	205,163
Deposits	2.95% - 7.2%	6.2% - 7.2%	1,195,193	1,151,989	-	-	1,195,193	1,151,989
Total Financial Assets			1,292,469	1,617,559	610,436	205,163	1,902,906	1,822,722
Financial Liabilities								
Payables	-	-	-	-	787,675	542,625	787,675	542,625
Total financial Liabilities	0	0	0	0	787,675	542,625	787,675	542,625

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 2009 would have increased / (decreased) by approximately \$15,000.

If interest rates had risen or decreased by 100 basis points the Fund's results for the year to 30 June 2008 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:

	Less Than	Between 1 And	Between 2 And	Over	Total
	1 Year	2 Years	5 Years	5 Years	
At 30 June 2009					
Payables	421,155	-	-	-	421,155
At 30 June 2008					
Payables	542,625	-	-	-	542,625

(D) Market risk

Price Risk

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

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.

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Fund is not subject to externally imposed capital requirements.

(E) Fair Values

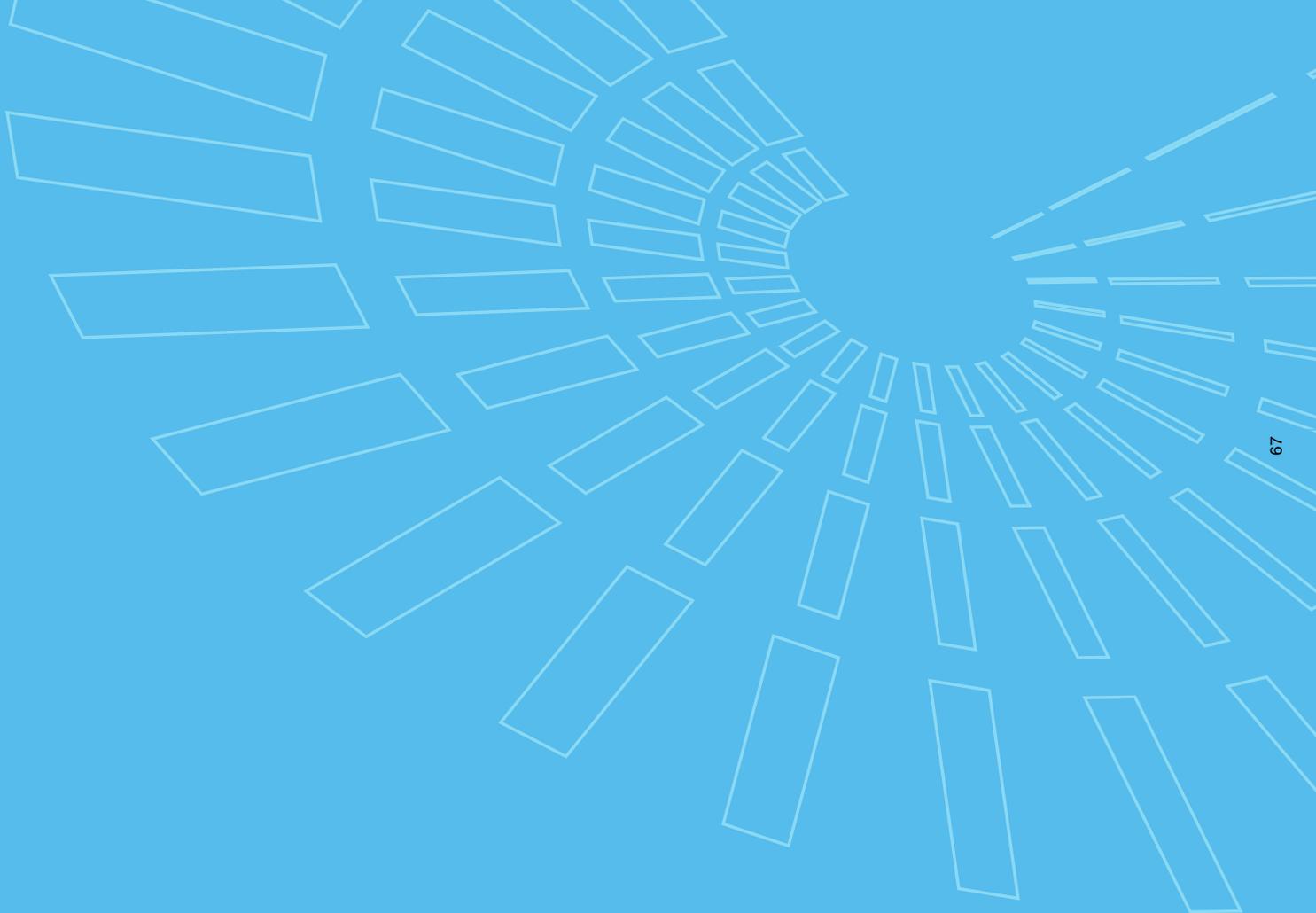
The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note	2009	2008
		\$	\$
Cash and Cash equivalents		97,277	465,570
Trade and other receivables		1,195,192	1,151,989
Trade and other receivables		610,436	205,163
Trade and other payables		(787,675)	(542,625)
		1,115,230	1,280,097
Cash and Cash equivalents		97,277	465,570
Trade and other receivables		1,195,192	1,151,989
Trade and other receivables		610,436	205,163
Trade and other payables		(787,675)	(542,625)
		1,130,680	1,280,097

(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.





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