

RACING VICTORIA LIMITED



FINANCIAL REPORT



**Racing Victoria Limited**  
[www.racingvictoria.net.au](http://www.racingvictoria.net.au)



**Racing Victoria Limited ACN 096 917 930**  
**Financial report for the financial year ended 31 July 2008**

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## Directors' report

The directors of Racing Victoria Limited submit herewith the annual financial report for the financial year ended 31 July 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the Company during or since the end of the financial year are as follows. Directors' particulars and profiles can be viewed in the Annual Report.

<b>The Hon Michael Duffy</b>	Appointed Chairman 6 December 2007
<b>Prof David Karpin AM</b>	Reappointed Deputy Chairman 6 December 2007
<b>Pamela Catty</b>	Appointed 6 December 2007
<b>Robert Cooke</b>	Appointed 6 December 2007 and resigned 14 July 2008
<b>Mark Ewing</b>	Appointed 1 December 2005
<b>John Harvey</b>	Appointed 6 December 2007
<b>Peter McMahon</b>	Appointed 6 December 2007
<b>Barbara Saunders</b>	Appointed 1 December 2005
<b>Naseema Sparks</b>	Appointed 6 December 2007
<b>Tim Warren</b>	Appointed 6 December 2007
<b>Graham Duff AM</b>	Chairman until retired 6 December 2007
<b>Robert Hance</b>	Retired 6 December 2007
<b>Lindsay Maxsted</b>	Retired 6 December 2007
<b>Peter McCarthy</b>	Retired 6 December 2007
<b>Kevin McNamara</b>	Retired 6 December 2007
<b>HEP (Chinka) Steel</b>	Retired 6 December 2007
<b>Stephen Allanson</b>	Resigned as Chief Executive Officer 14 February 2008
<b>Bernard Saundry</b>	Appointed Acting Chief Executive Officer 14 February 2008 until 11 August 2008
<b>Robert Hines</b>	Appointed as Chief Executive Officer 11 August 2008

### COMPANY SECRETARY

<b>Peter Williams</b>	Resigned 22 May 2008
<b>Mark Close</b>	Appointed 22 May 2008

### PRINCIPAL ACTIVITIES

The Company's principal activities in the course of the financial year were the administration of thoroughbred racing in the State of Victoria.

### DIVIDENDS

Under the Company's constitution no dividends may be declared or paid.

### REVIEW OF OPERATIONS

The total revenue from operations including Victorian thoroughbred racing industry joint venture revenue received under the Racing Deed of Operations increased by 0.2% to \$231.8 million in the twelve months to 31 July 2008. The operating profit of the Company for the twelve months to 31 July 2008 was \$2.3 million compared to a loss of \$0.3 million in the prior twelve months.

The profit from operations for the twelve months to 31 July 2008 consisted of a profit from Racing Victoria Limited general operations of \$2.3 million, the share of profit from the equity accounting treatment of Racing Information Services Australia Pty Ltd (RISA) of \$0.3 million, profit from Bookmakers Development Fund of \$0.1 million and loss from the Accident Insurance Fund of \$0.4 million.

## Directors' report

### CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the Company other than that referred to in the financial statements or notes hereto.

### SUBSEQUENT EVENTS

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

### FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been included in this report.

### DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including monthly and special meetings of the board and meetings of the audit committee) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 12 monthly board meetings, 9 special board meetings and 4 audit committee meetings were held.

Directors	BOARD OF DIRECTORS				AUDIT COMMITTEE	
	No. of Monthly Meetings Held (*)	No. of Monthly Meetings Attended	No. of Special Meetings Held (*)	No. of Special Meetings Attended	No. of Meetings Held (*)	No. of Meetings Attended
The Hon Michael Duffy	12	12	9	9		
Prof David Karpin AM	12	11	9	9		
Pamela Catty	7	6	7	7	2	2
Robert Cooke	7	4	6	4		
Mark Ewing	12	12	9	9	2	1
John Harvey	7	5	7	5	2	2
Peter McMahon	7	6	7	4		
Barbara Saunders	12	12	9	8	2	2
Naseema Sparks	7	6	7	7		
Tim Warren	7	6	7	7		
Bernard Saundry	5	5	5	5		
Graham Duff	5	4	2	2		
Robert Hance	5	4	2	0		
Lindsay Maxsted	5	5	2	2	2	2
Peter McCarthy	5	4	2	2		
Kevin McNamara	5	5	2	2	2	2
HEP (Chinka) Steel	5	5	2	2		
Stephen Allanson	7	7	4	4		

(\*) The number of meetings held during the time the directors held office during the 12 months to 31 July 2008.



## Directors' report

### INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the Company secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has executed deeds of indemnity in favour of each of the directors. Each of these deeds provides for the Company to indemnify each director to the maximum extent permitted by law against:

- all liabilities incurred by the director as an officer of the Company and each subsidiary; and
- all legal costs and expenses arising from proceedings or an investigation incurred by the director as an officer of the Company or of a subsidiary.

The deeds also give the directors a right of access to board papers for a period of seven years after their retirement and requires the Company to maintain insurance cover for the directors. A director's right of access to board papers is subject to protection of the Company legal professional privilege rights and to the director keeping the board papers in confidence.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 5 of the financial report.

### ROUNDING OFF OF AMOUNTS

The Company is a Company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors

**The Hon Michael Duffy**  
Chairman

Melbourne, 30 October 2008

## Auditor's independence declaration



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The Board of Directors  
Racing Victoria Limited  
400 Epsom Road  
Flemington Vic 3031

Dear Board Members

### **Auditor's Independence Declaration: Racing Victoria Limited**


In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Racing Victoria Limited.

As lead audit partner for the audit of the financial statements of Racing Victoria Limited for the financial year ended 31 July 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit

Yours sincerely

  
DELOITTE TOUCHE TOHMATSU

  
**Tom Imbesi**  
Partner  
Chartered Accountants

Melbourne, 30 October 2008

## Independent audit report



Deloitte Touche Tohmatsu  
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### Independent Auditor's Report to the members of Racing Victoria Limited

We have audited the accompanying financial report of Racing Victoria Limited, which comprises the balance sheet as at 31 July 2008, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration as set out on pages 8 to 39.

#### *Directors' Responsibility for the Financial Report*

The directors 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) and the Corporations Act 2001. 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 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes comply with International Financial Reporting Standards.

#### *Auditor's 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 auditor's 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 directors, as well as evaluating the overall presentation of the financial report.

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

#### *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.



## Independent audit report



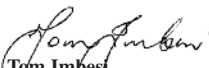
*Auditor's Opinion*

In our opinion:

- (a) the financial report of Racing Victoria Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 31 July 2008 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Yours sincerely

  
DELOITTE TOUCHE TOHMATSU

  
**Tom Imbesi**  
Partner  
Chartered Accountants

Melbourne, 30 October 2008



## Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "Michael Duffy".

**The Hon Michael Duffy**  
Chairman

Melbourne, 30 October 2008

## Income statement

for the financial year ended 31 July 2008

	NOTE	2008	2007
		\$'000	\$'000
Revenues	2(a)	231,827	231,375
Share of profit of associates and jointly controlled entities accounted for using the equity method	9	277	282
Expenses from ordinary activities (excluding grants)	2(b)	(93,571)	(87,686)
<b><i>Profit from operations before distributions</i></b>		138,533	143,971
Grants	2(c)	(136,283)	(144,245)
<b><i>Profit/(Loss) before income tax</i></b>		2,250	(274)
Income tax expense	1(n)	-	-
<b><i>Profit/(Loss) for the period</i></b>		2,250	(274)

Notes to the financial statements are included on pages 13 to 39.

## Balance sheet

as at 31 July 2008

	NOTE	2008 \$'000	2007 \$'000
<b>Current assets</b>			
Cash and cash equivalents	23(a)	9,628	5,456
Trade and other receivables	4	20,184	19,809
Other	5	712	596
<b>Total current assets</b>		<b>30,524</b>	<b>25,861</b>
<b>Non-current assets</b>			
Other financial assets	6	11,171	11,677
Property, plant & equipment	7	8,665	8,922
Other intangible assets	8	3,169	3,659
Investments accounted for using the equity method	9	3,750	3,473
<b>Total non-current assets</b>		<b>26,755</b>	<b>27,731</b>
<b>Total assets</b>		<b>57,279</b>	<b>53,592</b>
<b>Current liabilities</b>			
Trade and other payables	10	16,690	23,300
Unearned revenue		4,901	-
Borrowings	11	7,919	1,360
Provisions	12	1,114	4,272
<b>Total current liabilities</b>		<b>30,624</b>	<b>28,932</b>
<b>Non-current liabilities</b>			
Borrowings	13	11,591	10,694
Provisions	14	6,295	7,764
<b>Total non-current liabilities</b>		<b>17,886</b>	<b>18,458</b>
<b>Total liabilities</b>		<b>48,510</b>	<b>47,390</b>
<b>Net assets</b>		<b>8,769</b>	<b>6,202</b>
<b>Equity</b>			
Issued capital	15	-	-
Retained earnings	16	8,769	6,202
<b>Total equity</b>		<b>8,769</b>	<b>6,202</b>

Notes to the financial statements are included on pages 13 to 39.



## Statement of cash flows

for the financial year ended 31 July 2008

		Inflows (Outflows)	Inflows (Outflows)
	NOTE	2008	2007
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Receipts		208,892	203,620
Grants		(119,376)	(120,096)
Payments to suppliers and employees		(118,683)	(106,683)
Interest received		703	247
Receipts from other activities		21,039	27,863
<b>Net cash provided by operating activities</b>	23(c)	(7,425)	4,951
<b>Cash flows from investing activities</b>			
Payments for plant & equipment		(1,405)	(3,687)
Payments for Thoroughtrack		-	(10,020)
<b>Net cash used in investing activities</b>		(1,405)	(13,707)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(1,270)	(1,785)
Proceeds from borrowings		876	9,054
Proceeds in advance – Racing Products Victoria		6,369	-
Proceeds in advance – Sponsorship		4,901	-
Proceeds from borrowings – Joint Venture		2,126	-
<b>Net cash provided by/(used in) financing activities</b>		13,002	7,269
<b>Net increase/(decrease) in cash held</b>		4,172	(1,487)
Cash at beginning of financial year		5,456	6,943
<b>Cash at the end of financial year</b>	23(a)	9,628	5,456

Notes to the financial statements are included on pages 13 to 39.

## Statement of recognised income and expense

for the financial year ended 31 July 2008

	NOTE	2008	2007
		\$'000	\$'000
Actuarial Gain / (Loss) on defined benefit plans	18	317	1,664
<b>Net income / (expense) recognised directly in equity</b>		317	1,664
Profit / (Loss) for the period		2,250	(274)
<b>Total recognised income and expense for the year</b>		2,567	1,390

*Notes to the financial statements are included on pages 13 to 39.*

## Notes to the financial statements

for the financial year ended 31 July 2008

### 1. Summary of Accounting Policies

#### **Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, applicable Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors on 30 October 2008.

#### **Basis of preparation**

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

The Company is a Company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The financial report has also been prepared in accordance with the terms of various agreements with the Victoria Racing Club, the Members (as defined at (i) and (ii) below) and the racing industry in Victoria as follows:

#### **(i) Establishment of operations**

The Company was incorporated on 17 December 2001 for the purpose of administering the Victorian thoroughbred racing industry which was previously the responsibility of the Victoria Racing Club (VRC).

On 19 December 2001 the four thoroughbred racing bodies – Victoria Racing Club, Melbourne Racing Club, Moonee Valley Racing Club and Country Racing Victoria (collectively the Members) entered into a Members Agreement with the Company. Under this agreement the Members agreed to establish the Company as the new Principal Club and governing body for thoroughbred racing in Victoria, to be owned and funded by the Members. The VRC agreed to relinquish its status as the Principal Club and its role as governing body to facilitate the granting to the Company of that status and role.

#### **(ii) New constitution**

On 21 June 2007 the Company announced that agreement had been reached with its four members (Country Racing Victoria Limited, Melbourne Racing Club, Moonee Valley Racing Club Inc and Victoria Racing Club Limited) with respect to changes to the Company's governance which required amendment to the Company's Constitution.

As a consequence, a Special General Meeting was held on 24 September 2007 passing special resolutions to adopt a new Constitution subject to certification by the Minister for Racing.

The principal changes to the Constitution provide that:

- the membership of the Company is expanded to include RVL's ten stakeholder bodies subject to those new members satisfying minimum qualification criteria before being eligible to vote;
- the Company's membership and associated voting rights are as follows –
  - Country Racing Victoria - ten votes;
  - Melbourne Racing Club - five votes;
  - Moonee Valley Racing Club - five votes;
  - Victoria Racing Club - five votes;
  - Thoroughbred Racehorse Owners Association - three votes;

## Notes to the financial statements

for the financial year ended 31 July 2008

### 1. Summary of Accounting Policies (continued)

- Thoroughbred Breeders Victoria - two votes;
  - Australian Trainers Association - two votes;
  - Victorian Jockeys' Association - one vote;
  - Australian Jumping Racing Association and Victorian Bookmakers' Association - one vote exercisable jointly; and
  - Australian Services Union, Australian Workers Union, Liquor, Hospitality & Miscellaneous Workers Union and Media and Entertainment Arts Alliance - one vote exercisable jointly.
- a vote of 66.66% is required to pass all resolutions at a general meeting other than a special resolution (which will continue to require a vote of 75%);
  - a new independent board was appointed with effect from the close of the 2007 Annual General Meeting; and
  - with effect from the 2008 Annual General Meeting directors be required to retire by rotation and be subject to appointment by direct election of the members in the event of any member nominating candidates in addition to candidates proposed by the Company's Board.

The new Constitution came into operation on 29 November 2007 being the day upon which the Victorian Government Gazette published a certification by the Minister for Racing that the special resolution had not been disallowed by either House of the Victorian Parliament.

#### (iii) *Thoroughbred Racing Industry Revenue and Distributions*

The racing industry in Victoria has entered into joint venture and information supply agreements with the TABCORP Group of Companies. Under a Racing Industry Deed of Operations executed on 25 May 1994, the thoroughbred, harness and greyhound racing codes have determined arrangements between themselves including the allocation of joint venture profits and information supply fees. This income is received by the thoroughbred racing industry in the form of a racing program fee, a product supply fee, a marketing fee and the joint venture profit share (refer Note 2(a)).

Following the adoption of the new Constitution the Company and the Clubs agreed to terminate the Members' Agreement as it operated between them and a new Club Members' Deed was entered into for the purpose of providing for certain arrangements in relation to the governance of the TABCORP Joint Venture, the making of grants to the Clubs and the re-licensing process.

In relation to the Company making grants to the Clubs the following principles apply:

- The Company will from time to time make grants to participants in the Victorian thoroughbred racing industry for the purpose of encouraging thoroughbred horseracing.
- In making grants, the Company will seek to:
  - (i) adequately support the objectives of the Victorian thoroughbred racing industry;
  - (ii) provide incentives for Club performance and achievements of industry objectives; and
  - (iii) encourage and optimise participation in the ownership of thoroughbred race horses throughout Victoria by maximising returns to owners through statewide prize money strategies and other incentives.
- The Clubs further acknowledge that, consistent with the Constitution of the Company, no portion or amount of the income or assets of the Company may be distributed, paid or transferred directly or indirectly by way of dividend, bonus, or otherwise by way of profit to or amongst the Clubs in their capacity as Members.

#### (iv) *Retained Profits*

Under the terms of the Members agreement net profit and the ongoing retained profits of the Company cannot be distributed as dividends to the Members.

## Notes to the financial statements

for the financial year ended 31 July 2008

### 1. Summary of Accounting Policies (continued)

#### ***Significant Accounting Policies***

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### **(a) Borrowings**

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

#### **(b) Cash and Cash Equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

#### **(c) Employee Benefits**

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

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values, using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to the reporting date.

#### **Defined Contribution Plans**

Contributions to defined contribution superannuation plans are expensed when incurred.

#### **Defined Benefit Plans**

For defined benefit superannuation plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in full, directly in retained earnings, in the period in which they occur.

Past service is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

#### **(d) Financial Assets**

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in associates are accounted for under the equity method.

## Notes to the financial statements

for the financial year ended 31 July 2008

### 1. Summary of Accounting Policies (continued)

#### Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment interest is recognised by applying effective interest rates.

#### (e) *Financial Instruments issued by the Company*

##### Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

##### Interest

Interest is classified as an expense consistent with the balance sheet classification of the related debt.

#### (f) *Goods and Services Tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to, the taxation authority is classified as operating cash flows.

#### (g) *Impairment of Other Tangible and Intangible Assets*

At each reporting date, Racing Victoria Limited reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, Racing Victoria Limited estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

## Notes to the financial statements

for the financial year ended 31 July 2008

### 1. Summary of Accounting Policies (continued)

(h) *Intangible Assets*

Capitalised Software

Capitalised software is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful life of the software being five years.

(i) *Leased Assets*

Leased assets are classified as finance leases when terms of the lease transfer subsequently at the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

(j) *Payables*

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

(k) *Property, Plant and Equipment*

Plant and equipment, leasehold improvements and super screens under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

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

The following estimated useful lives are used in the calculation of depreciation:

Buildings and Improvements	40 years
Plant and Equipment	3 to 10 years
Leasehold Improvements	5 years
Equipment under finance lease	5 years

(l) *Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation, the future sacrifice for economic benefits is probable, and the amount of the provision can be measured reliably.

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

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

Accident Insurance Fund

Prior to 1 September 1985 the Fund was an authorised insurer for the purposes of the Workers Compensation Act 1958. The provision for outstanding claims is disclosed at Note 14. The provision is based on the last actuarial assessment of the outstanding claims of the Fund conducted as at 31 July 2008 by Frank Funder, a fellow of the Institute of Actuaries of Australia and reviewed annually by management having regard for material events impacting the calculation of the provision.

## Notes to the financial statements

for the financial year ended 31 July 2008

### 1. Summary of Accounting Policies (continued)

(m) *Revenue*

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Thoroughbred Racing Industry Revenue

Revenue is recognised when receivable under the joint venture and information supply agreements with the TABCORP Group of Companies.

Sale of Goods and Disposal of Assets

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at reporting date;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold;
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses incurred.

Contributions of Assets

Revenue arising from the contribution of assets is recognised when the Company gains control of the contribution or the right to receive the contribution.

Interest Revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the assets carrying amount.

(n) *Income Tax*

The Company is exempt from Income Tax under section 50-45 of the Income Tax Assessment Act.

(o) *Critical Accounting Judgements and Key Sources of Estimation Uncertainty*

In the application of the Company's accounting policies, which are described above, Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

## Notes to the financial statements

for the financial year ended 31 July 2008

### 1. Summary of Accounting Policies (continued)

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

#### *Critical judgements in applying the Company's accounting policies*

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Useful lives of Property, Plant & Equipment and Computer Software & Databases*

As described in Note 1(k), the Company reviews the estimated useful lives of property, plant and equipment and equipment at the end of each annual reporting period.

#### *(p) Adoption of New and Revised Accounting Standards*

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Company has also adopted the following Standards as listed below which only impacted on the Company's financial statements with respect to disclosure:

- AASB 101 'Presentation of Financial Statements (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'

#### *(q) Standards and Interpretations issued not yet effective*

At the date of authorisation of the financial report, a number of standards and Interpretations were in issue but not yet effective. Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	31 July 2010
AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010

There are currently no standards and interpretations issued not yet effective which are expected to have any material impact on the financial report of the Company.

## Notes to the financial statements

for the financial year ended 31 July 2008

	2008	2007
	\$'000	\$'000
<b>2. Profit from Operations</b>		
<b>(a) Revenue:</b>		
Revenue from operations consisted of the following items:		
Racing program fee	58,505	58,420
Product supply fee	82,197	82,768
Marketing fee	2,724	2,753
Joint venture profit share	64,290	65,365
Total joint venture revenue	207,716	209,306
Racing industry development program	6,310	7,162
Racing	1,986	1,856
Publishing	771	808
Education and training	556	557
Intellectual property	2,843	3,326
SuperVOBIS	1,961	2,106
Interest	815	444
Regional services	828	725
Industry service recoveries	1,983	1,937
Sponsorship	1,664	-
Rent received	737	478
Other	1,755	1,408
<b>Non-operating revenue:</b>		
Profit / (loss) has been arrived at after crediting / (charging) the following gains and losses from continuing operations:		
Shareholder grant	1,163	1,197
Other	739	65
	231,827	231,375
<b>(b) Expenses:</b>		
Profit / (loss) has been arrived at after charging the following expenses:		
<u>Racing Victoria Limited operating expenditure</u>		
Integrity services	8,766	8,275
Racing	2,937	3,197
Veterinary & swabbing	3,392	2,874
Racing development	4,918	5,645
Information services	3,403	3,485
Legal	1,055	941
Occupancy	1,184	1,020
Services and administration	5,662	6,103
Depreciation and amortisation	2,152	2,436
Bookmakers development fund	309	1,087
Other	3,784	1,990
	37,562	37,053

## Notes to the financial statements

for the financial year ended 31 July 2008

	2008	2007
	\$'000	\$'000
<b>2. Profit from Operations (continued)</b>		
<u>Industry Expenditure</u>		
Marketing & promotion	1,603	1,729
Race day services	7,975	8,137
Special projects allocations	2,289	1,019
Grants – Australian Racing Museum Limited	1,500	1,150
Stewards video & race telecasting	4,821	4,636
Form Guide	1,503	1,255
Training track development	2,180	2,711
Training facilities maintenance funding	9,491	8,026
Jockeys workcover expenses	2,819	3,155
Telecasting	-	(450)
SuperVOBIS	5,336	5,155
Provision for doubtful debts	-	17
Riding fees	8,520	8,120
Starters subsidy	4,706	4,441
Legal and consulting	1,046	636
Interest expense		
- Commercial bills	162	197
- Training tracks facility	978	74
Other	1,080	625
	56,009	50,633
Total operating and industry expenditure	93,571	87,686
Expenses from ordinary activities include:		
Contributions to defined benefit superannuation plan	1,161	1,340
Depreciation of non-current assets:		
Property, plant and equipment	760	1,223
Amortisation of non-current assets:		
Computer software and databases	1,392	1,213
Operating lease rental expenses	792	737
Operating expenses – other related party:		
- Australian Racing Museum Limited	1,500	1,150

## Notes to the financial statements

for the financial year ended 31 July 2008

	2008	2007
	\$'000	\$'000
<b>2. Profit from Operations (continued)</b>		
<b>(c) Grants to members:</b>		
<b>(i) Priority grants:</b>		
Region services	554	541
Thoroughbred Country Assistance Fund	8,978	9,043
Picnic racing	502	493
Program variation payments	2,552	2,618
Capital funding	10,064	10,064
Other	-	131
	22,650	22,890
<b>(ii) Prize money grants:</b>		
Country Racing Victoria Limited	42,170	42,307
Melbourne Racing Club	30,546	31,055
Moonee Valley Racing Club Inc	16,514	16,502
Victoria Racing Club Limited	27,307	28,587
Prize money stabilisation	(2,904)	2,904
	113,633	121,355
Total Grants	136,283	144,245
<b>3. Significant items</b>		
The net profit includes the following significant items:		
Sponsorship	1,664	-
Contributions to Australian Racing Museum Limited	(1,500)	(1,150)
Prize money stabilisation	2,904	-
	3,068	(1,150)

## Notes to the financial statements

for the financial year ended 31 July 2008

	2008	2007
	\$'000	\$'000
<b>4. Current trade and other receivables</b>		
Trade receivables (i)	3,359	3,279
Allowance for doubtful debts (ii)	(12)	(17)
	3,347	3,262
Joint venture fees and indexation receivable	6,189	5,970
Joint venture profit share receivable	4,913	6,308
Training Tracks Capital Receivable (Note 11)	550	360
Sundry receivables	5,185	3,909
	20,184	19,809

(i) The majority of trade receivables arise as a result of transactions with trainers and racing clubs. The credit period provided to trainers and clubs are 60 days and 30 days respectively. A provision has been made for estimated irrecoverable amounts from these receivables, determined by reference to past default experience. Refer to financial instruments Note 24 for details of the credit risk exposure in relation to these receivables.

(ii) *Reconciliation of doubtful debts*

Allowance for doubtful debts b/f	17	-
- Bad debts written off	(5)	-
- Movement in allowance account taken to profit and loss	-	17
Allowance for doubtful debts c/f	12	17

(iii) Refer to Note 24 for credit risk exposure and an ageing analysis of Current Trade and Other Receivables.

### 5. Other current assets

Prepayments – other	712	596
	712	596

## Notes to the financial statements

for the financial year ended 31 July 2008

	2008	2007
	\$'000	\$'000
<b>6. Other non-current financial assets</b>		
At amortised cost:		
Receivable from Racing Information Services Australia Pty Ltd		
– other related party	2,061	2,017
Training Tracks Capital Receivable (Note 13)	9,110	9,660
Receivable from Australian Racing Museum Limited - other related party	1,875	1,875
– Less allowance for doubtful debts (i)	(1,875)	(1,875)
	11,171	11,677
<i>(i) Reconciliation of doubtful debts</i>		
Allowance for doubtful debts b/f	1,875	1,875
- Bad debts written off	-	-
- Movement in allowance account taken to profit and loss	-	-
Allowance for doubtful debts c/f	1,875	1,875

*(ii)* Refer to Note 24 for credit risk exposure and an ageing analysis of Other Non-current Financial Assets.

## 7. Property, plant and equipment

	Buildings at cost	Super screen under hire purchase at cost	Plant & equipment at cost	Total
	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount (at cost)</b>				
Balance at 31 July 2007	7,748	5,030	5,111	17,889
Additions	171	-	332	503
Assets written off	-	-	-	-
Balance at 31 July 2008	7,919	5,030	5,443	18,392
<b>Accumulated depreciation/amortisation</b>				
Balance at 31 July 2007	(730)	(5,013)	(3,224)	(8,967)
Assets write-off	-	-	-	-
Depreciation expense	(253)	(14)	(493)	(760)
Balance at 31 July 2008	(983)	(5,027)	(3,717)	(9,727)
<b>Net book value</b>				
As at 31 July 2007	7,018	17	1,887	8,922
As at 31 July 2008	6,936	3	1,726	8,665

## Notes to the financial statements

for the financial year ended 31 July 2008

	2008	2007
	\$'000	\$'000
<b>7. Property, plant and equipment (continued)</b>		
Aggregate depreciation allocated whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year.		
Buildings	253	228
Super Screens	14	517
Plant and equipment	493	478
	760	1,223

## 8. Other intangible assets

### *Computer software and databases*

#### *Gross carrying amount (at cost)*

Balance at 31 July 2007	14,691	12,559
Additions	1,017	2,234
Disposals	(115)	(102)
Balance at 31 July 2008	15,593	14,691

### *Computer software and databases*

#### *Accumulated Amortisation*

Balance at 31 July 2007	(11,032)	(9,819)
Amortisation expense	(1,392)	(1,213)
Balance at 31 July 2008	(12,424)	(11,032)

#### *Net book value*

	3,169	3,659
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## 9. Investments accounted for using the Equity Method

Name of entity	Principal activity	Balance date	Ownership interest		Carrying amount	
			2008	2007	2008	2007
interest in associated entity:					\$'000	\$'000
Racing Information Services Australia Pty Ltd	Racing Information	31/07/2008	35%	35%	3,750	3,473

Significant influence is derived over Racing Information Services Australia Pty Ltd through the Board's appointment of a nominee director.

Pursuant to a shareholder agreement the Company has the right to cast 33% of the votes at a shareholder meeting.

## Notes to the financial statements

for the financial year ended 31 July 2008

	2008	2007
	\$'000	\$'000
<b>9. Investments accounted for using the Equity Method (continued)</b>		
<b>Movements in investments in associates</b>		
At the beginning of the financial year	3,473	3,740
Dilution of shareholding	-	(549)
Share of operating profit / (loss)	277	282
At the end of the financial year	3,750	3,473
<b>Summarised financial position of associates:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	2,787	1,547
Trade and other receivables	744	592
<b>Non-current assets:</b>		
Property, plant and equipment	166	162
Trade and other receivables	2,965	1,888
Intangibles	7,385	8,203
<b>Current liabilities:</b>		
Trade and other payables	(772)	(635)
Provisions	(112)	(89)
<b>Non-current liabilities:</b>		
Borrowings	(2,061)	(1,468)
Provisions	(387)	(277)
<b>Net Assets</b>	<b>10,715</b>	<b>9,923</b>
<b>Net profit / (loss)</b>	<b>347</b>	<b>542</b>

### 10. Current trade and other payables

#### Unsecured:

Trade payables	3,826	9,018
Stakes accruals	3,881	4,272
Sundry payables	6,250	5,590
GST payable	1,344	216
Grants	216	3,302
Thoroughbred country assistance fund	700	676
Deferred joint venture charges	473	226
	16,690	23,300

- (i) Accruals and payables represent liabilities for goods and services provided to the Company, prior to the end of the financial year, which are unpaid. Amounts are normally settled within 30 days and are carried at nominal value. Racing Victoria Limited has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.
- (ii) Refer to financial instruments Note 24 for a liquidity analysis of these payables

## Notes to the financial statements

for the financial year ended 31 July 2008

	2008	2007
	\$'000	\$'000
<b>11. Current borrowings</b>		
<b>Secured at amortised cost:</b>		
Commercial bills(i) & (ii)	1,000	1,000
Training Tracks Facility(i) & (ii) (Note 4)	550	360
<b>Unsecured at amortised cost:</b>		
Loan – Racing Products Victoria Pty Ltd	6,369	-
	7,919	1,360

- (i) Secured by a fixed and floating charge over the assets of Racing Victoria Limited
- (ii) During the period there were no defaults or breaches on any of the loans. Refer to financial instruments Note 24 for a liquidity and interest rate risk analysis of these interest bearing liabilities.

## 12. Current provisions

Employee benefits	1,114	1,368
Prize money Stabilisation(i) & (ii)	-	2,904
	1,114	4,272
(i) <i>Prize money Stabilisation:</i>		
Balance at beginning of the year	2,904	-
Income support provided on behalf of members	-	2,904
Amounts applied on behalf of members	(2,904)	-
Balance at end of the year	-	2,904

- (ii) As a result of the new club members' deed, all prize money grants are made by the Company and not on behalf of the members. (Refer Note 1.)

## 13. Non-current borrowings

<b>Secured at amortised cost:</b>		
Commercial Bills(i) & (ii)	1,000	2,000
Training Tracks Facility(i) & (ii) (Note 6)	9,110	8,694
<b>Unsecured at amortised cost:</b>		
Loan – other	1,481	-
	11,591	10,694

- (i) Secured by a fixed and floating charge over the assets of Racing Victoria Limited
- (ii) During the period there were no defaults or breaches on any of the loans. Refer to financial instruments Note 24 for a liquidity and interest rate risk analysis of these interest bearing liabilities.

## Notes to the financial statements

for the financial year ended 31 July 2008

	2008	2007
	\$'000	\$'000
<b>14. Non-current provisions</b>		
Accident claims (i) (Note 1(l))	2,043	1,804
Employee benefits	2,164	2,533
Superannuation – Defined Benefit Fund (Note 18)	2,088	3,427
	6,295	7,764
(i) <i>Accident claims</i>		
Balance at beginning of the year	1,804	1,804
Additional provisions recognised	239	-
Balance at end of the year	2,043	1,804
<b>15. Issued capital</b>		
The Company is a Company limited by guarantee. Every member undertakes to and must contribute an amount not exceeding \$10 in the event of the winding up of the Company.		
<b>16. Retained earnings</b>		
Balance at beginning of financial period	6,202	4,812
Actuarial gains/(losses)	317	1,664
Net Profit/(Loss)	2,250	(274)
Balance at end of financial period	8,769	6,202
<b>17. Commitments for expenditure</b>		
(a) Non-cancellable operating leases:		
Not later than 1 year	782	795
Later than 1 year but not later than 5 years	261	1,066
	1,043	1,861
Operating leases relate to the leasing of motor vehicles. The term of each individual lease is between one and three years. These lease agreements are not subject to rental adjustments.		
(b) Other (Broadcast Contract):		
Not later than 1 year	5,434	-
Later than 1 year but not later than 5 years	20,195	-
	25,649	-
Other relates to the supply of outside broadcasting services to the Victorian Thoroughbred Racing Industry by ThoroughVision Pty Ltd. The term of the contract is five years.		
(c) The Company has undertaken to provide financial support to the Australian Racing Museum to a maximum of \$1,820,000 during 2008/09.		

## Notes to the financial statements

for the financial year ended 31 July 2008

### 18. Superannuation commitments

The employees of the Company are members of Victorian Racing Industry Superannuation Fund, which also includes employees of the Victoria Racing Club and Country Racing Victoria. The fund has a composition of defined benefit and accumulation membership.

The financial information of the fund disclosed in this report relates to the employees of the Company.

Under the defined benefit plan, employees are entitled to retirement benefits based on a multiple of their deemed final salary upon attainment of their retirement age of 60. No other post-retirement benefits are provided to these employees.

The defined benefit plans are funded plans. The superannuation plans compute their obligations in accordance with Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans" which prescribes a different measurement basis to that applied in this financial report. The net deficit determined in the plans most recent financial report, being the annual reports for the financial year ended 30 June 2008, was \$2,088 thousand (2007: \$3,427 thousand). The plan actuaries have not recommended that additional contributions beyond the current contribution level be made. Funding recommendations are made by the actuaries based on their forecast of various matters, including future plan assets performance, interest rates and salary increases.

The Company has a legal liability to make up a deficit in the plans but no legal right to use any surplus in the plans to further its own interests.

	2008	2007
	%	%
<b>Key Assumptions used (expressed as weighted averages)</b>		
Discount rate gross of tax	6.2	6.0
Discount rate net of tax	5.3	5.1
Expected return on plan assets	7.0	7.0
Expected rate of salary increase	4.5	4.5

	2008	2007
	\$'000	\$'000
<i>Amounts recognised in income in respect of these defined benefit plans are as follows:</i>		
Current service cost	1,251	1,654
Interest cost	1,078	989
Expected return on plan assets	(1,261)	(1,205)
Curtailment or settlement (gains)/losses	(1,159)	-
Total including employee benefit expense	(91)	1,438
Actuarial gains / (losses) incurred during the year and recognised in the statement of recognised income and expense (equity)	317	1,664
Cumulative actuarial gains / (losses) recognised in the statement of recognised income and expense	3,525	3,209

## Notes to the financial statements

for the financial year ended 31 July 2008

	2008	2007
	\$'000	\$'000
<b>18. Superannuation commitments (continued)</b>		
<i>The amount included in the balance sheet arising from the Company's obligations in respect of its defined benefit plan is as follows:</i>		
Present value of funded defined benefit obligations	(12,439)	(22,600)
Fair value of plan assets	10,351	19,173
Net asset / (liability) arising from defined benefit obligations	(2,088)	(3,427)
<b>Included in the balance sheet:</b>		
Non-current provision for employee benefits (Note 14):		
Superannuation - defined benefit fund	2,088	3,427
Net liability arising from defined benefit obligations	2,088	3,427
<i>Movement in the present value of defined benefit obligations in the current period were as follows:</i>		
Opening defined benefit obligation	(22,600)	(22,565)
Current service cost	(1,251)	(1,654)
Interest cost	(1,078)	(988)
Contribution from plan participants	(230)	(249)
Actuarial (gains) / losses	2,498	1,128
Benefits and tax paid	8,729	906
Notional liability transfer to RISA	-	822
Curtailements and settlements	1,493	-
Closing defined benefit obligation	(12,439)	(22,600)
<i>Movement in the present value of plan assets in the current period were as follows:</i>		
Opening fair value of plan assets	19,173	17,818
Expected return on assets	1,261	1,205
Actuarial gains / (losses)	(2,515)	538
Contributions from the employer	931	1,091
Contributions from plan participants	230	249
Benefits and tax paid	(8,729)	(906)
Notional asset transfer to RISA	-	(822)
Closing fair value of plan assets	10,351	19,173

The actual return on plan assets was \$1,254 thousand (2007: (\$1,743 thousand)).

The Company expects to make a contribution of \$720 thousand to the defined benefit plans during the next financial year. In accordance with actuarial recommendations, the employer currently contributes 18% of employees' salaries. Employees contribute between 0% and 5% of salary.

The history of experience adjustments is as follows:

Experience adjustments on plan liabilities	3,757	774
Experience adjustments on plan assets	2,514	538

## Notes to the financial statements

for the financial year ended 31 July 2008

	2008	2007
	\$'000	\$'000
<b>18. Superannuation commitments (continued)</b>		
<i>Fair value of plan assets:</i>		
Equity instruments	6,004	11,312
Debt instruments	2,691	5,369
Property	1,035	1,917
Other	621	575
	10,351	19,173

	2008	2007
	%	%
<i>The analysis of the plan assets and the expected rate of return at the balance sheet date is as follows</i>		
Equity instruments	7.75	7.75
Debt instruments	5.5	5.5
Property	7.0	7.0
Other	7.0	7.0

### **Fair value of plan assets**

The fair value of plan assets includes no amounts relating to:

- Any of the employers own financial instruments
- Any property occupied by, or other assets used by, the employer.

### **Expected rate of return on plan assets**

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

### **Nature of superannuation asset / liability**

The employer has recognised a liability in the balance sheet in respect of its defined benefit superannuation arrangements.

If a surplus exists in the Plan, the employer may be able to utilise this by way of reduced contributions, depending on the advice of the plan's actuary.

## Notes to the financial statements

for the financial year ended 31 July 2008

	2008	2007
	\$'000	\$'000
<b>19. Key management personnel remuneration</b>		
The aggregate compensation of the key management personnel, including directors of the Company, is set out below:		
<i><u>Other key management</u></i>		
Short-term employee benefits	1,520	1,706
Post-employment benefits	98	459
Termination benefit	412	-
	2,030	2,165
<i><u>Directors</u></i>		
Short-term employee benefits	649	606
	649	606

	2008	2007
	\$	\$
<b>20. Remuneration of auditors</b>		
Audit or review of financial report	96,500	89,500
	96,500	89,500

### 21. Segment reporting

The Company operates in the thoroughbred racing industry in the State of Victoria.

### 22. Related party disclosures

**(a) Equity interests in associates and joint ventures**

Details of interests in associates and joint venture are disclosed in Note 9 to the financial statements.

**(b) Key management personnel compensation**

Details of key management personnel compensation including directors are disclosed in Note 19 to the financial statements.

**(c) Transactions with key management personnel**

Certain directors participate in the thoroughbred racing industry via means of ownership of race horses either individually or through related entities. This involvement is on terms and conditions no more favourable than other participants in the thoroughbred racing industry.

**(d) Other related party disclosures**

**Transactions with key management personnel and their related entities**

The net profit reported in the Income Statement in 2008 includes expenses in relation to activities paid by Racing Victoria Limited on behalf of the Australian Racing Museum Ltd (director related entity) totalling \$1,500 thousand (2007: \$1,150 thousand). In addition the Company paid for services provided by the Australian Racing Museum in relation to education and public program and owners' development totalling \$847 thousand. These expenses were incurred only after approval by the Racing Victoria Limited board. During the financial year the Company also provided administrative services to the entity on normal commercial terms and conditions as agreed by the parties. Aggregate amounts receivable from director related entities are disclosed in Notes 4 and 6 to the financial statements.

## Notes to the financial statements

for the financial year ended 31 July 2008

	2008	2007
	\$'000	\$'000
<b>23. Notes to the statement of cash flows</b>		
<b>(a) Reconciliation of cash</b>		
For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash at bank	9,628	5,456
<b>(b) Financing facilities</b>		
Commercial bill facility:		
- amount used	2,000	3,000
- amount unused	4,000	3,000
	6,000	6,000
Short term advance facility:		
- amount used	-	-
- amount unused	-	4,000
	-	4,000
<b>(c) Reconciliation of net profit to net cash flows from operating activities</b>		
Profit/(Loss) from ordinary activities	2,250	(274)
Share of associates profit	(277)	(282)
Depreciation & amortisation of non-current assets	2,152	2,436
Allowance for doubtful debts – general	-	17
Defined benefit plan expense	(1,023)	347
Receivable reduction – training tracks	360	-
Interest income	(739)	-
Changes in net assets & liabilities:		
(Increase)/Decrease in:		
Receivables	(136)	1,139
Prepayments	(116)	76
Increase/(Decrease) in:		
Payables	(6,608)	(2,002)
Prize money stabilisation	(2,904)	2,904
Provisions	(384)	590
Net cash provided by operating activities	(7,425)	4,951

## Notes to the financial statements

for the financial year ended 31 July 2008

### 24. Financial instruments

#### *Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

#### *Categorisation of financial instruments*

FINANCIAL INSTRUMENT	NOTE	CATEGORY	2008 \$'000	2007 \$'000
Cash	23(a)	Loans and receivables at amortised cost	9,628	5,456
Current trade and other receivables	4	Loans and receivables at amortised cost	20,184	19,809
Other non-current financial assets	6	Loans and receivables at amortised cost	11,171	11,677
Current trade and other payables	10	Other liabilities at amortised cost	(16,690)	(23,300)
Current borrowings	11	Other liabilities at amortised cost	(7,919)	(1,360)
Non-current borrowings	13	Other liabilities at amortised cost	(11,591)	(10,694)

#### *Credit Risk*

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

Credit risk associated with the Company's trade receivables is minimal because there is a strict policy on debt collection. In relation to trainers, the Company has the ability to ban these debtors from nominating in the event that they fail to pay on the terms provided. In relation to clubs, RVL works closely with them to ensure payment is received in a timely manner to enable prize money payments to proceed.

For debtors other than trainers and racing clubs, it is the Company's policy to only deal with creditworthy entities. Credit risk in relation to receivables is also monitored by management by reviewing the ageing of receivables on a monthly basis.

#### *Concentration of credit risk*

Due to the industry in which the Company operates, the main concentration of credit exposure is within the racing industry.

#### *Credit risk exposure*

The carrying amount of financial assets recorded in this Financial Report, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

## Notes to the financial statements

for the financial year ended 31 July 2008

### 24. Financial instruments (continued)

#### *Credit risk (continued)*

*Financial assets that are either past due of impaired*

**2008**

	Carrying amount	Not past due and not impaired	Past due but not impaired					Total	Impaired
			>1mth	2-3 mths	3 mths to 1 year				
			\$'000	\$'000	\$'000	\$'000	\$'000		
Cash	9,628	9,628	-	-	-	-	-	-	
Current trade and other receivables:									
- Trade receivables	3,347	2,332	456	197	374	3,359	12		
- Joint venture indexation fees	6,189	6,189	-	-	-	-	-	-	
- Joint venture profit share	4,913	4,913	-	-	-	-	-	-	
- RISA	-	-	-	-	-	-	-	-	
- Sundry receivables	5,185	5,185	-	-	-	-	-	-	
Other non-current financial assets:									
- RISA	2,061	2,061	-	-	-	-	-	-	
- Training tracks	9,660	9,660	-	-	-	-	-	-	
- ARM	-	-	-	-	1,875	1,875	1,875		

**2007**

	Carrying amount	Not past due and not impaired	Past due but not impaired					Total	Impaired
			>1mth	2-3 mths	3 mths to 1 year				
			\$'000	\$'000	\$'000	\$'000	\$'000		
Cash	5,456	5,456	-	-	-	-	-	-	
Current trade and other receivables:									
- Trade receivables	3,262	2,729	219	110	221	3,279	17		
- Joint venture indexation fees	5,970	5,970	-	-	-	-	-	-	
- Joint venture profit share	6,308	6,308	-	-	-	-	-	-	
- RISA	-	-	-	-	-	-	-	-	
- Sundry receivables	3,909	3,909	-	-	-	-	-	-	
Other non-current financial assets:									
- RISA	2,017	2,017	-	-	-	-	-	-	
- Training tracks	10,020	10,020	-	-	-	-	-	-	
- ARM	-	-	-	-	1,875	1,875	1,875		

## Notes to the financial statements

for the financial year ended 31 July 2008

### 24. Financial Instruments (continued)

#### *Liquidity risk*

Liquidity risk arises from the Company being unable to meet financial obligations as they fall due.

The Company manages liquidity through the preparation of cash flow forecasts during its annual budget process and mid year review.

#### *Liquidity risk exposure*

Refer to the table below under interest rate risk for details of the liquidity of the financial liabilities held by the Company.

#### **Market risk**

Market risk is the risk that the fair value or future cash flows or a financial instrument will fluctuate because of changes in market prices. Since the Company does not have any price risk and does not partake in any significant transactions in foreign currencies, market risk for the Company comprises only interest rate risk.

#### **Interest rate risk**

Interest rate risk to the Company arises from borrowings which are at a variable rate. This is mitigated slightly by the cash holdings which generate interest income at a variable rate.

#### *Policies for managing interest rate risk*

The Company does not enter into derivatives to manage the interest rate risk but instead management consider the likelihood of future interest rate movements in deciding whether to enter into borrowings at fixed rates or whether to enter into variable rate loans with rate caps which is currently the case with one of the Commercial Bill facilities.

In addition, in relation to the Commercial Bills borrowing facility, any additional interest payable will be passed on to the racing clubs since this facility has been entered into for their benefit. Therefore the Company's direct interest rate risk is reduced.

## Notes to the financial statements

for the financial year ended 31 July 2008

### 24. Financial instruments (continued)

#### *Interest rate risk (continued)*

The following tables detail the Company's interest rates and remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

#### 2008

	Weighted average effective interest rate	< 1 mth	1 to 3 mths	3 mths to 1 yr	1 to 5 years	>5 years
	%	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial liabilities</b>						
<i>Non-interest bearing:</i>						
Trade and other payables (i)		20,473	339	35	-	-
<i>Fixed interest rate:</i>						
Borrowings						
- Training track facility	7.95	-	-	1,036	6,220	1,388
<i>Variable interest rate:</i>						
- Commercial bills	8.50	-	-	1,170	1,085	-
- Training track facility	7.95	-	-	3,000	-	-
		20,165	339	5,241	7,305	1,388

#### 2007

	Weighted average effective interest rate	< 1 mth	1 to 3 mths	3 mths to 1 yr	1 to 5 years	>5 years
	%	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial liabilities</b>						
<i>Non-interest bearing:</i>						
Trade and other payables (i)		21,739	1,274	71	-	-
<i>Fixed interest rate:</i>						
Borrowings						
- Training track facility	7.95	-	-	889	5,675	3,028
<i>Variable interest rate:</i>						
- Commercial bills	8.50	-	-	1,255	2,255	-
- Training track facility	7.95	-	-	239	3,000	-
		21,739	1,274	2,454	10,930	3,028

(i) Goods and services tax liability has been excluded from the table as it is not a contractual liability

## Notes to the financial statements

for the financial year ended 31 July 2008

### 24. Financial instruments (continued)

#### *Interest rate risk (continued)*

The following tables detail the Company's interest rates and expected maturity for its financial assets.

#### 2008

	Weighted average effective interest rate	< 1 mth	1 to 3 mths	3 mths to 1 yr	1 to 5 years	>5 years
	%	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>						
<i>Non-interest bearing:</i>						
Trade and other receivables		18,619	652	375	-	-
Non-current other assets		-	-	550	6,836	4,335
<i>Variable interest rate:</i>						
Cash	6.65	9,628	-	-	-	-
		28,247	652	925	6,836	4,335

#### 2007

	Weighted average effective interest rate	< 1 mth	1 to 3 mths	3 mths to 1 yr	1 to 5 years	>5 years
	%	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>						
<i>Non-interest bearing:</i>						
Trade and other receivables		18,916	319	221	-	-
Non-current other assets		-	-	360	5,867	5,810
<i>Variable interest rate:</i>						
Cash	6.25	5,456	-	-	-	-
		24,372	319	581	5,867	5,810

#### *Interest rate risk sensitivities*

A sensitivity analysis has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 0.5% increase in interest rates (or discount rates) is used since this is what management believes to be the possible change in interest rates over the next 12 months following the balance date based on Australian forecast economic data (this was consistent with the prior period) and it is therefore the percentage that the custodian presents to management to monitor interest rate risk.

These movements are attributable to the Company's exposure to interest rates on its variable rate borrowings.

## Notes to the financial statements

for the financial year ended 31 July 2008

### 24. Financial instruments (continued)

#### *Interest rate risk sensitivities (continued)*

At reporting date, if interest rates had moved 0.5% up or down and all other variables were held constant, the Company's net profit and net assets would move as follows (all other reserves would remain constant):

	2008	2007
	\$'000	\$'000
Impact of a 0.5% increase in interest rates	7	(20)
Impact of a 0.5% decrease in interest rates	(7)	20

#### **Fair value of financial instruments**

The carrying amounts of all financial instruments approximate their fair values.

### 25. Contingent liability

Under the Deed of Contribution and Indemnity with the Victoria Racing Club, the Company has indemnified the Victoria Racing Club against any claims against the Victoria Racing Club arising from its previous operation of the thoroughbred racing industry in Victoria.

Racing Victoria Limited has guaranteed a loan facility of Australian Racing Museum Limited totalling \$100 thousand (2007:\$500 thousand)

### 26. Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

### 27. Additional Company information

Racing Victoria Limited is a Company incorporated and operating in Australia.

Principal Registered Office and Principal Place of Business

Racing Victoria Limited

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Flemington Victoria 3031

Telephone: (03) 9258 4258

[www.racingvictoria.net.au](http://www.racingvictoria.net.au)