

ANNUAL REPORT 2017



HARNESS RACING VICTORIA

Mission



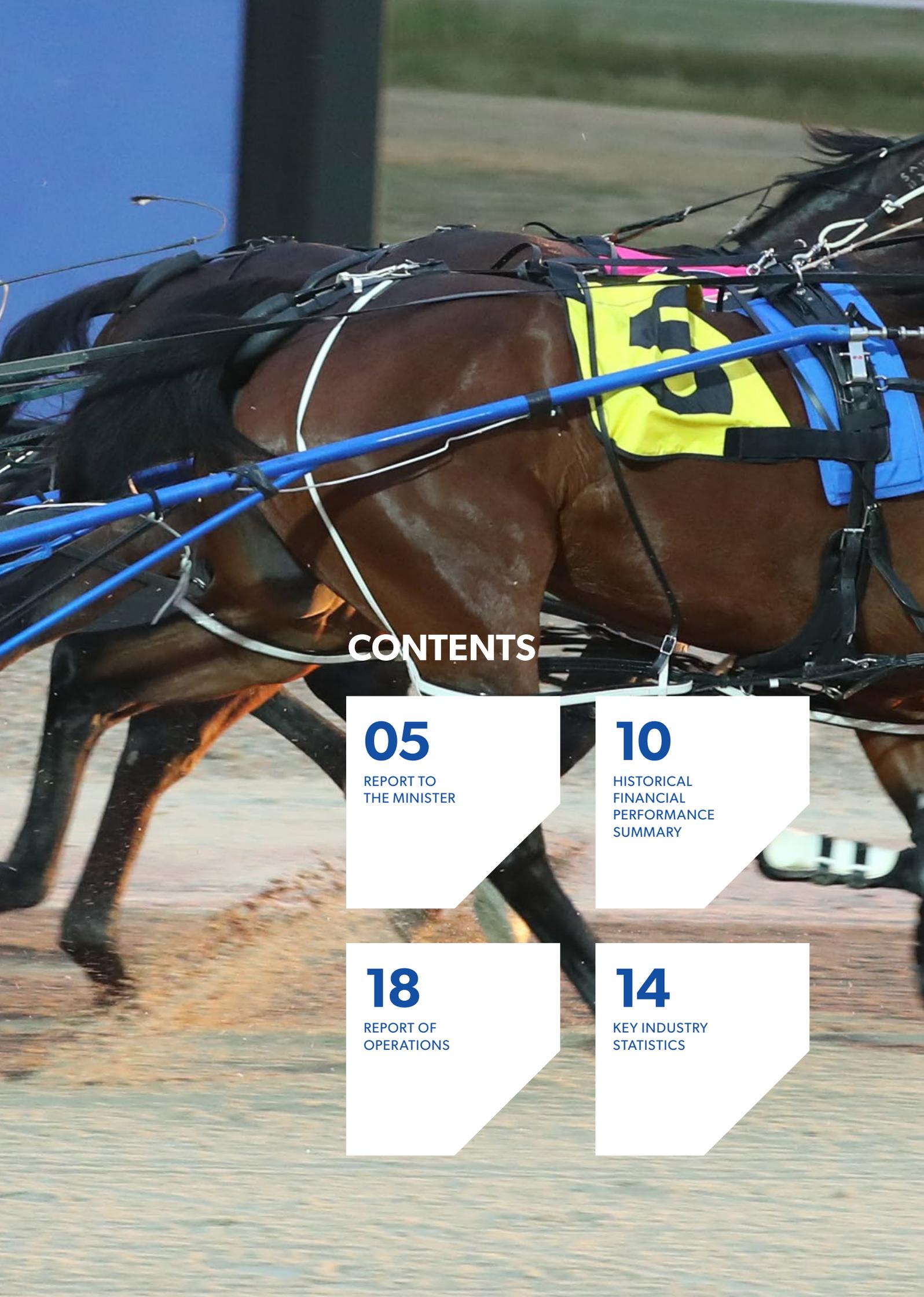
To develop a vibrant harness racing industry that promotes participation, integrity and racing excellence, grows wagering and maximises returns to its stakeholders. ”

Goals and Objectives

Our goals and key objectives are to create a vibrant and sustainable harness racing industry by:

- Maximising returns to participants and remain a market leader.
- Improving the product and brand.
- Increasing harness wagering turnover and market share.
- Building a business that is stronger and more financially viable.
- Increasing the professionalism of the sport.





CONTENTS

05

REPORT TO
THE MINISTER

10

HISTORICAL
FINANCIAL
PERFORMANCE
SUMMARY

18

REPORT OF
OPERATIONS

14

KEY INDUSTRY
STATISTICS



FINANCIAL STATEMENTS

26

COMPREHENSIVE
OPERATING
STATEMENT

27

BALANCE
SHEET

28

STATEMENT OF
CHANGES IN
EQUITY

29

CASH FLOW
STATEMENT

30

NOTES TO AND
FORMING PART
OF THE FINANCIAL
STATEMENTS

73

DECLARATION
IN THE FINANCIAL
STATEMENTS

74

AUDITOR
GENERAL'S
REPORT



REPORT TO THE MINISTER FOR RACING

The Hon. Martin Pakula MP
Minister for Racing

On behalf of the Board, I present this report to you for the 2016-17 financial year.

CHAIRMAN'S FOREWARD

Harness Racing Victoria (HRV) has undergone an important transition period during the past 12 months. There has been more organizational change in this period than in HRV's recent history.

The basis for this change was a comprehensive audit report, with eighteen (18) key recommendations, which I prepared in April 2015. As the starting point for reform, in early 2016, a new skills-based HRV Board was appointed by the Minister for Racing, the Hon Martin Pakula.

It was clear to the new Board that the industry was faced with a number of challenges across all areas, including management of integrity, marketing, racing product, programming, HRV's organizational structure and competencies and a need to improve collaboration and communication with the industry kindred bodies.

The primary focus of the Board at the start of 2016-17 was the appointment of a new CEO to lead the transformation of the industry. In this regard David Martin joined HRV in January 2017 with strong credentials, including a record of successfully driving major change in complex organizations.

David's appointment as CEO initially saw him conduct widespread industry consultation with all kindred bodies and public forums at harness venues right across the state. Importantly this process provided an opportunity for people who had never before been asked, in a collaborative approach, to contribute to a new strategic direction and roadmap for the future of harness racing.

Consequently, since January 2017, the HRV Board has approved several initiatives that have not only reduced HRV and industry costs, but more importantly have

halted industry decline by increasing participation and growth of industry revenue, for the first time in some years.

These initiatives will prove to be vital in partly meeting the challenge of declining revenue streams for harness racing from the Tabcorp Joint Venture (JV) which significantly contributed to HRV recording a \$1.6m loss in 2016-17. Putting this into perspective, HRV's JV 2016-17 wagering distributions, which are governed by a tri-code distribution agreement, were less than HRV received in 2011/12, the last year before the current JV was entered into.

The initiatives undertaken thus far, by HRV, are focused on creating a sustainable and prosperous harness racing industry in Victoria and importantly this work has only just begun. To realise this goal, we will all need to continue to work together with an 'industry first' mindset.

I am confident that 2016-17 will prove to be a watershed year for the industry and success can be achieved, particularly if all sections of the industry work collaboratively.

The HRV Board is particularly grateful for the continued support from the Minister for Racing. The announcement in September 2017 of a \$3.1 million investment in the HRV integrity department and ongoing support for HRV infrastructure, is a strong indication of this commitment by the Andrews Government. In turn, HRV has sought to work closely with owners, breeders, participants, clubs and kindred bodies, as the confidence of all participants and wagering customers is of paramount importance for the future growth of our industry.

Externally, important recommendations from the Office of Racing Integrity

Commissioner (ORIC) have also been implemented and relationships with RSP-CA and Victoria Police have been further strengthened.

Our industry continues to face significant challenges, including a high debt level and associated interest payments constraining cash flow and investment in key areas necessary to turn things around. However, HRV has now worked with the industry to set out priorities and tasks to meet these challenges, and within budget constraints has established a team with the right capabilities and which has determination to achieve real progress.

I wish to thank the team at HRV and the industry at large for their forbearance during a period of significant change, over the past 12 months.

In 2015 the industry called for reform and I believe the new HRV Board responded. While uncomfortable at times, changes have been widely supported and beneficial. This is evident by increased participation and revenue outcomes, not seen in more than three (3) years. This would not have been achievable without the support of many people within HRV, clubs, kindred bodies and the broader harness racing community.

I am confident that if HRV and participants continue to put the 'industry first', as we have done this year, the harness racing will be well positioned to grow in the future.

Dale G. Monteith
HRV Chairman



CEO'S REPORT

Consistent with trends across Australia and internationally, harness racing in Victoria has been in decline for a number of years. However, the situation for Harness Racing Victoria (HRV) was fast approaching a critical point with decreasing horse and participant numbers, declining profitability and market share, and legacy debt combining to put at risk the future of the industry in its current form.

While travelling around Victoria, this industry decline and the impact on people became more apparent. This strengthened the resolve to work with everyone to turn things around.

Immediate changes were made to race programming that enabled more horses and their connections to participate. That saw an increase in the average number of horses per race and the number of races per meeting, both of which reversed long-term trends. This also proved favourable with punters, who returned to the sport as evidenced by the year-on-year increases in wagering each month, also reversing a long-term declining trend.

Following extensive consultation, HRV's strategic plan was updated and draft priorities widely discussed prior to publishing, which will occur in the second half of 2017. A key feature is the integration of HRV functional strategies with those of kindred bodies, which reflects the mindset that 'we're all in this together'. The strategy also acknowledges the need to honour our traditions and country origins, balanced with the need to take some bold

steps so the industry can achieve its potential.

In 2015-16 the Board increased expenditure in integrity and this will take another step forward in 2016-17 following the \$3.1 million funding increase from the State Government. Regular feedback from industry participants and punters indicates they want HRV to maintain a level playing field. This increase in funding will enable HRV to double the number of swabs for drug tests and expand support functions within the Integrity department. That extends to genuine care for the welfare of our horses during and after their racing careers with transition programs such as HRV's HERO (Harness Education & Re-homing Opportunities).

HRV's financial situation is a key concern for the Board and management team, as it is for the whole industry. Following a \$332,000 loss in 2015-16, a \$1.6 million decline in HRV revenue from the Tabcorp Joint Venture (JV) was the major contributor to HRV recording a \$1.6 million loss in 2016-17. This lack of profitability is unsustainable and, in recent months, HRV reduced operational costs and implemented initiatives to increase its share of the Victorian market and future JV revenues. HRV has also worked with its JV partners (Tabcorp, Racing Victoria Limited and Greyhound Racing Victoria) to make changes aimed at increasing JV profitability and, in turn, HRV's distributions from the JV in 2017-18 and beyond.

While we are encouraged by the recent

increase in participation and growth of HRV's share of the Victorian market, there is much work ahead to strengthen HRV's financial position so that we can increase our support and services for owners, breeders, trainers, drivers and country clubs, who all contribute so much to our industry. We have been open and honest with stakeholders about the challenges we face and it has been pleasing to see the response, with an overwhelming desire to be a part of much-needed industry change.

I want to acknowledge the efforts of the HRV Board, management team and all employees who have a strong commitment to our goal of developing a vibrant harness racing industry that promotes participation, integrity and racing excellence, grows wagering and other revenue streams and maximises returns to its stakeholders. We know the importance of that for the future of our industry, and equally so for each and every person involved in our great sport.

David Martin
HRV CEO



CONSULTATION

In accordance with the Racing Act 1958, Harness Racing Victoria (HRV) has consulted widely with harness racing industry participants to achieve some important outcomes.

The Harness Racing Advisory Council (HRAC) advises the HRV Board on matters concerning harness racing and facilitates consultation between the Board and harness racing participants. Following a refresh in June 2017, the HRAC consists of independent members, HRV Board members and representatives from the following organisations who work together with an 'industry first' focus, with minutes recorded and provided to all attendees for formal approval.

- Elizabeth Clarke, Chair/HRV Board
- Danny Frawley, HRV Board (with alternate Peter Watkinson)
- Paul James, Association of Victorian Country Harness Racing Clubs Inc
- Terry Lewis, Harness Breeders Victoria
- Carol Bass, Victorian Harness Racing Sports Club (representing Owners)
- Lance Justice, Victorian Harness Racing Trainers and Drivers Association
- Michael Taranto, Victorian Square Trotters Association
- Maxine Brain
- Grant Campbell
- Terry Suhan
- Clinton Welsh

An extensive industry consultation process was undertaken in the second half of FY17, with the industry organisations listed above as well as public consultation sessions held in Shepparton, Mildura, Terang, Ballarat, Melton, Cranbourne, Stawell and Charlton involving hundreds of interested people.

Through this process, HRV provided key representative bodies and the broader industry, with far greater transparency than ever before. Consultation sessions outlined historical industry trends, current financial performance and key challenges to be addressed. Importantly it gave attendees an opportunity to understand and contribute to the future direction of harness racing in Victoria.



BRINGING COMMUNITIES TOGETHER

Research indicates that harness racing's economic value to Victoria is in the order of \$435m p.a. and creates the equivalent of 4000 full time jobs. For many Victorian communities, harness racing provides a point of social connection where hobbyists and professionals meet to compete in a sport that they love.

Located predominantly in regional towns, the 48 Victorian harness racing clubs enable participants to be physically active in a variety of roles as trainers, drivers, stablehands, veterinarians, track maintenance personnel, country club officials, judges, photographers, caterers and many more.

One of the many occasions where a community came together occurred in Birchip on March 12 this year. With support from the Victorian Government, harness racing returned to Birchip for the first time in 10 years, with the running of the Mallee Bull Cup. Despite having a population of only 662 (2011 census), a crowd of over 1500 enjoyed some great racing, fantastic food and live music.

Another example is Charlton harness club's hosting the Dja Dja Wurrung people at the annual Cup meeting which started as a gesture of thanks for permission granted to build the club's training facility, but has evolved into an event of friendship and mutual respect.

The Victorian harness community proudly supported a number of import-

L I V E F A C E B O O K F E E D A F T E R 7 P M



Good Friday Appeal Sulky Race 2017

Tabcorp Park Melton,
Thursday night April 13



Harness Racing Victoria

Published by Harness Racing Victoria [?] · April 12 ·

Donate today at The Trots Good Friday Appeal page: <http://bit.ly/2o2kJmO>

We have created this page to help with the Royal Children's Hospital Good Friday Appeal annual fundraising efforts. The Fino family (Jason and Nathan feature in our profile picture) are pivotal drivers (deliberate trots pun that!) of the campaign each year, with the annual Tabcorp Park Melton Sulky Race a highlight. Trots fans please dig deep and support this wonderful cause. And tell your trots buddies and spread the word! #Trots

6,126 people reached

Boost Post

2K Views

Like Comment Share

ant causes in 2016-17 including the 'Team Teal' campaign for Women's Cancer Foundation which became national in 2017. HRV participants also actively supported the Prostrate Cancer Foundation and the McGrath Foundation, and HRV's annual Good Friday Appeal fundraising efforts for the Royal Children's Hospital continued with the annual Sulky Race where participants replaced horses to pull the sulky (driven by children of industry participants) up the straight to the winning post (pictured below).

Like many harness racing clubs across Victoria, HRV's Melton facility makes a strong contribution to the local community in partnership with Melton City Council via a program that commits grants to community groups and education providers within the City of Melton. The grants provide funding to community groups and organisations and education providers, to support those leading projects and initiatives with a community benefit in the areas of Community Support, Capital/Infrastructure/Equipment and School Welfare.



PERFORMANCE

FINANCIALS

A number of factors contributed to make the financial year 2016-17 a challenging one for Harness Racing Victoria (HRV). The HRV Group recorded a consolidated loss for the year of \$1.695m which follows on from a loss of \$215k in the prior year. The principal reason for the continued de-

cline in profitability has been the reduction in wagering revenue.

Total revenue for the year reduced by 1.6% from \$84.07m last year to \$82.73m, with wagering revenue falling by 1.4% from \$59.9m to \$58.9m. Revenue from the Joint Venture with Tabcorp decreased

by 3.1%, or \$1.6m to \$45.2m, which was partially offset by a \$0.59m increase of fees from other wagering service providers such as corporate bookmakers and interstate TABs.

Wagering turnover on Victorian harness product grew on a per race basis in 2016-17, however in total declined due to a 4% reduction in the number of races run. Overall \$865.8m was wagered, declining 1.6% compared to \$880.3m the previous year, with the following category split:

Wagering Turnover - Rolling 12 Months



	2016-17	2015-16
Victorian TAB	\$167.9m	(\$176.7m)
Interstate TABs	\$282.5m	(\$302.2m)
Corporate Bookmakers	\$278.6m	(\$256.5m)
Betting Exchange	\$46.1m	(\$43.6m)
International	\$90.7m	(\$101.3m)

It is worth noting that in early 2017, key changes were made to race programming which contributed to a reversal of the decline in wagering as evident in the rolling twelve month chart (left). From February 2017 onwards, in every month of the second half of 2016-17, total wagering exceeded the same months in the prior year, with May and June 2017 recording year on year growth in excess of 12%.

HRV and the wider industry in Victoria receive 71.3% of total revenue from wagering, with an additional \$13.3m of revenue coming from Tabcorp Park Melton. Expenditure for the financial year remained stable at \$84.4m compared to \$84.3m in 2015-16, with all other expenses categories tightly controlled. The highest expense items were Stake money of \$39.12m and employment costs which, across the Group, increased by 7.0% from \$13.2m to \$14.1m primarily as a consequence of one-off costs associated with HRV's organi-

sational changes during the year that will deliver benefits in 2017-18.

HRV's Balance Sheet remains strong. As at 30 June 2017, HRV has a favourable Net Asset position of \$39.2m, largely attributable to the \$70.3m valuation on Land and Buildings for the Tabcorp Park racing venue site and surrounding vacant land. HRV has a year-end net debt of \$28m which is up from \$26.2m in the previous year. Annual principal repayments of this debt continue to be made at \$1.46m.

Cash Assets at 30 June 2017 was \$1.3 mil-

lion as all excess cash has been applied to the Line of Credit within the Treasury Corporation Victoria (TCV) Short Term Line of Credit facility assisting HRV to reduce its interest expense. Total Assets of \$81.6 million have decreased from the equivalent period last year at \$82.4 million. Current Liabilities have increased from \$20 million at 30 June 2016 to \$23.1 million at 30 June 2017. Total liabilities over the year increased from \$41.5 million to \$42.5 million.



FINANCIAL REVIEW OF OPERATIONS AND FINANCIAL CONDITIONS

Five Year Financial Summary

	2017	2016	2015	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000
Tabcorp Revenue	45,159	46,772	49,584	48,154	48,255
Other Revenue	37,570	37,304	35,385	31,932	28,391
Total Revenue	82,729	84,076	84,969	80,086	76,646
Stake Money Expense	(39,124)	(39,592)	(38,282)	(36,351)	(33,634)
Other Expenses	(45,300)	(44,699)	(42,629)	(42,428)	(41,006)
Net Profit/(Loss)	(1,695)	(215)	4,058	1,307	2,006
Cash Assets	1,320	993	484	4,103	2,489
Total Assets	81,682	82,428	66,859	69,692	70,508
Current Liabilities	(23,136)	(20,082)	(17,034)	(21,380)	(38,599)
Total Liabilities	(42,454)	(41,505)	(40,522)	(47,413)	(49,536)

FUTURE OUTLOOK

Since January 2017, HRV's Board and Management have been implementing new initiatives and an updated strategic plan that was developed in consultation with the industry. This was driven by the need to halt the declining profitability since 2014-15 and the decrease in participation which started years earlier.

Suggestions from the industry were adopted resulting in a significant increase in participation, reflected by the number of individual horses competing reaching a 3 year high in May 2017. That meant more horses per race and more races at each meeting, both positive factors for wagering turnover.

Disappointingly, HRV's wagering turnover declined substantially in the first half of 2016-17 and although it improved as a result of changes made in early 2017, by

year's end a net decline in turnover and JV market share had occurred. That will mean a substantial reduction in HRV's share of JV revenue in 2017-18. Offsetting that will be changes made in 2017 to lower HRV's cost base, although noting that headcount in Integrity will increase in accordance with recently announced additional funding for swabs.

Negotiation of a new wagering sponsorship agreement is anticipated to deliver a financial benefit in 2017-18, as is a continuation of the improved level of participation and subsequent wagering turnover. Further actions are planned to make improvements to the racing product and engage people in our sport.

HRV has committed to an increase in stakemoney from \$39m to \$40m in 2017-18 with an emphasis on running additional

races at the \$3500 and \$5000 prizemoney levels.

Ideally HRV would do more for owners, breeders, trainers, drivers, country clubs, employees and many others involved in the industry, however in the short-term HRV's focus must remain on reducing our long term debt in accordance with the TCV loan agreement. With the government's recently announced support, HRV will continue to increase its focus on Integrity and the welfare of horses and participants.

The outlook beyond 2017-18 provides further promise. With current months recording year on year wagering growth in excess of 12%, HRV is expecting a substantial increase in total turnover in 2017-18, with the goal of an increased share of the Victorian market and therefore JV revenue split in 2018-19.



ANIMAL WELFARE

HRV's HERO (Harness Education & Rehoming Opportunities) Program expanded in 2016-17, providing greater opportunities for standardbred life after racing in Victoria. Following its launch in July 2015 with State Government backing via the Victorian Racing Industry Fund, the HERO program continued to create positive pathways for standardbreds exiting the racing environment.

In total 146 horses were rehomed, or placed with a HERO registered retrainer in preparation for rehoming, in 2016-17. That figure - along with the hundreds of standardbreds rehomed directly by owners and trainers - reflects a significantly heightened awareness of life after racing among industry participants.

HERO was buoyed by the incredible success of the inaugural Alabar HERO series, which provided an important outlet for standardbreds to demonstrate their talent in a new career under saddle. An outstanding group of retired standardbreds assembled at Bendigo in January for a best of the best showdown in the inaugural Alabar HERO Series Final, after qualifying on the Victorian Agricultural Show circuit in 2016. Twenty two year old Ballarat horsewoman Eboni Knights defeated 21 rivals to claim the Alabar HERO Series Final aboard 14-year-old gelding Maxwell Smart.

2016-17 also saw retired standardbreds return to the track as ambassadors at Country Cups and feature race meetings, showcasing some of the horses who have benefited from this wonderful animal welfare initiative. The HERO program also worked with the Victoria Police Mounted Division to identify horses suitable for police duty, once again highlighting the adaptability of standardbreds.

During 2016-17, Harness Racing Victoria (HRV) developed an Animal Welfare Framework which sets animal welfare standards for horses in the Victorian harness racing industry. The Framework outlines expectations for the Standardbred horse and includes welfare guidelines for trainers, a racing in hot weather policy and a raceday veterinary examination policy, all of which will assist trainers and industry participants.



INTEGRITY

In 2016-17, HRV continued to develop and implement a number of initiatives in line with its efforts for continued enhancement of the integrity of the harness racing industry. A sample of the initiatives and strategies are detailed below:

The 16-17 period saw the finalisation of the multi-agency investigation initiated by the HRV Integrity Department which resulted in the first criminal convictions (in connection with racing) under legislation introduced to combat race/match fixing in sport. These criminal convictions were supported by the successful prosecution of the matter through the racing disciplinary system whereby in April 2017, the VCAT affirmed the 12 year disqualifications imposed by HRV upon the two main perpetrators of the offending. HRV continue its close working relationship with the Sporting Integrity Intelligence Unit (SIU) of Victoria Police in order to lead the fight against any such threats to the integrity of the industry.

In addition to its strong relationship with the SIU of Victoria Police, HRV have also developed memorandums of understanding with agencies that can assist in the greater protection of the industry. In addition to recent memorandums entered into with the Australian Crime Commission (ACC) and the Royal Society for the Prevention of Cruelty to Animals (RSPCA),

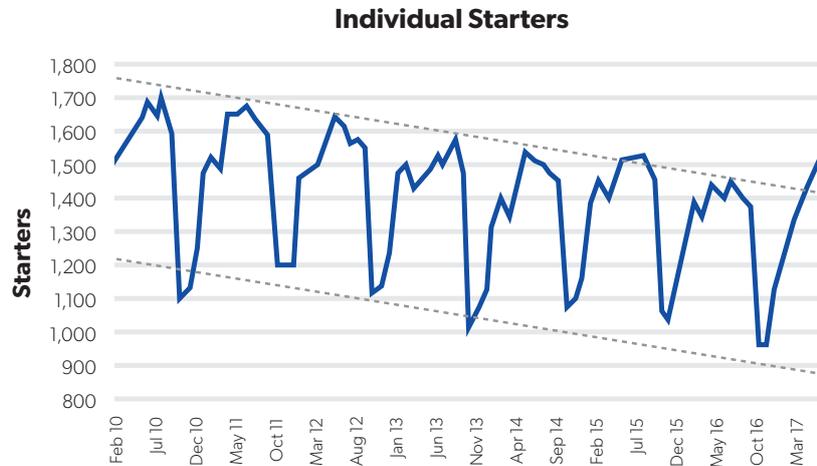
HRV is working towards developing a formal agreement with the Australian Border Force to assist with the control of any prohibited substances entering the country for potential misuse in the racing industry.

During the 16-17 period, HRV continued its concerted surveillance and inspection efforts to prevent, deter and detect any prohibited pre-race treatment of competing horses. The surveillance and inspections program resulted in a number of pre-race treatment offences detected and successfully prosecuted before the RAD Board and VCAT. HRV also conducted a successful operation in this regard utilising the services of drone-based surveillance. This increased presence at stables, through additional resources committed in recent years, will continue to be a focus in the coming season.

HRV have added a web-based reporting form to its Integrity Hotline as a further mechanism by which industry participants or members of the community can report any integrity related concerns. The web-based form can be located at www.hrv.org.au and links directly into the HRV Integrity Department intelligence and case management system. Information can alternatively be provided through the hotline telephone number of (03) 9214 0651 or the hotline email address of integrity@hrv.org.au.

RACING OPERATIONS

In early 2017 race programming was reviewed with a focus on meeting industry needs in terms of increased participation and return on stake money invested. New guidelines were established that provided programmers and handicappers with greater flexibility and freedom to create races for horses at all levels, ages and abilities. Supplementary races were introduced enabling trainers to nominate their horses where no suitable race was available on a race programme for a specific date. In addition, where strong nominations were received for any \$3500 and \$5000 prizemoney level races, programmers were encouraged to split races to provide more opportunities for participants and owners to win.



Those initiatives contributed to an increase in horse participation that reached a three year high in May 2017 breaking out of a 7 year declining trend.

As noted in the Finance section of this report, the additional races and improved level of participation had a positive impact on wagering with May and June 2017 recording year on year growth in excess of 12%. In 2016-17 total stake money exceeded \$39m, and as a result of the positive impact of race programming changes, the HRV Board announced that in 2017-18 total stake money would be increased to exceed \$40m, enabling more races to be programmed at each race meeting.

KEY INDICATORS	2017	2016	2015	2014	2013
Meetings (TAB)	457	461	455	455	452
Meetings (Non-TAB)	2	2	2	1	1
Races	3,723	3,830	3,806	3,820	3,814
Horses raced	3,903	3,963	4,058	4,039	4,099
Nominations	48,777	49,051	52,987	51,531	53,344
Starters	33,081	34,129	35,239	35,698	36,843
Drivers	681	723	748	762	815
Trainers	1,141	1,196	1,224	1,247	1,300
Stablehands	1,168	1,174	1,206	1,219	1,271
Sires	67	75	72	79	81
Foals *(a)	1,819	1,848	1,865	2,215	2,359
Namings	1,178	1,295	1,440	1,466	1,508
Services	3,232	3,065	2,839	3,269	3,559

*(a) Determination of Foal is any Vicbred Foal, regardless of Birth location





MARKETING

The marketing team redirected its focus in 2016-17 to concentrate on the overarching strategic pillars of wagering, ownership and participation - which aligned the marketing effort with the overall business objectives. Increased engagement with owners via on course offers and an expansion of syndication helped deliver record levels of active ownership, whilst the "Love Summer, Love The Trots" campaign for Summer Of Glory and "Trots Country" campaign for the country cups circuit helped drive on course attendance and exceeded wagering targets.

Gordon Rothacker Medal night on 6th November 2016 was a spectacular evening showcasing our industry and participants in the best possible way. Thanks and congratulations went to Carl O'Dwyer on being awarded the Gordon Rothacker Medal for his long standing involvement in Victorian harness racing as a driver, trainer, Kilmore committee member & president, Victorian Country Clubs Association president and as a member of the Harness Racing Victoria Board from 2001 to 2011. A true all-rounder of the sport.

A restructure of the marketing team prompted evolution of the industry's role in major events and race days, with HRV playing an overarching role in supporting and strengthening clubs' own promotional efforts, particularly via digital media. The expansion of digital media has been integral to promoting wagering and delivering other key messages, with digital video central to continued growth of HRV social channels. An investment in technology and a relaunch of the HRV website in the second half of 2017 will enable HRV to deliver more content into the new season.

PEOPLE AND CULTURE

Following the resignation of John Anderson as HRV's CEO in July 2016, Kay Rundle was appointed interim CEO. During Kay Rundle's tenure from July 2016 through to December 2016, a review of HRV's organisational structure was undertaken with support of external consultants. A number of senior management changes occurred around this time. HRV's current CEO, David Martin commenced in the role on 9 January 2017 and soon after completed implementation of the organisational review commenced by Kay Rundle. Although this was a difficult process for all involved, it has positioned HRV with a substantially reduced cost base at the start of 2017-18.

It is important to acknowledge that HRV is fortunate to have a strong employee group who are passionate about the Victorian harness racing industry. They have been resilient through a sustained period of industry decline and organisational change and their continued contribution is greatly appreciated.

A key priority during 2016-17 was the promotion of good governance practices amongst country club committees. A broad based education and awareness program was developed and rolled out to support club committees to meet their statutory obligations and ensure all committee members are appropriately trained and resourced to fulfil their roles to support and develop their clubs. This is the first stage in a longer term strategy to promote ongoing professional and capability development within the club network.

During the year HRV continued to strengthen Integrity capacity with the recruitment of additional specialist staffing resources. Other development initiatives include a partnership with a Registered Training Organisation (RTO) to develop a harness racing internship program which will provide young students with the opportunity to begin a career in the industry.

STATEMENT OF EXPECTATIONS

The Minister for Racing issued a Statement of Expectations for the period 2016-17.

The table below highlights the considerable progress of HRV's actions and status against the measures of success set by the Minister.

MINISTERIAL STATEMENT OF EXPECTATIONS - IMPLEMENTATION AND MONITORING STRATEGY 2016-17

EXPECTATIONS	ACTIONS	MEASURE OF SUCCESS	UPDATE STATUS
Promote and improve animal welfare in the harness racing industry <ul style="list-style-type: none"> Support rehoming of retired horses Educate participants about best practice for the care of horses Enforce sanctions and penalties against individuals that disregard their obligations. 	HRV have partnered with the RSPCA via a Memorandum of Understanding (MOU) to develop an Equine Welfare Policy to support existing HRV procedures and policies. Continued support of the HERO program with expansion of the number of rehomed retired horses. Continue to refine the "askthestewards" pod cast which is designed to educate and inform participants of best practice as per the rules of racing. Continue to uphold the rules of racing and issue sanctions and penalties where required.	MOU and Equine Welfare Policy are developed and implemented by June 2017.	Completed
		20% increase of horses rehomed and re-trained via the HERO program by June 2017.	Completed
		Increase subscriptions to the "askthestewards" pod cast	Improved sentiment to integrity on social media Influx of direct emails to "askthestewards" met with a 100% response rate
Implement a risk based approach to regulation <ul style="list-style-type: none"> Evidence is used to inform risk assessments, compliance planning, communications, the evaluation process and continuous improvement HRV continues to engage with stakeholders to inform the development of educational resources, improve compliance and respond to the needs of the regulated community. 	Implement a Nationwide Bet Monitoring program to enable race day stewards to be informed instantly of betting trends in real time. Integrity Hotline established to enable industry participants and the community to provide information to the Integrity department regarding Harness Racing Rule breaches.	Information is readily available for race day stewards' enquiries and subsequent enquiries.	Implemented and in use
		Integrity hotline utilised by industry participants and the community.	Implemented and in use
		New Case Management System (CMS) will record and measure the success or results of leads and tips obtained through this hotline.	Implemented and in use
Reduce the regulatory burden on small business <ul style="list-style-type: none"> Technological solutions are utilised to assist small business where appropriate Information is delivered to the community in a clear and concise manner Support administration of harness racing clubs Support administration of harness racing clubs 	Communication of rule changes, industry announcements and disciplinary actions are posted to the national industry website in the News Room page. Targeted media releases are issued via email and social media to industry participant groups. Continued roll-out of HRV's Shared Services Program to reduce the administration burden on harness racing clubs and improve service delivery to the public	Increase volume of visits to the national website News Room page.	6% Increase
		Take on an additional 10 clubs supported by HRV's Shared Services Program by Dec 2017.	2 Clubs taken on since July '16 with further clubs planned prior to Dec 2017.
Strengthen governance and integrity in the harness racing industry <ul style="list-style-type: none"> Focus on the collection of accurate and meaningful data Actively manage conflicts of interest to protect the independence of HRV as a regulator Strengthen governance of harness racing clubs. 	Development and implementation of CMS for use with respect to intelligence and investigations. Adhere to the recommendation of the recent Bittar report to establish a new Victorian Racing Integrity Unit (VRIU) to deliver integrity services for the three codes of racing. Governance training program for the country club network to be rolled out to each club providing them with templates and guidance of what is "good governance"	CMS in full operation by December 2016, i.e. being actively used as a central depository for all investigation and intelligence matters, inclusive of case files.	Implemented and in use
		Work with Government to assist with the implementation of the Bittar report recommendations within the specified 2 year time period.	HRV continues to work with Government on this action.
		Delivery of the governance training program is complete and follow up sessions are held with clubs to ensure good governance into the future.	Governance Training Complete

Montieth Report recommendations which was accepted by government, and the measures that the board and the management team have undertaken to instigate the recommendations. It should show which ones have been fully implemented, partially and ones to be undertaken. These include changes in management, increased accountability, stakeholder engagement, investment in integrity etc.

REPORT OF OPERATIONS

STATUTORY INFORMATION

In accordance with Financial Management Act 1994, I am pleased to present the Report of Operations for Harness Racing Victoria for the year ending 30 June 2017.



D. G Monteith
Chairman
24th October 2017

OBJECTIVES, FUNCTIONS AND ACTIVITIES

Harness Racing Victoria is a statutory corporation for which the Minister for Racing is responsible. Established pursuant to the Racing Act 1958, it officially commenced operations as the Trotting Control Board on 1 January 1947. Harness Racing Victoria's function is to administer, develop and promote the sport of harness racing in Victoria.

Our mission is "to develop a vibrant harness racing Industry which promotes participation, integrity and racing excellence, grows wagering and other revenue streams and maximises returns to our stakeholders."

ORGANISATIONAL STRUCTURE AND CORPORATE GOVERNANCE ARRANGEMENTS

Harness Racing Victoria is led by a seven member Board which reports to the Minister for Racing and an Executive Management Team.

MINISTER FOR RACING

The Hon. Martin Pakula, MP

MEMBERS OF HARNESS RACING VICTORIA BOARD

Dale G Monteith – Chairman
Elizabeth Clarke – Deputy Chair
Dr Catherine Ainsworth
Jane Brook
Brett Clothier (ceased 7th July 2017)
Danny Frawley
Peter Watkinson

MEMBERS OF HARNESS RACING VICTORIA EXECUTIVE MANAGEMENT TEAM

David Martin - Chief Executive Officer
James Cardona - General Manager Finance
Glen Canty - General Manager Racing
Brent Fisher - General Manager Integrity
Ryan Stanaway - General Manager Marketing & Wagering
Isabella Galati - Manager People & Culture
John Briffa - General Counsel & Company Secretary
Damien Manion - General Manager – RISE
Gayle Harvey - General Manager Tabcorp Park Melton



AUDIT AND RISK COMMITTEE

The Audit and Risk Committee consists of the following members:

David Logan - Chairman

John Wilkinson - Independent Committee Member

Dr Catherine Ainsworth - HRV Board Member

The main responsibilities of the Audit and Risk Committee are to:

- Oversee and advise the HRV Board on matters of accountability and internal control affecting the operations of HRV Group and registered Country Clubs;
- Assist the Board to discharge its responsibility to exercise due care, diligence and skill in relation to the entity's reporting of financial information, application of accounting policies, internal control, risk management, business policies and practices and compliance with applicable laws, regulations, standards and best practice guidelines;
- Review results of the annual external audit and issues raised by the Auditor-General and ensure adequate resolution;
- Provide a structured reporting line for internal audit;
- Improve the quality of internal and external financial reporting for HRV and the Industry as a whole;
- Monitor the financial position and financial performance of Country Clubs and to review the findings and recommendations of the HRV Country Clubs Financial Compliance Officer;
- Assist the Board in reviewing the effectiveness of HRV's internal control environment covering:
 - Effectiveness and efficiency of operations;
 - Reliability of financial reporting;
 - Compliance with applicable laws and regulations.



Other HRV Committees

Finance and Wagering Sub Committee – This Committee is responsible for assisting in discharging the Board’s responsibilities in overseeing financial accountability and implementation of the Wagering and Financial Budget.

Integrity Council – This Committee consists of an Independent Chairman, two HRV Board members and two independent members. This Committee considers matters and policies in respect of all issues relating to the integrity of harness racing in Victoria.

EMPLOYMENT AND CONDUCT PRINCIPLES

HRV complies with the application of the Public Sector Employment and Conduct Principles. The Board has established processes that ensure employment decisions are made on merit, employees are treated fairly and reasonably, equal employment opportunities are provided and employees have a reasonable avenue of redress against unfair or unreasonable treatment.

Staff Profile by Position - Full Time

	Male		Female		Total Full Time	
	2017	2016	2017	2016	2017	2016
Executive	5	7	2	1	7	8
Professionals	17	13	3	4	20	17
Paraprofessionals	22	21	4	6	26	27
Clerical Workers	4	4	8	7	12	11
Broadcasters And Country Clubs	5	5	0	0	5	5
Hospitality Manager	1	2	4	4	5	6
Hospitality Staff	6	4	16	16	22	20
Total	60	56	37	38	97	94

Staff - Part-Time and Casuals

	Male		Female		Total Full Time	
	2017	2016	2017	2016	2017	2016
Part-Time	2	3	7	7	9	10
Casual FTE	16	7	13	27	29	34



OCCUPATIONAL HEALTH AND SAFETY

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

SUBSEQUENT EVENTS

No material subsequent events have occurred since balance date.

DISCLOSURE OF MAJOR CONTRACTS

No disclosure of major contracts is required by HRV as during the year HRV did not enter into any contracts with a value greater than \$10.0 million.

STATEMENT ON COMPLIANCE WITH THE BUILDING AND MAINTENANCE PROVISIONS OF THE BUILDING ACT 1993

Harness Racing Victoria (HRV) complies with the requirements of the Building Act 1993, and the Building Regulations 2006. HRV owns land in Melton on which a harness racing track, stables, a 41 room hotel, offices and an entertainment complex have been constructed. All of these buildings were constructed in 2007. No new building work was undertaken in 2016 - 2017

HRV maintains appropriate mechanisms to ensure all building conformity is met. Maintenance of HRV owned buildings are arranged by HRV's Facilities and Maintenance Manager. HRV has no cooling towers at its owned sites. There is no known or identified asbestos in any of HRV's buildings.

FREEDOM OF INFORMATION

Requests for access to documents under the Freedom of Information Act 1982 are directed to the Board's Freedom of Information Officer, John Briffa. During 2016-17, there were no requests received by HRV.

NATIONAL COMPETITION POLICY

The principle of competitive neutrality aims to ensure that Government businesses do not enjoy any net competitive advantage simply by virtue of their public sector ownership. Harness Racing Victoria is not a tax funded general Government service and does not adopt any pricing principles utilising a net competitive advantage. Approximately 55% of the HRV Group's Income is derived from Tabcorp Holdings Limited pursuant to a Joint Venture Agreement. Remaining revenue streams are derived from 'arms-length' business operations and government grants.

ENVIRONMENTAL IMPACTS

Harness Racing Victoria expanded its use of canola oil on harness tracks in 2016-17, in accordance with Environmental Protection Agency guidelines. The oil has many benefits such as prolonging the life of the track material and providing an optimum cushioned surface which aids the welfare of competing horses. The application of oil has resulted in significant savings in the application of water to tracks and a correlating decrease to diesel consumption used for track machinery.

HRV in conjunction with the Victorian Racing Infrastructure Fund (VRIF) continued to support Clubs in the upgrading of water trucks with the purpose built efficient spray systems also contributing to sizable water and fuel savings. Clubs also continued to bolster water storing capacity to assist in reducing the cost of the water supply.

The Active Reactor electronic dimming technology has continued to be used at three harness racing venues, resulting in an average of 15% reduction in energy and greenhouse gas emissions for the track lighting systems. 2016-17 also saw two clubs, with the assistance of VRIF, install solar panelling which has resulted in considerable power savings and reduced greenhouse gas emissions.

PROTECTED DISCLOSURES ACT 2012

Harness Racing Victoria is committed to the aims and objectives of the Protected Disclosures Act 2012 (the Act). It does not tolerate improper conduct by its employees or officers, nor the taking of reprisals against those who come forward to disclose such conduct.

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

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

	Number	Type
The number and types of disclosures made to the public body during the year	NIL	
The number of disclosures referred to the Ombudsman for determination as to whether they are public interest disclosures	NIL	
The number and types of disclosed matters referred to the public body by the Ombudsman for investigation	NIL	
The number and types of disclosures referred by the public body to the Ombudsman for investigation	NIL	
The number and types of investigations taken over from the public body by the Ombudsman	NIL	
The number of requests made by a discloser to the Ombudsman to take over an investigation by the public body	NIL	
The number and types of disclosed matters that the public body had declined to investigate	NIL	
The number and type of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation	NIL	
Any recommendations made by the Ombudsman that relate to the public body	NIL	

IMPLEMENTATION OF THE VICTORIAN INDUSTRY PARTICIPATION POLICY

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

There were no contracts **commenced** in 2016-17 to which VIPP applied.

There were no contracts **completed** in 2016-17 to which VIPP applied.

CONSULTANCIES

During the year, HRV had 5 consultancies that cost in excess of \$10,000 excluding GST. The total expenditure incurred during 2016-17 in relation to these consultancies is \$297,721 (excluding GST). Details of individual consultancies are outlined below.

Consultant	Purpose Of Consultancy	Total Approved Project Fee	Expenditure 2016-17 (Excluding GST)	Future Expenditure (Excluding GST)
Tonkin & Taylor	Environmental Monitoring	137,000	136,068	-
Ad-Hippo Pty Ltd	Organisational review	97,000	96,712	-
Max Architects	Tabcorp Park Master Plan	25,000	24,607	-
Business Olympian Group Pty Ltd	Risk Management work	22,500	22,046	-
Joe Ivisic	Pre-Sale Nominee Works Junction Club	20,000	18,288	-

ADDITIONAL INFORMATION AVAILABLE ON REQUEST

In compliance with the requirements of the Ministerial Directions of the Minister for Finance, details in respect of the information items below have been retained by HRV and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the Freedom of Information requirements, if applicable).

- A statement that declarations of pecuniary interests as completed by all relevant officers;
- Details of publications produced by HRV and where they can be obtained;
- Details of changes in prices, fees, charges, rates and levies charged by HRV for its services;
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- Details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the Report of Operations

ATTESTATION FOR COMPLIANCE WITH MINISTERIAL STANDING DIRECTION 3.7.1

I, Dale Monteith certify that Harness Racing Victoria has partly complied with the Ministerial Standing Direction 3.7.1– Risk management framework and processes, and will achieve full compliance in 2017-18. Harness Racing Victoria’s Audit and Risk Committee will be providing oversight of the compliance process.



Dale G Monteith
Chairman
Harness Racing Victoria
24th October 2017



DISCLOSURE INDEX

The annual report of Harness Racing Victoria is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of HRV's compliance with statutory disclosure requirements.

Legislation Requirement

Ministerial Directions & Financial Reporting Directions

Report of operations

Charter and purpose

- FRD 22H Manner of establishment and the relevant Ministers
- FRD 22H Purpose, functions, powers and duties
- FRD 8D Departmental objectives, indicators and outputs
- FRD 22H Key initiatives and projects
- FRD 22H Nature and range of services provided

Management and structure

- FRD 22H Organisational structure

Financial and other information

- FRD 8D Performance against output performance measures
- FRD 8D Budget portfolio outcomes
- FRD 10A Disclosure index
- FRD 12B Disclosure of major contracts
- FRD 15D Executive officer disclosures
- FRD 22H Employment and conduct principles
- FRD 22H Occupational health and safety policy
- FRD 22H Summary of the financial results for the year
- FRD 22H Significant changes in financial position during the year
- FRD 22H Major changes or factors affecting performance
- FRD 22H Subsequent events
- FRD 22H Application and operation of Freedom of Information Act 1982
- FRD 22H Compliance with building and maintenance provisions of Building Act 1993
- FRD 22H Statement on National Competition Policy
- FRD 22H Application and operation of the Protected Disclosure Act 2012
- FRD 22H Application and operation of the Carers Recognition Act 2012
- FRD 22H Details of consultancies over \$10 000
- FRD 22H Details of consultancies under \$10 000
- FRD 22H Disclosure of government advertising expenditure
- FRD 22H Disclosure of ICT expenditure
- FRD 22H Statement of availability of other information
- FRD 24C Reporting of office based environmental impacts
- FRD 25C Victorian Industry Participation Policy disclosures
- FRD 29B Workforce Data disclosures
- SD 5.2 Specific requirements under Standing Direction 5.2

Compliance attestation and declaration

- SD 3.7.1 Attestation for compliance with Ministerial Standing Direction
- SD 5.2.3 Declaration in report of operations

Financial statements

Declaration

SD 5.2.2 Declaration in financial statements

Legislation Requirement

Ministerial Directions & Financial Reporting Directions

Other requirements under Standing Directions 5.2

SD 5.2.1(a) Compliance with Australian accounting standards and other authoritative pronouncements

SD 5.2.1(a) Compliance with Ministerial Directions

SD 5.2.1(b) Compliance with Model Financial Report

Other disclosures as required by FRDs in notes to the financial statements (a)

FRD 9A Departmental Disclosure of Administered Assets and Liabilities by Activity

FRD 11A Disclosure of Ex gratia Expenses

FRD 13 Disclosure of Parliamentary Appropriations

FRD 21C Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report

FRD 103F Non Financial Physical Assets

FRD 110A Cash Flow Statements

FRD 112D Defined Benefit Superannuation Obligations

Note:

(a) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure.

Legislation

Freedom of Information Act 1982

Building Act 1993

Protected Disclosure Act 2012

Carers Recognition Act 2012

Victorian Industry Participation Policy Act 2003

Financial Management Act 1994

COMPREHENSIVE OPERATING STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Notes	Consolidated Entity		Parent Entity	
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
CONTINUING OPERATIONS					
INCOME FROM TRANSACTIONS					
Tabcorp Income		45,159	46,772	45,159	46,772
Other Revenue from ordinary activities		37,570	37,304	25,084	25,054
Total Income from Transactions	2	82,729	84,076	70,243	71,826
EXPENSES FROM TRANSACTIONS					
Stakemoney expense		(39,124)	(39,592)	(39,124)	(39,592)
Employee Benefits		(14,120)	(13,202)	(9,373)	(8,662)
Depreciation and Amortisation expense		(2,109)	(1,891)	(1,666)	(1,456)
Finance Costs		(1,171)	(1,297)	(1,153)	(1,260)
Other expenses from ordinary activities		(27,897)	(28,367)	(20,514)	(21,254)
Total Expenses from Transactions	2	(84,421)	(84,349)	(71,830)	(72,224)
Net Result from Transactions (Net Operating Balance)		(1,692)	(273)	(1,587)	(398)
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT					
Bad and Doubtful Debt Expense		(6)	(43)	(9)	(35)
Gain/(Loss) on sale of property, plant and equipment	2(a)	3	-	3	-
Net gain on non financial assets		-	101	-	101
Total Other Economic Flows Included in Net Result		(3)	58	(6)	66
Net Result		(1,695)	(215)	(1,593)	(332)
OTHER ECONOMIC FLOWS - OTHER NON-OWNER CHANGES IN EQUITY					
Changes in physical asset revaluation surplus	18	-	14,556	-	14,556
Total Other Economic Flows - Other Non-Owner Changes in Equity		-	14,556	-	14,556
Comprehensive Result - Total Change in Net Worth	19	(1,695)	14,341	(1,593)	14,224

The accompanying notes form part of these financial statements

BALANCE SHEET AS AT 30 JUNE 2017

	Notes	Consolidated Entity		Parent Entity	
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS					
Cash and cash equivalents	25(a)	1,320	993	465	222
Receivables	4	6,771	6,270	6,541	6,022
Other Financial Assets	5	16	115	16	115
Inventories	7	101	108	-	-
Other Assets	6	550	634	465	546
Total Current Assets		8,758	8,120	7,487	6,905
NON-CURRENT ASSETS					
Property, Plant and Equipment	8	70,671	71,840	70,084	71,403
Receivables	4	-	-	3,839	2,691
Other Financial Assets	5	23	39	505	1,196
Investments	9	1,082	1,082	1,429	1,429
Intangible Assets	10	1,148	1,347	-	-
Total Non-Current Assets		72,924	74,308	75,857	76,719
TOTAL ASSETS		81,682	82,428	83,344	83,624
CURRENT LIABILITIES					
Payables	11	5,846	5,785	5,200	5,026
Provisions	12	2,286	2,533	1,826	2,086
Interest Bearing Liabilities	13	11,969	8,656	11,969	8,656
Non Interest Bearing Liabilities	14	88	363	300	270
Prepaid Income	15	770	600	492	451
Other Liabilities	16	2,177	2,145	2,158	2,136
Total Current Liabilities		23,136	20,082	21,945	18,625
NON-CURRENT LIABILITIES					
Interest Bearing Liabilities	13	16,076	17,500	16,076	17,500
Non Interest Bearing Liabilities	14	-	88	-	-
Prepaid Income	15	1,404	1,755	1,404	1,755
Provisions	12	236	322	191	267
Other Liabilities	16	1,602	1,758	1,602	1,758
Total Non-Current Liabilities		19,318	21,423	19,273	21,280
TOTAL LIABILITIES		42,454	41,505	41,218	39,905
NET ASSETS		39,228	40,923	42,126	43,719
EQUITY					
Contributed Capital	17	9,174	9,174	9,174	9,174
Reserves	18	29,889	29,889	29,889	29,889
Accumulated Surplus/(Deficit)	19	165	1,860	3,063	4,656
TOTAL EQUITY		39,228	40,923	42,126	43,719

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Consolidated Entity	Reserves	Accumulated Surplus	Contributed Capital	Total
	\$'000	\$'000	\$'000	\$'000
Notes	18	19	17	
Balance at 1 July 2015	15,333	2,076	9,174	26,583
Net result for the year	-	(215)	-	(215)
Other comprehensive income for the year	14,556	-	-	14,556
Balance at 30 June 2016	29,889	1,860	9,174	40,923
Net result for the year	-	(1,695)	-	(1,695)
Balance at 30 June 2017	29,889	165	9,174	39,227

Parent Entity	Reserves	Accumulated surplus	Contributed capital	Total
	\$'000	\$'000	\$'000	\$'000
Notes	18	19	17	
Balance at 1 July 2015	15,333	4,988	9,174	29,495
Net result for the year	-	(332)	-	(332)
Other comprehensive income for the year	14,556	-	-	14,556
Balance at 30 June 2016	29,889	4,656	9,174	43,719
Net result for the year	-	(1,593)	-	(1,593)
Balance at 30 June 2017	29,889	3,063	9,174	42,126

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	CONSOLIDATED ENTITY		PARENT ENTITY		
	NOTES	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash flows from operating activities					
Receipts from operations		88,712	91,866	74,328	77,993
Payments to suppliers, employees & industry		(88,126)	(89,758)	(75,349)	(76,528)
Interest received		5	33	47	74
Interest paid		(1,171)	(1,297)	(1,153)	(1,260)
Net cash from/(used in) operating activities	25(b)	(580)	844	(2,127)	279
Cash flows from investing activities					
Payments for property, plant and equipment		(742)	(1,866)	(347)	(1,574)
Proceeds from the sale of property, plant and equipment		3	-	3	-
Loans granted		-	(150)	-	(150)
Net cash from/(used in) investing activities		(739)	(2,016)	(344)	(1,724)
Cash flows from financing activities					
Proceeds from loan repayments		120	170	120	170
Proceeds from Interest Bearing Liabilities		-	-	168	-
Proceeds from Non Interest Bearing Liabilities		-	-	507	-
Repayment of Gaming Machine Entitlements		(363)	(344)	-	-
Proceeds of Interest Bearing Liabilities		1,889	1,855	1,889	1,855
Proceeds/(Repayment) of Non Interest Bearing Liabilities		-	-	30	(369)
Net cash from/(used in) financing activities		1,646	1,681	2,714	1,656
Net Increase/(decrease) in cash and cash equivalents held		327	509	243	211
Cash and cash equivalents at the beginning of the financial year		993	484	222	11
Cash and cash equivalents at the end of the financial year	25(a)	1,320	993	465	222

The accompanying notes form part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following explains the significant accounting policies that have been adopted in the preparation of these financial statements by Harness Racing Victoria ("the Parent entity") as an individual entity and the consolidated entity of the Parent and its Subsidiaries (referred to as "the Group" or "Consolidated entity").

(a) Reporting Entity Information

The Parent entity is a statutory body established pursuant to section 39(1) of the Racing Act 1958. It is a statutory authority for which the Minister for Racing is responsible. It controls HRV Management Ltd, Melton Entertainment Trust and RISE Pty Ltd. HRV Management Ltd acts as the corporate trustee of the Melton Entertainment Trust, the sole beneficiary of which is the Parent entity.

Its principal address and registered office is:

Harness Racing Victoria
400 Epsom Road
Flemington VIC 3031

(b) Changes in accounting policies

Subsequent to the 2016-17 reporting period, no new standards have been adopted.

(c) Objectives and Funding

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

(d) Basis of Accounting Preparation and Measurement

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

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

The financial statements were formally authorised for issue by the Harness Racing Victoria Board on 24th October 2017.

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Harness Racing Victoria's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1(t).

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2017 and the comparative information presented for the year ended 30 June 2016.

(e) Basis of Consolidation

Controlled Entities

The consolidated financial statements comprise the financial statements of the Parent entity and its subsidiaries (refer to Note 31) as at 30 June 2017. Subsidiaries are all those entities over which the Parent entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent entity controls another entity.

The financial statements of the Controlled Entities are prepared for the same reporting period as the Parent entity, using consistent accounting policies. The assets, liabilities, incomes and expenses of all controlled entities of the Parent entity have been included at the values shown in their audited Annual Financial Reports. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Parent entity.

(f) Scope and Presentation of Financial Statements

Comprehensive Operating Statement

Income and expenses in the comprehensive operating statement

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 Presentation of Financial Statements.

'Transactions' and 'other economic flows' are defined by the Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005 Cat. No. 5514.0 published by the Australian Bureau of Statistics.

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

'Other economic flows' are changes arising from market re-measurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

The net result is equivalent to profit or loss derived in accordance with AASBs.

Balance Sheet

The classification between current and non-current is determined with reference to the operating cycle of HRV, which is presumed to be 12 months, even when they are not expected to be realised and settled within 12 months from reporting date. An exception to this is when HRV does not have an unconditional right to defer settlement of a liability for at least 12 months after the reporting date, in which case, the liability would be classified as current.

Statement of Changes in Equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

Cash Flow Statement

Cash flows are classified according to whether or not they arise

from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 Statement of Cash Flows.

Rounding of Amounts

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

(g) Events After Reporting Date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Group and other parties, the transactions are only recognised when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed in the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period and which may have a material impact on the results of subsequent reporting periods.

(h) Goods and Services Tax (GST)

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

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

Cash flows are presented on the gross basis. The GST components of cash inflows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Commitments and contingent assets or liabilities are presented on a gross basis.

(i) Income from Transactions

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group recognises income when the amount of income can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of income is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Income is recognised for the major business activities as follows:

- Tabcorp Distributions are brought to account in the financial year that such amounts are earned by the Group.
- Fees charged to wagering service providers are brought to account in the financial year in which the race meeting on which the fee was charged is conducted.
- Acceptance and scratching fees are brought to account after the race that they relate to is conducted.
- Sponsorship Income is recognised in the same accounting period in which the sponsorship services are performed by the Group.
- Racing Fees are brought to account in the accounting period in which the related service is performed.
- Interest income is recognised on a time proportionate basis that takes into account the effective yield of the financial asset.
- Profits/(losses) on the sale of property, plant and equipment are recognised when the Group relinquishes control of the asset.
- Rental income is recognised over the period of the related rental.
- Industry contributions received relating to a particular futurity series are carried forward in the Balance Sheet until the year that each final series is conducted when they are brought to account in the comprehensive operating statement as revenue. Fees and contributions received prior to 30 June 2017, for futurity series to be conducted in 2017-2018 are brought to account as a Current Liability. Fees and contributions received for series to be run after 30 June 2018 have been recorded as a Non-Current Liability.
- Gaming commission income is recognised when the right to receive the income has been established, generally on a daily basis based on the share of entitlement of gaming expenditure by customers.
- Hotel room rental income is recognised on each night of guest stay.
- Function income is recognised when it is earned (generally when the event is hosted).
- Food, beverage and sale of goods income are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of sale.
- Grants from third parties (other than contribution by owners) are

recognised as income in the reporting period in which they are received or become receivable.

- Amounts received but not earned at year end are recognised as a liability in the balance sheet.

(j) Expenses from Transactions

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

Grants and Other Payments

Grants and other payments to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or become payable.

Stakemoney Payments

Stakemoney expense is recognised in the reporting period in which the race is conducted.

Employee Benefits

Employee benefit expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums. These are recognised when incurred, except for contributions in respect of defined benefits plans.

Employee expenses include superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans. In relation to defined contribution (i.e. accumulation) superannuation plans, the associated expense is simply the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period. Employer superannuation expenses in relation to employees who are members of defined benefit superannuation plans are described below.

Superannuation – State superannuation on defined benefit plans

The amount recognised in the comprehensive operating statement in relation to employer contributions for members of defined benefit superannuation plans is simply the employer contributions that are paid or payable to these plans during the reporting period. The level of these contributions will vary depending upon the relevant rules of each plan, and is based upon actuarial advice.

The Department of Treasury and Finance (DTF) in their Annual Financial Statements, recognise on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

these plans. DTF's Annual Financial Statements contains more detailed disclosures in relation to these plans.

Depreciation and Amortisation

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

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

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

- Buildings (40 years)
- Building Improvements (40 years)
- Track (25 years)
- Plant & Equipment
 - Motor Vehicles (5-14 years)
 - Computers & Computer Equipment (3-5 years)
 - Furniture & Fittings (2-10 years)
 - Equipment (3-20 years)
 - Library (8 years)
 - Timing & Photo Finish Equipment (10 years)
 - Office Improvements (7 years)
 - Roads (40 years)
 - Software (3-10 years)

Intangible assets with finite useful lives are amortised as an expense on a systematic (typically straight line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period.

Interest expense

Interest expense is recognised as expenses in the period in which they are incurred and include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;

- the increase in financial liabilities and non employee provisions due to the unwinding of discounts to reflect the passage of time; and
- finance lease charges.

Other operating expenses

Other operating expenses generally represent the day to day running costs incurred in normal operations.

Supplies and services

Supplies and services expenses are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

Bad and doubtful debts

Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables, are classified as "other economic flows" in the net result.

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

Disposal of Non-Financial Assets

Any gain or loss on the sale of non-financial assets is recognised at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

Impairment of Non-Financial Assets

Goodwill and intangible assets not yet available for use or with indefinite useful lives are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for:

- inventories;
- investment properties that are measured at fair value; and
- non current physical assets held-for-sale.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as another economic flow, except to the extent that the write down can be debited to an asset revaluation surplus amount applicable to that class of asset.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

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

(k) Financial Instruments

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

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

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables

Loans and receivables are financial instrument assets with fixed and

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

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

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

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

Offsetting financial instruments

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

(l) Assets

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

Cash and Cash Equivalents

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as interest bearing liabilities on the balance sheet.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables consist of statutory receivables, which include GST input tax credits recoverable; and contractual receivables, which include mainly debtors in relation to goods and services, loans to third parties and accrued investment income.

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

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

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

Investments and Other Financial Assets

Investments are recognised and de recognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments are classified in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available for sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. Any dividend or interest earned on the financial asset is recognised in the consolidated comprehensive operating statement as a transaction.

The Group assesses at each end of the reporting period whether a financial asset or group of financial assets is impaired. The Group's financial asset instruments includes: cash and deposits, loans and receivables and investment in Radio 3UZ Unit Trust.

Investment in Radio 3UZ Unit Trust

The investment in Radio 3UZ Unit Trust has been recognised at cost instead of fair value as required by AASB 139 Financial Instruments: Recognition and Measurement because the fair value of this investment cannot be determined and measured reliably. The Group's investment in Radio 3UZ Unit Trust consists of an 18% unit holding in this trust which fully owns all of the issued shares in 3UZ Pty Ltd. 3UZ Pty Ltd, operates commercial radio station Radio

Sport National, formerly Sport 927, and a network of regional relay stations.

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

Details in relation to investments are disclosed in Note 9.

Loans and Receivables

Term deposits with maturity greater than three months, trade receivables, loans and other receivables are recorded at amortised cost, using the effective interest method, less impairment. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

De-recognition of financial assets

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

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

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

Impairment of Financial Assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes financial difficulties of the debtor, default payments, and changes in debtor credit ratings. All financial assets, except those measured at fair value through the comprehensive operating statement, are subject to annual review for impairment.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and allowance for doubtful receivables are classified as "other economic flows" in the net result.

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

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

Property, Plant and Equipment

Land and buildings are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the comprehensive operating statement during the reporting period in which they are incurred.

Revaluations of Non Current Physical Assets

After initial recognition, non current physical assets are measured at fair value in accordance with the Financial Reporting Directions (FRDs) issued by the Minister for Finance. A full revaluation normally occurs every five years, based on the asset's government purpose classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations. Any interim revaluations are determined in accordance with the requirements of the FRDs.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised

in "other economic flows – other movements in equity" and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised immediately as other economic flows in the net result, except that the net revaluation decrease is recognised in "other economic flows – other movements in equity" to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. The net revaluation decrease recognised in "other economic flows – other movements in equity" reduces the amount accumulated in equity under the asset revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes. Any asset revaluation surplus is not normally transferred to accumulated funds on de-recognition of the relevant asset.

Intangible Assets

Goodwill arising from business combinations

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Impairment is determined by assessing the recoverable amount of the goodwill. Impairment losses recognised for goodwill are not subsequently reversed.

Gaming machine entitlements

Intangible assets represent identifiable non-monetary assets without physical substance such as licences, patents, trademarks, and computer software and development costs (where applicable). In the case of the Group, intangibles are limited to the value of gaming machine entitlements. The value of gaming machine entitlements which are disclosed as an intangible asset have been brought to account based on the historical cost of payments made up to reporting date and the net present value of future payments which are required under the purchase arrangements.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortisation is allocated to intangible assets with finite useful lives on a straight-line basis over the asset's useful life. The useful life of the gaming machine entitlements is August 2012 to August 2022. The amortisation rate used is 6%. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

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

Inventories

Inventories including raw materials and finished goods are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Food and Beverages – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price, transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Prepayments

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

(m) Liabilities

Payables

Payables consist of:

- contractual payables, such as accounts payable, and unearned income including deferred income from concession arrangements. Accounts payable represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid, and arise when the Group becomes obliged to make future payments in respect of the purchase of those goods

and services; and

- statutory payables, such as goods and services tax and fringe benefits tax payables.

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

Interest Bearing Liabilities

Interest bearing liabilities are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs.

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

Prepaid Income

Monies and deposits received in respect of sponsorships and future bookings are recognised as prepaid income in the Balance Sheet as the Group is required to provide the service to clients after balance date.

Provisions

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

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

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

Gaming Machine Entitlements

Gaming Machine Entitlements liability has been brought to account based on the present value of future payments which are required under the purchase arrangements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date. Harness Racing Victoria has applied AASB 119 Employee benefits. The standard changed the definition of short term employee benefits. Short term employee benefits are defined as benefits expected to be wholly settled within twelve months after the end of the reporting period in which the employees render the related service.

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

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

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

(ii) Long service leave

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

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

The components of this current LSL liability are measured at:

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

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

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

(iii) Employee benefits on-costs

Employee benefits on-costs such as payroll tax, workers compen-

sation and superannuation are recognised and included with provisions for employee benefits.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for those benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Development Fund

Development Fund Liabilities are brought to account as expenses and a liability is recognised in the year that the funding is approved by the Group and the Group has an obligation to make payment to external parties.

Other Liabilities

Industry contributions received relating to a particular futurity series are carried forward in the Balance Sheet until the year that each series is conducted when they are brought to account in the comprehensive operating statement as revenue. Fees and contributions received prior to 30 June 2018, for futurity series to be conducted in 2017/2018 are brought to account as a Current Liability. Fees and contributions received for series to be run after 30 June 2018 have been recorded as a Non-Current Liability.

(n) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

(i) The Group as a lessee

Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments, includ-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ing any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from use of the leased asset. The leased asset is not recognised in the balance sheet. The Group is not a party to any finance leases.

(ii) The Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(o) Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources. Commitments are disclosed at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated.

(p) Contingent Assets and Liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(q) Country Club Contributions to Stake money

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

(r) Foreign Currency Translation and Balances

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Parent entity's functional and presentation currency.

Transaction and balances

The Group utilises a New Zealand bank account for the purpose

of collecting Futurities Fees from New Zealand owners and breeders. All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period.

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

(s) Income Tax

The Parent entity is Income Tax Exempt. RISE Pty Ltd is also exempt from income tax pursuant to Division 50 of the Income Tax Assessment Act 1997.

As HRV Management Ltd does not trade, no tax balances have been recognised in respect HRV Management Ltd.

Distributions from the Melton Entertainment Trust to HRV are tax exempt.

(t) Critical Accounting Estimates and Assumptions

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

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

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

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The financial report is presented in Australian dollars (Harness Racing Victoria's presentation currency), which is also its functional currency.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The estimates and assumptions made concerning the future will by definition seldom be equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Impairment of Non-Financial Assets Other than Goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product performance, technology, economic and political environments and future product expectations.

If an impairment trigger exists the recoverable amount of the asset is determined. Management does not consider that the triggers for impairment testing have been significant enough and as such these assets have not been impaired in this financial period.

Impairment of Goodwill

The factors used are outlined in Note 10 of the financial statements.

Estimation of Useful Lives of Assets

The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets are assessed at least annually and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Valuation of investment in Radio 3UZ Unit Trust

The factors considered are outlined in Note 9 of the financial statements.

(u) AASBs Issued that are Not Yet Effective

Certain new AASBs have been published that are not mandatory for the 30 June 2017 reporting period. The Department of Treasury and Finance ("DTF") assesses the impact of all these new standards and advises HRV of their applicability and early adoption where applicable.

As at 30 June 2017, the following standards and interpretations that are applicable to the Group had been issued but are not mandatory for the financial year ended 30 June 2017. Standards and Interpretations that are not applicable to the Group have been omitted. The Group has not early adopted these standards.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TOPIC	KEY REQUIREMENTS	EFFECTIVE DATE
AASB 9 <i>Financial Instruments</i>	The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018
AASB 2010 7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i> [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: the change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss	1 January 2018
AASB 2014 1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements.	1 January 2018
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019
AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	This Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events.	1 January 2019

(v) Equity

Contributions by owners

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

(w) Going Concern

Notwithstanding the deficiency in working capital (current assets less current liabilities) of \$14.378m (2016 - \$11.962m) for the consolidated entity and \$14.458m (2016 - \$11.720m) for the parent entity, the accounts are prepared on a going concern basis. The Board believe the going concern basis is appropriate based on the following factors:

As at 30 June 2017 HRV had a total of \$31.538m in financing facility available, split based on a long-term \$17.538m loan at a variable rate with principal reductions of \$1.462m per annum over the remaining 12 years of the loan and a short-term \$14m variable line of credit facility guaranteed by the Treasurer of Victoria, which is reviewed and approved by the Treasurer in June each year. Following initial provision of short-term facilities by the Treasurer in 2014, each June the Treasur-

er has reviewed HRVs accounts and provided a renewed guarantee of HRVs short-term financing facility, including the Treasurer's approval of a \$17m variable line of credit facility in June 2017 for FY18. Effective 1 July 2017, \$10.507m of the short-term line of credit was utilised. It is the Board's expectation that this short-term line of credit facility will again be approved by the Treasurer in June 2018 for FY19. Both long and short term facilities are included in the Multi-Option Facility Agreement with TCV, which is not secured.

HRV offsets all excess cash against the Line of Credit. At balance date no excess cash was applied to the Line of Credit. The budgeted income market share from the Tabcorp Wagering Joint Venture is confirmed and therefore this has reduced the risk to the income flow for the next financial year. Stake-money levels have been factored into the HRV Budget for 2017-18, with HRV able to reduce stake levels if the need arises in order to ensure that HRV can continue to meet its obligations and pay its debts as and when they fall due. Late in FY17 and early in FY18, HRV implemented significant initiatives to improve revenues, operational profitability and cash-flow which are all evident in recent monthly accounts. Net Assets for the consolidated entity are \$39.228m at 30 June 2017 and for the parent entity \$42.123m at 30 June 2017.

All of these factors provide the Board with assurance and comfort that the going concern basis is appropriate for HRV in the preparation of these accounts.

NOTE 2. INCOME AND EXPENSES FROM TRANSACTIONS

	Consolidated Entity		Parent Entity	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Income				
Tabcorp Income	45,159	46,772	45,159	46,772
Other Income				
Racefield fees	13,737	13,153	13,737	13,153
Registered bookmakers fees	11	14	11	14
Gaming commission	6,654	6,481	-	-
Food & beverage	4,206	4,269	-	-
Accommodation	1,191	1,209	-	-
Other venue revenue	378	339	-	-
Sponsorship, advertising & events	1,205	1,252	1,182	1,273
RISE IT charges	944	868	-	-
Grants	1,233	1,461	1,233	1,461
Registration & licencing fees	1,840	1,873	1,840	1,873
Raceday fees	425	443	425	443
Fines & appeals	208	231	208	231
Country Club contributions to stakemoney	892	951	892	951
Futures Income				
- Vicbred Revenue	779	815	779	815
- Breeders Crown	1,318	1,347	1,318	1,347
- Race series subsidies	1,106	1,086	1,106	1,086
Sky New Media Fees	15	5	15	5
Property income	649	708	1,314	1,354
Industry programs	138	127	138	127
Management & service fee	195	213	449	452
Interest	1	24	43	65
Other income	445	435	394	404
Total Other Income	37,570	37,304	25,084	25,054
Total Income	82,729	84,076	70,243	71,826

NOTE 2. INCOME AND EXPENSES FROM TRANSACTIONS (CONTINUED)

	Consolidated Entity		Parent Entity	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Stakemoney				
Metropolitan Stakes	14,487	12,768	14,487	12,768
Country Stakes	20,102	22,369	20,102	22,369
Drivers Fees	16	7	16	7
Vicbred Win Bonuses	3,694	3,689	3,694	3,689
Vicbred Breeder Bonuses	825	759	825	759
Total Stakemoney	39,124	39,592	39,124	39,592
Employee Benefits				
Post employee benefits				
Defined contribution superannuation expense	1,056	978	657	613
Defined benefits superannuation expense	42	42	42	42
Salaries, wages and long service leave	13,022	12,182	8,674	8,007
Employee Benefits	14,120	13,202	9,373	8,662
Depreciation and Amortisation Expense (Refer Note 8)	2,109	1,891	1,666	1,456
Finance Costs	1,171	1,297	1,153	1,260
Other Expenses				
Country Club funding	5,497	5,749	5,497	5,754
Marketing & sponsorship expenses	1,930	2,471	1,533	2,071
Vision & Audio	3,216	3,072	3,216	3,072
Property costs	3,009	3,031	1,475	1,542
Development fund (Refer Note 20)	1,468	2,062	1,468	2,062
Gaming Costs	3,376	3,281	-	-
Cost of goods sold	1,440	1,487	-	-
Fields & form comments	663	730	663	731
Swabs	535	575	535	575
Timing & photo finish	40	44	40	44
Registration	666	655	666	655
Integrity & licensing	430	151	430	151
Communication costs	163	196	112	129
Computer costs	414	353	467	475
Registered bookmaker costs	1	1	1	1
Training facilities	40	40	40	40
Insurance	916	851	891	827
Consulting/legal fees	935	506	861	397
Other expenses	3,158	3,112	2,619	2,728
Total Other Expenses	27,897	28,367	20,514	21,254
Total Expenses From Transactions	84,421	84,349	71,830	72,224

NOTE 2(A). INCOME AND EXPENSES FROM TRANSACTIONS (CONTINUED)

	Consolidated Entity		Parent Entity	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Gross Proceeds	3	-	3	-
Less Incidental cost of disposal	-	-	-	-
Carrying amount of assets disposed	-	-	-	-
Profit/(Loss) on sale of assets	3	-	3	-

NOTE 3. REMUNERATION OF AUDITORS

Victorian Auditor General's Office - Audit of the Financial Report	69	62	37	31
Pitcher Partners - Internal Audit Services	41	82	41	82
Other Audit Services	4	2	-	-
Total Remuneration of Auditors	114	146	78	113

NOTE 4. RECEIVABLES

Current

Contractual				
Trade Receivables (a)	2,035	1,133	1,910	1,034
Provisions for doubtful debts	(137)	(177)	(130)	(166)
	1,898	956	1,780	868
Accrued Income	527	1,236	476	1,141
Provisions for impairment	-	-	-	-
	527	1,236	476	1,141
Tabcorp distribution receivable	3,937	3,676	3,937	3,676
Intercompany receivables	-	-	58	17
Sundry debtors	42	29	-	-
Statutory				
Goods and Services Tax (GST) Recoverable	367	373	290	320
	4,346	4,078	4,285	4,013
Total Current Receivables	6,771	6,270	6,541	6,022
Non current				
Contractual				
Intercompany Receivables	-	-	3,839	2,691
Total Non-Current Receivables	-	-	3,839	2,691
Total Receivables	6,771	6,270	10,380	8,713

Notes:

(a) the average credit period on sale of goods and services is 30 days. Generally, interest is not charged on outstanding receivables. A provision has been made for estimated irrecoverable amounts from the sales of goods and services. This has been determined by reference to an individual account by account assessment. The \$38,000 increase in provision was recognised in the operating result for the current financial year

NOTE 4. RECEIVABLES (CONTINUED)

	Consolidated Entity		Parent Entity	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(a) Movement in the Provision for doubtful debts				
Balance at the beginning of the year	(178)	(150)	(166)	(140)
Amounts recovered during the year	76	25	69	25
(Increase) / decrease in allowance recognised in profit or loss	(37)	(71)	(33)	(60)
Reversal of provision for receivables written off during the year as uncollectible	-	18	-	9
Balance at end of the year	(139)	(178)	(130)	(166)

(b) Aging analysis of receivables

Please refer to table 27.2(c) in Note 27 for the aging analysis of receivables

(c) Nature and extent of risk arising from receivables

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

NOTE 5. OTHER FINANCIAL ASSETS

Current

Loan - Geelong Harness Racing Club Inc	16	15	16	15
Loan - Bendigo Harness Racing Club Inc	-	25	-	25
Loan - Swan Hill Trotting Club Inc	-	25	-	25
Loan - Yarra Valley Racing Inc	-	50	-	50
Total Other Current Financial Assets	16	115	16	115

Non Current

Loan - Geelong Harness Racing Club Inc	23	39	23	39
Loan - HRV Management Ltd ATF Melton Entertainment Trust	-	-	482	1,157
Total Other Non-Current Financial Assets	23	39	505	1,196
Total Other Financial Assets	39	154	521	1,311

(a) Aging analysis of other financial assets

Please refer to table 27.2(c) in Note 27 for the ageing analysis of other financial assets

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

Please refer to Note 27(c) for the nature and extent of risk arising from other financial assets

NOTE 6. OTHER ASSETS - CURRENT

Prepayments	550	634	465	546
Total Other Current Assets	550	634	465	546

NOTE 7. INVENTORIES

Food at cost	23	33	-	-
Beverage at cost	78	75	-	-
Total Inventories	101	108	-	-

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

Consolidated Entity

	Freehold Land	Buildings	Building Improvements	Plant and Equipment	Melton Track	Total
2016-17 Year						
Gross Carrying Amount						
Balance as at 1 July 2016	26,960	40,313	1,224	11,529	3,048	83,074
Additions	-	183	27	531	-	741
Disposals/writeoffs	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-
Revaluation decrements	-	-	-	-	-	-
Balance as at 30 June 2017	26,960	40,495	1,251	12,060	3,048	83,815

Accumulated Depreciation

Balance as at 1 July 2016	-	-	(1,224)	(10,010)	-	(11,234)
Disposals/writeoffs	-	-	-	-	-	-
Depreciation expense	-	(1,229)	-	(509)	(172)	(1,910)
Revaluation increments	-	-	-	-	-	-
Balance as at 30 June 2017	-	(1,229)	(1,224)	(10,519)	(172)	(13,144)

Consolidated Entity

	Freehold Land	Buildings	Building Improvements	Plant and Equipment	Melton Track	Total
2015-16 Year						
Gross Carrying Amount						
Balance as at 1 July 2015	17,350	40,259	1,282	10,550	3,360	72,800
Additions	608	336	-	921	-	1,866
Disposals/writeoffs	-	-	-	-	-	-
Revaluation increments	9,002	-	-	-	-	9,002
Revaluation decrements	-	(282)	-	-	(312)	(594)
Balance as at 30 June 2016	26,960	40,313	1,224	11,529	3,048	83,074

Accumulated Depreciation

Balance as at 1 July 2015	-	(4,135)	(1,224)	(9,534)	(834)	(15,727)
Disposals/writeoffs	-	-	-	-	-	-
Depreciation expense	-	(1,086)	-	(476)	(133)	(1,695)
Revaluation increment	-	5,221	-	-	967	6,188
Balance as at 30 June 2016	-	-	(1,224)	(10,010)	-	(11,234)

Net Book Value

As at 30 June 2016	26,960	40,313	-	1,519	3,048	71,840
As at 30 June 2017	26,960	39,266	27	1,541	2,876	70,671

NOTE 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Parent Entity						
	Freehold Land	Buildings	Building Improvements	Plant and Equipment	Melton Track	Total
2016-17 Year						
Gross Carrying Amount						
Balance as at 1 July 2016	26,960	40,312	1,224	8,081	3,048	79,625
Additions	-	183	27	137	-	347
Disposals/writeoffs	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-
Revaluation decrements	-	-	-	-	-	-
Balance as at 30 June 2017	26,960	40,495	1,251	8,218	3,048	79,972
Accumulated Depreciation						
Balance as at 1 July 2016	-	-	(1,224)	(6,998)	-	(8,221)
Disposals/writeoffs	-	-	-	-	-	-
Depreciation expense	-	(1,229)	-	(265)	(172)	(1,666)
Revaluation increments	-	-	-	-	-	-
Balance as at 30 June 2017	-	(1,229)	(1,224)	(7,262)	(172)	(9,887)
Parent Entity						
	Freehold Land	Buildings	Building Improvements	Plant and Equipment	Melton Track	Total
2015-16 Year						
Gross Carrying Amount						
Balance as at 1 July 2015	17,350	40,258	1,282	7,394	3,360	69,644
Reclassification of opening balances	-	-	(58)	58	-	-
Additions	608	336	-	629	-	1,574
Disposals/writeoffs	-	-	-	-	-	-
Revaluation increments	9,002	-	-	-	-	9,002
Revaluation decrements	-	(282)	-	-	(312)	(594)
Balance as at 30 June 2016	26,960	40,312	1,224	8,081	3,048	79,625
Accumulated Depreciation						
Balance as at 1 July 2015	-	(4,135)	(1,224)	(6,760)	(834)	(12,953)
Disposals/writeoffs	-	-	-	-	-	-
Depreciation expense	-	(1,086)	-	(238)	(133)	(1,456)
Revaluation increments	-	5,221	-	-	967	6,188
Balance as at 30 June 2016	-	-	(1,224)	(6,998)	-	(8,221)
Net Book Value						
As at 30 June 2016	26,960	40,312	-	1,083	3,048	71,404
As at 30 June 2017	26,960	39,266	27	955	2,876	70,084

NOTE 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Consolidated entity		Parent entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Aggregate Depreciation and Amortisation allocated during the year was as follows:				
Buildings at Fair Value	1,229	1,086	1,229	1,086
Plant and Equipment at Fair Value	510	474	265	238
Melton Complex at Fair Value	172	133	172	133
Gaming Entitlements Amortisation	198	198	-	-
	2,109	1,891	1,666	1,456

VALUE OF FREEHOLD LAND

Freehold Land - 28 - 52 Ferris Rd Melton	2,678	2,678	2,678	2,678
Freehold Land - 92 -134 Abey Road Melton (Lot 1)	15,411	15,411	15,411	15,411
Freehold Land - 92 -134 Abey Road Melton (Lot 2)	8,871	8,871	8,871	8,871
	26,960	26,960	26,960	26,960

Fair Value

AASB 13 Fair Value Measurement is effective from 1 July 2013. This standard does not change when fair value can or should be used and is largely consistent with valuation practices that were already in operation. It does however introduce a fair value hierarchy for non-financial assets, similar to those in AASB 7 – Financial Instruments: Disclosure currently prescribes for financial instruments.

The key features of the standard are the following:

- The principle of Highest and best use from perspective of market participants;
- Use of principal or most advantageous market;
- The use of an exit price as the fair value;
- The use of physical asset is physically possible, legally permissible and financially feasible;
- The use of a three level hierarchy - quoted price, observable inputs and unobservable inputs;
- Applies when another standard requires or permits fair value measurement or disclosure;
- The application is based on materiality;
- Expanded disclosures requirements (basis, valuation techniques applied etc)

NOTE 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Consolidated Fair Value measurement hierarchy of Assets as at 30 June 2017

	Carrying amount as at 30 June 2017	Carrying amount as at 30 June 2016	Fair Value measurement at end of reporting period using:						
			Level 1		Level 2		Level 3		
			2017	2016	2017	2016	2017	2016	
Land at Fair Value									
Non Specialised Land	-	-	-	-	-	-	-	-	-
Specialised Land	26,960	26,960	-	-	26,960	26,960	-	-	-
Total Land at Fair Value	26,960	26,960	-	-	26,960	26,960	-	-	-
Buildings at Fair Value									
Non Specialised Land	-	-	-	-	-	-	-	-	-
Specialised Land	39,267	40,313	-	-	-	-	39,267	40,313	
Total Buildings at Fair Value	39,267	40,313	-	-	-	-	39,267	40,313	
Building Improvements at Fair Value									
Non Specialised Plant and Equipment	-	-	-	-	-	-	-	-	-
Specialised Plant and Equipment	27	-	-	-	-	-	-	27	-
Total Building Improvements at Fair Value	27	-	-	-	-	-	-	27	-
Plant, Equipment at Fair Value									
Non Specialised Plant and Equipment	-	-	-	-	-	-	-	-	-
Specialised Plant and Equipment	1,540	1,519	-	-	-	-	1,540	1,519	
Total Plant and Equipment at Fair Value	1,540	1,519	-	-	-	-	1,540	1,519	
Melton Track Fair Value									
Non Specialised Plant and Equipment	-	-	-	-	-	-	-	-	-
Specialised Plant and Equipment	2,876	3,048	-	-	-	-	2,876	3,048	
Total Melton Track at Fair Value	2,876	3,048	-	-	-	-	2,876	3,048	

In 2016, HRV were required to obtain a valuation for the parcels of land being 28 - 52 Ferris Rd Melton and Lot 1 and 2 at 2 -134 Abey Road Melton. The valuation was conducted by Department of Environment, Land, Water and Planning on behalf of the Valuer-General Victoria. Further, HRV were required to obtain a valuation for the Buildings and Track located at 2 Ferris Rd Melton. The valuation was conducted by Donald Cant Watts Corke on behalf of the Valuer-General Victoria. For financial reporting purpose these valuations were prepared with reference to Australian Accounting Standards Board (AASB) 116 Property Plant and Equipment; Australian accounting Standards Board (AASB) 136 Impairment of Assets; and Victorian Government Policy FRD 103D Non-Current Physical Assets issued by the Department Of Treasury and Finance in March 2009.

It is noted that the depreciated replacement cost methodology was applied to the Harness Racing complex and its 25.3 hectares of environment. Given the facility does not have a liquid and active market whilst the residual land (81.7 hectares) has an active and liquid market.

The valuation complies with the current standard as:

1. The appraisal contemplates the asset sold in an orderly transaction.
2. The principal market has been appropriately considered.
3. Market participants have been identified and those assumptions that would be used by the participants have been included in the price
4. The Appraisal has applied appropriate judgement when considering highest and best use.
5. All appropriate valuation techniques have been used.
6. Adjustment to valuation input data has maximised the use of observable data and minimised the use of unobservable.

NOTE 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The following table highlights classes of Assets, the fair value measure, technique and assessment and inputs:

Description of Significant Unobservable Inputs to Level 3 Valuations

Asset class	Valuation technique	Significant unobservable inputs	2017 Range (weighted average)	Observable / Unobservable inputs	Sensitivity of fair value measurement to changes in significant unobservable inputs
Specialised Buildings	Depreciated replacement cost.	Direct Cost per square metre	\$3500 - \$4000 per square metre (\$3811 per square metre)	The valuation process necessarily involves the use of unobservable inputs given relevant observable inputs are not available. The assets are classified as Level 3 fair value.	A significant increase or decrease in estimated direct cost per square metre of the asset would result in a significant higher or lower valuation
		Useful Life of Specialised Buildings	37 - 40 years		A significant increase or decrease in estimated useful life of the asset would result in a significant higher or lower valuation
Buildings improvements	Depreciated replacement cost.	Direct Cost per square metre	\$1500 - \$1000 per square metre (\$1,048 per square metre)	Estimation based on assumption that depreciated cost would be a close approximation of fair value	A significant increase or decrease in estimated direct cost per square metre of the asset would result in a significant higher or lower valuation
Plant and Equipment - Computers	Depreciated replacement cost	Cost per Unit	Weighted Average \$500 - \$50,000 per unit (\$14,709 per unit)	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation
Plant and Equipment - Equipment	Depreciated replacement cost	Cost per Unit	Weighted Average \$500 - \$500,000 per unit (\$1,125,524 per unit)	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation
Plant and Equipment - Furniture & Fitting	Depreciated replacement cost	Cost per Unit	Weighted Average \$100- \$35,000 per unit (\$187,121 per unit)	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation
Plant and Equipment - Vehicles	Depreciated replacement cost	Cost per Unit	Weighted Average \$1,000-\$500,000 per unit (\$201,468 per unit)	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation
Plant and Equipment - Software	Depreciated replacement cost	Cost per Unit	Weighted Average \$1,000 - \$1,800,000 per unit (\$1,069,338 per unit)	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation
Plant and Equipment - Timing Equipment	Depreciated replacement cost	Cost per Unit	Weighted Average \$1,000 - \$240,000 per unit (\$163,122 per unit)	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation
Melton Track	Depreciated Replacement cost	Cost per Metre	\$3500 - \$2000 per Metre (\$3,221 per metre)	The valuation process necessarily involves the use of unobservable inputs given relevant observable inputs are not available. The assets are classified as Level 3 fair value.	A significant increase or decrease in estimated cost per metre of the asset would result in a significant higher or lower valuation

NOTE 9. INVESTMENTS

	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Investment in subsidiaries - at cost	-	-	347	347
Shares in radio 3UZ Pty Ltd - at cost	2	2	2	2
Units in radio 3UZ Unit Trust - at cost	1,080	1,080	1,080	1,080
Total Investments	1,082	1,082	1,429	1,429

The investment in Radio 3UZ Unit Trust has been brought to account at cost instead of fair value in accordance with AASB 139 Financial Instruments: Recognition and Measurement as at 1 July 2005 because the fair value of this investment cannot be measured reliably. The Group's investment in Radio 3UZ Unit Trust consists of an 18% unitholding in this trust, which fully owns all of the issued shares in 3UZ Pty Ltd. 3UZ Pty Ltd operates a commercial radio station Sport 927 and a network of regional relay stations.

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

NOTE 10. INTANGIBLE ASSETS

Goodwill	132	132	-	-
Gaming Machine Entitlements	1,983	1,983	-	-
Accumulated Amortisation	(967)	(768)	-	-
Total Intangible Assets	1,148	1,347	-	-
Opening balance	1,347	1,545	-	-
Additions	-	-	-	-
Amortisation	(198)	(198)	-	-
Closing Balance	1,148	1,347	-	-

(a) Description of the Group's goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment (refer to section (b) of this note).

(b) Impairment test for goodwill

The recoverable amount of the goodwill balance has been determined using a value in use calculation, with reference to the present value of cash flow projections over a period of five years. The cash flows are discounted using a discount rate as listed below. Management has determined the value in use on plans prepared for the cash generating unit. These plans use a combination of contracted and historical weighted average growth rates to project revenue. Costs are determined taking into account historical factors as well as an estimated weighted average inflation rate which are consistent with CPI increases applicable to the CGU.

(c) Key assumptions used

	2017	2016
Growth Rate Used	2%	2%
Discount Rate Used	6%	6%

(d) Impact of possible changes in key assumptions

Even after allowing for a 50% reduction in the projected growth rate in revenue, the goodwill is still not impaired

(e) Impairment test for gaming machine entitlements

In bringing to account the gaming machine entitlements a discount rate of 6% has been used to discount the future payments back to their present value. Directors have concluded that no impairment is required.

NOTE 11. PAYABLES

	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current Payables				
Contractual - Unsecured				
Trade Creditors	3,517	4,030	2,888	3,468
Intercompany payables	-	-	447	167
Development Fund accruals	205	144	205	144
Sundry creditors and accruals	2,124	1,611	1,660	1,247
Total Current Payables	5,846	5,785	5,200	5,026
Total Payables	5,846	5,785	5,200	5,026

(a) Maturity analysis of payables

Please refer to table 27.3 in Note 27 for the aging analysis of payables.

(b) Nature and extent of risk arising from payables

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

NOTE 12. PROVISION

Current

Employee Benefits				
Annual Leave				
Unconditional and expected to wholly settle within 12 months	465	517	325	365
Unconditional and expected to wholly settle after 12 months	196	232	177	219
Long Service Leave				
Unconditional and expected to wholly settle within 12 months	-	-	-	-
Unconditional and expected to wholly settle after 12 months	1,206	1,343	986	1,146
Provisions related to employee benefit on-costs				
Unconditional and expected to wholly settle within 12 months	87	95	55	62
Unconditional and expected to wholly settle after 12 months	228	257	196	229
State-wide Sulky Fund	65	65	65	65
Provision for Aggregate Insurance	22	-	22	-
Bonus Points Liability	17	24	-	-
Total Current Provision	2,286	2,533	1,826	2,086
Non-Current				
Employee Benefits	201	275	163	229
Provisions related to employee benefit on-costs	35	47	28	38
Total Non-Current Provision	236	322	191	267
Total Provisions	2,522	2,855	2,017	2,353

NOTE 12. PROVISION (CONTINUED)

(b) Movement in Provisions

	Employee Benefits	On-costs	Statewide Sulky Fund	Bonus Points Liability	Aggregate Insurance	Total
	2017	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated Entity						
Opening balance	2,367	399	65	24	-	2,855
Additional provisions recognised	628	106	33	22	22	811
Reductions arising from payments/other sacrifices of future economic benefits	(967)	(163)	(34)	(28)	-	(1,192)
Unwind of discount and effect of changes in the discount rate	40	7	-	-	-	47
Closing balance	2,068	349	64	18	22	2,521
Current	1,867	315	64	18	22	2,286
Non Current	201	34	-	-	-	235
	2,068	349	64	18	22	2,521
Parent Entity						
Opening balance	1,959	329	65	-	-	2,353
Additional provisions recognised	438	74	33	-	22	567
Reductions arising from payments/other sacrifices of future economic benefits	(778)	(131)	(34)	-	-	(943)
Unwind of discount and effect of changes in the discount rate	33	6	-	-	-	39
Closing balance	1,652	278	64	-	22	2,016
Current	1,488	252	64	-	22	1,826
Non Current	163	27	-	-	-	190
	1,651	279	64	-	22	2,016

NOTE 13. INTEREST BEARING LIABILITIES

	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current				
Unsecured - TCV Loan Facility	11,969	8,656	11,969	8,656
	11,969	8,656	11,969	8,656
Non-Current				
Unsecured - TCV Loan Facility	16,076	17,500	16,076	17,500
	16,076	17,500	16,076	17,500
Total Interest Bearing liabilities	28,045	26,156	28,045	26,156

(a) Maturity analysis of interest bearing liabilities

Please refer to table 27.3 in Note 27 for the ageing analysis of interest bearing liabilities.

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

Please refer to Note 27(e) for the nature and extent of risks arising from interest bearing liabilities.

(c) Defaults and breaches

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

(d) Facilities

HRV has access to the following financing facilities:

Unsecured Term Facility	31,538	29,000	31,538	29,000
Financial guarantee	29	187	-	175
Business card limit	99	99	39	39
Total Facilities Amount	31,666	29,286	31,577	29,214
Amount of Facility Unused	3,579	2,890	3,519	2,820

NOTE 14. NON-INTEREST BEARING LIABILITIES

Current				
RISE Funding Agreement	-	-	300	270
Gaming machine entitlements (d)	88	363	-	-
	88	363	300	270
Non-Current				
Gaming machine entitlements (d)	-	88	-	-
	-	88	-	-
Total Non Interest Bearing Liabilities	88	451	300	270

(a) Maturity analysis of non-interest bearing liabilities

Please refer to table 27.3 in Note 27 for the ageing analysis of non-interest bearing liabilities.

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

Please refer to Note 27(e) for the nature and extent of risks arising from non-interest bearing liabilities.

(c) Defaults and breaches

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

(d) All payments for Gaming machine Entitlements

The Victoria Commission for Gaming and Liquor Regulation (VCGLR) which the independent statutory authority that administers Victoria's gaming and liquor laws. Total liability for entitlements is payable to the VCGLR.

NOTE 15. PREPAID INCOME

	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current				
Tabcorp Melton Sponsorship	351	351	351	351
Other revenue invoiced in advance	419	249	141	100
	770	600	492	451
Non-Current				
Tabcorp Melton Sponsorship	1,404	1,755	1,404	1,755
	1,404	1,755	1,404	1,755
Total Prepaid Income	2,174	2,355	1,896	2,206

NOTE 16. OTHER LIABILITIES

Current				
Vicbred fees invoiced in advance	728	779	728	779
Breeders Crown fees invoiced in advance	1,292	1,314	1,292	1,314
Other	157	52	138	43
	2,177	2,145	2,158	2,136
Non-Current				
Vicbred fees invoiced in advance	180	169	180	169
Breeders Crown fees invoiced in advance	1,348	1,525	1,348	1,525
Other	74	64	74	64
	1,602	1,758	1,602	1,758
Total Other Liabilities	3,779	3,903	3,760	3,894

NOTE 17. CONTRIBUTED CAPITAL

Contributed Capital	9,174	9,174	9,174	9,174
	9,174	9,174	9,174	9,174

NOTE 18. RESERVES

Asset Revaluation Reserve				
Balance at beginning of financial year	29,889	15,333	29,889	15,333
Increment/(decrement) on valuation of freehold land	-	9,002	-	9,002
Increment/(decrement) on valuation of building	-	5,554	-	5,554
Balance at end of financial year	29,889	29,889	29,889	29,889

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

NOTE 19. ACCUMULATED SURPLUS/(DEFICIT)

Accumulated Surplus at the beginning of the financial year	1,860	2,076	4,656	4,988
Net Operating Profit/(Loss)	(1,695)	(215)	(1,593)	(332)
Accumulated Surplus/(Deficit) at the end of the financial year	165	1,860	3,063	4,656

NOTE 20. DEVELOPMENT FUND

On the incorporation of Tabcorp Holdings Limited, HRV formed a development fund for the purpose of providing the industry with a source of income to fund capital projects. Income allocated to the fund and associated expenses are included in the Operating Statement.

During the year ended 30 June 2017 expenditure on the following projects was incurred. No comparative for 2016 is shown due to the nature of the program. Each year the projects receiving funding change therefore making any comparative not applicable.

	2017
	\$'000
Ballarat Update Street Signage	18
Bendigo Generator	13
Birchip Transition to Racing	122
Cranbourne Replacement of Floodlights	34
Echuca Betting Shelter Guttering	4
Elmore Transition to Racing	23
Geelong OH&S Tower	30
Hamilton Installation of Disabled Toilet	15
Horsham Track Upgrade	22
Maryborough Septic System Upgrade and Solar Power	43
Mildura Air Conditioning System	27
Track Spreader	24
Maroopna Track Fencing	-
Stawell Track Upgrade	535
Swan Hill Machinery Shed and Compound	29
Generator	5
Wangaratta Permanent Fixtures and Fencing	14
Wedderburn OH&S Fencing	5
HRV Track Maintenance Program	162
Canola Oil on Tracks	111
Maximum Demand Tariff 2016-17	98
Development Fund Expenses	58
RASL Rearch & Equipment	50
OH&S Audits of TAB Harness Clubs	47
Track Maintenance Supervisor	22
Thermography of Harness Tracks with Lights	22
Tabcorp Park Sealing of External Stalls (expensed FY16, capitalised in FY17)	(65)
Total Development Fund Expenses	1,468

NOTE 21. RESPONSIBLE PERSONS

In accordance with the Ministerial Directions issued by the Minister for Finance under the Financial Management Act 1994 (FMA), the following disclosures are made regarding responsible persons for the reporting period.

Responsible Minister:

The Minister for Racing is The Hon. Martin Pakula, MP. The remuneration of the Minister is disclosed in the annual report of the Department of Parliamentary Services.

Governing Board:

Dale Monteith (Board Chairman)
Elizabeth Clarke (Deputy Chair)
Dr Catherine Ainsworth
Jane Brook
Brett Clothier (resigned 7th July 2017)
Daniel Frawley
Peter Watkinson

Accountable Officer:

David Martin - Chief Executive Officer

The following persons were directors of the subsidiaries:

Dale Monteith (Board Chairman)
Peter Watkinson
Elizabeth Clarke (Deputy Chair)
Dougall McBurnie
Catherine Ainsworth
Cesare Tizi
Jane Brook
Craig Gardner
Brett Clothier (resigned 7th July 2017)
Daniel Frawley

NOTE 21. RESPONSIBLE PERSONS (CONTINUED)

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the Group and HR during the reporting period was in the range: \$290,000 - \$299,000 (\$290,000 - \$299,000 in 2015-16).

Remuneration of Key Management Personnel	(\$ thousand)	
	Total remuneration	
Parent Entity	2017	2016(A)
Remuneration	\$	\$
Short-term benefits	171	
Post-employment benefits	16	
Other long-term benefits	-	
Termination benefits	-	
Share-based payments	n/a	
Total remuneration (b)	187	
Total number of executives (c)	7	
Total annualised employee equivalent (AEE) (d)	7	

Remuneration of Key Management Personnel	(\$ thousand)	
	Total remuneration	
Consolidated	2017	2016(A)
Remuneration	\$	\$
Short-term benefits	209	
Post-employment benefits	16	
Other long-term benefits	-	
Termination benefits	-	
Share-based payments	n/a	
Total remuneration (b)	225	
Total number of executives (c)	10	
Total annualised employee equivalent (AEE) (d)	10	

- No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to prior year's financial statements for executive remuneration for the 2015-16 reporting period.
- Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB 119 Employee Benefits.
- The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure.
- Annualised employee equivalent is based on the time fraction worked during the reporting period. This is calculated as the total number of days the employee is engaged to work during the week by the total number of full-time working days per week (this is generally five full working days per week).

NOTE 22. EXECUTIVE OFFICERS

Remuneration of executives

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits

Include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits

Include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits

Include long service leave, other long service benefits or deferred compensation.

Termination benefits

Include termination of employment payments, such as severance packages.

	(\$ thousand)	
Remuneration of executive officers	Total remuneration	
Parent Entity	2017	2016(A)
Remuneration	\$	\$
Short-term benefits	1,191	
Post-employment benefits	126	
Other long-term benefits	15	
Termination benefits	603	
Share-based payments	n/a	
Total remuneration (b)	1,935	
Total number of executives (c)	12	
Total annualised employee equivalent (AEE) (d)	11.6	

	(\$ thousand)	
Remuneration of executive officers	Total remuneration	
Consolidated	2017	2016(A)
Remuneration	\$	\$
Short-term benefits	1,445	
Post-employment benefits	158	
Other long-term benefits	20	
Termination benefits	711	
Share-based payments	n/a	
Total remuneration (b)	2,335	
Total number of executives (c)	15	
Total annualised employee equivalent (AEE) (d)	14.6	

- No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to prior year's financial statements for executive remuneration for the 2015-16 reporting period.
- Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB 119 Employee Benefits.

NOTE 22. EXECUTIVE OFFICERS (CONTINUED)

(c) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure.

(d) Annualised employee equivalent is based on the time fraction worked during the reporting period. This is calculated as the total number of days the employee is engaged to work during the week by the total number of full-time working days per week (this is generally five full working days per week).

NOTE 23. RELATED PARTY TRANSACTIONS

(a) Parent Entity

The Parent entity within the Group is Harness Racing Victoria

(b) Subsidiaries & related party transactions

Details and ownership interests in subsidiaries of the Parent Entity are set out in Note 31. Details of related party transactions with entities within the Group and outstanding balances as at period end are set out below. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties, unless otherwise stated.

	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Transactions with HML & RISE Pty Ltd				
Rental Income	-	-	665	646
Management and Service Received by HRV	-	-	-	-
Goods and Services received by HRV	-	-	252	238
Goods and Services provided to HRV	-	-	762	763
Finance Interest Income	-	-	42	44
Balances:				
Receivables	-	-	3,896	2,708
Other Financial Assets	-	-	482	1,157
Payables	-	-	447	167
Other Current Liabilities	-	-	300	270

Details of the lease agreement between HRV and the Melton Entertainment Trust are outlined in Note 26.

(c) Key Management Personnel information

Refer to notes 21 and 22 for further information.

(d) Other related parties transactions

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

(ii) David Martin (Chief Executive Officer) is a director of Vic Racing Pty. Ltd. This company is an industry body and is not personal or family related.

(iii) On 15 August 2012, the Victorian Racing Industry commenced an unincorporated joint venture with Tabcorp Holdings Limited. The unincorporated joint venture conducts the businesses of Wagering, Gaming and approved betting competitions in Victoria.

Through Vic Racing Pty Ltd, Harness Racing Victoria together with Racing Victoria Ltd and Greyhound Racing Victoria hold an equity interest in the joint venture. Vic Racing Pty Ltd is entitled to 50% of the joint venture profit and must contribute 50% of any joint venture losses.

Through Racing Products Victoria Pty Ltd, the codes supply racing information to the joint venture pursuant to the Racing Program Agreement and Racing Information Agreement, in return for fees.

Income derived from these sources is included as part of "Tabcorp Income" in the Operating Statement and Note 2 to the financial statements.

NOTE 24. SUPERANNUATION ARRANGEMENTS

All schemes are controlled by outside parties. HRV has no outstanding loans from any of the named schemes and all contributions are full paid.

Employees of the Group are entitled to receive superannuation benefits and the Group contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary. The Group does not recognise any defined benefit liability in respect of the plan(s) because it has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its financial statements.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Group. The name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by the Group are as follows:

(a) Funds

- Permanent employees before 1/1/95 - State Superannuation Fund (New Scheme) – Defined Benefit Scheme
- Permanent employees after 1/1/95 - VicSuper Pty Ltd or choice of funds – Defined Contribution Scheme

(b) Contributions

State Superannuation Fund contributions are based on the schemes' policies and are dependent upon the election of the staff member. Employer contributions range from 9.5% to 10.3%. The Victorian Superannuation Fund contributions are based on the Commonwealth Government Superannuation Guarantee and Board directives.

(c) Contributions made during the financial year:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
STATE SUPERANNUATION FUND				
EMPLOYER	42	40	42	40
VICTORIAN SUPERANNUATION FUND				
EMPLOYER	366	379	296	307
HOST PLUS SUPERANNUATION FUND				
EMPLOYER	234	234	25	32
VARIOUS OTHER FUNDS AS NOMINATED BY THE EMPLOYEE				
EMPLOYER	456	368	336	277
TOTAL CONTRIBUTIONS				
EMPLOYER	1,098	1,020	699	655

NOTE 25. CASH FLOW STATEMENT

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
(a) Reconciliation of cash and cash equivalents				
Deposits at Call	1,025	742	465	222
Cash assets on hand /(overdraft)	295	251	-	-
Closing cash and cash equivalents balance	1,320	993	465	222
(b) Reconciliation of the net result for the year to the net cash from operating activities				
Net Result for the Year	(1,695)	(215)	(1,593)	(332)
Add/(deduct) non-cash items:				
Depreciation /amortisation of non-current assets	2,109	1,891	1,666	1,456
Revaluation of non-current assets	-	(101)	-	(101)
Doubtful Debts	(40)	45	(36)	25
Change in assets and liabilities:				
(Increase)/Decrease in receivables	(911)	(238)	(2,081)	(213)
(Increase)/Decrease in other current assets	190	(117)	180	(102)
(Increase)/Decrease in other non-current assets	691	(304)	691	(304)
Increase/(Decrease) in Accounts Payable & Other Liabilities	(592)	(346)	(618)	(284)
Increase/(Decrease) in provisions	(332)	229	(336)	134
Net cash provided by/(used in) operating activities	(580)	844	(2,127)	279

(c) Loan Facilities

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

NOTE 26. LEASES

	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Non-cancellable operating leases				
Not longer than one year	164	909	164	909
Longer than 1 year and not longer than 5 years	86	3,165	86	3,165
Longer than 5 years	-	812	-	812
	250	4,886	250	4,886

Disclosure as lessee - operating leases

Operating leases relate to the following items:

- a lease for the ground floor at 740 Mount Alexander Road, Moonee Ponds (to 30 June 2022) was assigned to Moonee Valley Racing Club on 15 May 2017
- a motor vehicle fleet with lease terms ranging between 1 and 3 years
- office equipment with lease terms ranging between 1 and 5 years

Operating lease relates to the Melton Racetrack and Entertainment Complex owned by HRV, which is leased to the Melton Entertainment Trust. (The lease term is for a period of 8 years with annual increase of 3% per annum expiring on 30 June 2022).

Disclosure as Lessor				
Non-cancellable operating leases				
Not longer than one year	-	-	685	665
Longer than 1 year and not longer than 5 years	-	-	2,952	2,866
Longer than 5 years	-	-	-	771
	-	-	3,637	4,302

NOTE 27. FINANCIAL INSTRUMENTS

(a) Significant accounting policies

This note presents information about the Group's financial instrument risk management objectives, policies and processes for measuring and managing risk. The Governing Board is responsible for the establishment and oversight of the risk management framework to identify and analyse the risks faced by the Group. The Governing Board's overall risk management approach seeks to minimise potential adverse effects on the financial performance of the Group. The Governing Board uses different methods to measure different types of risk to which the Group is exposed. These methods include monitoring interest rate and other price risks, and ageing analysis for credit risk.

Risk management is carried out by management and reported on an exception basis to the Governing Board. The Governing Board reviews and agrees policies for managing each of these risks in consultation with management and undertakes regular monitoring of the performance of the Group's financial assets and liabilities. The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability are disclosed in Note 1 to the financial statements. The Group's financial instruments are limited to those listed in Table 27.1.

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Table 27.1: Categorisation of financial instruments

Note	Category	Consolidated Entity		Parent Entity		
		2017	2016	2017	2016	
<i>Carrying amount (\$ thousand)</i>						
Financial assets						
Cash and cash equivalents	25a	N/A	1,320	993	465	222
Receivables (a)	4	Loans and receivables (at amortised cost)	6,404	5,897	10,090	8,393
Other financial assets - loans	5	Loans and receivables (at amortised cost)	39	154	521	1,311
Investments (c)	9	Available for sale	1,082	1,082	1,429	1,429
Financial liabilities						
Payables (b)	11	Financial liabilities measured at amortised cost	5,846	5,785	5,200	5,026
Interest bearing liabilities	13	Financial liabilities measured at amortised cost	28,045	26,156	28,045	26,156
Non Interest bearing liabilities	14	Financial liabilities measured at amortised cost	88	451	300	270

Note:

(a) The amount of receivables disclosed here exclude statutory amounts (e.g. GST input tax credit recoverable).

(b) The amount of payables disclosed here exclude statutory amounts (e.g. GST payables).

(c) Investments in subsidiaries are recorded cost, less impairment.

(c) Credit risk

Credit risk arises from the contractual financial assets of the Group, which comprise cash and deposits, non-statutory receivables and available for sale contractual financial assets. The Group's exposure to credit risk arises from the potential default of counter party on their contractual obligations resulting in financial loss to the Group. Credit risk is monitored on a regular basis.

Credit risk associated with the Group's contractual financial assets is minimal because the main debtor is Tabcorp, being the Victorian Racing Industry's Joint Venture partner. For debtors other than Tabcorp, it is the Group's policy to only deal with entities assessed as being credit worthy and to obtain sufficient collateral or credit enhancements where appropriate. In addition, the Group does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash assets, which are mainly cash at bank. As with the policy for debtors, the Group's policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Group will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

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

Except as otherwise detailed in the following tables, the carrying amount of contractual financial assets recorded in the Financial Statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

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

		(\$ thousand)			
		Financial institutions	Credit Rating of Financial Institution	Other	Total
2017	Note				
Contractual financial assets					
Cash and cash equivalents	25a	1,025	AA-	295	1,320
Receivables	4	-	-	6,404	6,404
Other financial assets - loans	5	-	-	39	39
Investments	9	-	-	1,082	1,082
Total contractual financial assets		1,025	-	7,820	8,845
2016					
Contractual financial assets					
Cash and cash equivalents	25a	741	A-1+	252	993
Receivables	4	-	-	5,897	5,897
Other financial assets - loans	5	-	-	154	154
Investments	9	-	-	1,082	1,082
Total contractual financial assets		741	-	7,385	8,126

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

		(\$ thousand)			
		Financial institutions	Credit Rating or Financial Institution	Other	Total
2017	Note				
Contractual financial assets					
Cash and cash equivalents	25a	465	AA-	-	465
Receivables	4	-	-	10,090	10,090
Other financial assets - loans	5	-	-	521	521
Investments	9	-	-	1,429	1,429
Total contractual financial assets		465	-	12,040	12,505
2016					
Contractual financial assets					
Cash and cash equivalents	25a	220	A-1+	2	222
Receivables	4	-	-	8,393	8,393
Other financial assets - loans	5	-	-	1,311	1,311
Investments	9	-	-	1,429	1,429
Total contractual financial assets		220	-	11,135	11,355

At balance date, HRV Group held cash with ANZ Banking Group. Standard and Poor's Credit Rating is the Short Term Cash Rating for the Financial Institution as at 7th July 2016.

Contractual financial assets that are either past due or impaired

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

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

The following table discloses the ageing only of financial assets that are past due and not impaired:

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

(\$ thousand)

	Weighted average effective interest rate	Carrying amount	Interest rate exposure			Not past due and not impaired	Past due but not impaired				Impaired financial assets
			Fixed interest rate	Variable interest rate	Non-interest bearing		31-60 Days	61-90 Days	91-120 Days	>121 Days	
2017	%										
Cash and cash equivalents	0.1%	1,320	-	1,025	295	1,320	-	-	-	-	-
Receivables:											
Trade debtors	-	1,899	-	-	1,899	1,330	170	47	189	163	-
Tabcorp distribution	-	3,937	-	-	3,937	3,937	-	-	-	-	-
Accrued Income	-	527	-	-	527	527	-	-	-	-	-
Other receivables	-	42	-	-	42	42	-	-	-	-	-
Other financial assets:											
Loans	0%	39	-	-	39	39	-	-	-	-	-
Investments:											
Investment in 3UZ Pty Ltd	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		8,846	-	1,025	7,821	8,277	170	47	189	163	-
2016											
Cash and cash equivalents	0.1%	993	-	742	251	993	-	-	-	-	-
Receivables:											
Trade debtors	-	956	-	-	956	618	93	197	46	2	-
Tabcorp distribution	-	3,676	-	-	3,676	3,676	-	-	-	-	-
Accrued Income	-	1,236	-	-	1,236	1,236	-	-	-	-	-
Other receivables	-	29	-	-	29	29	-	-	-	-	-
Other financial assets:											
Loans	0%	154	50	-	104	154	-	-	-	-	-
Investments:											
Investment in 3UZ Pty Ltd	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		8,126	50	742	7,334	7,788	93	197	46	2	-

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

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

(\$ thousand)

	Weighted average effective interest rate	Carrying amount	Interest rate exposure			Not past due and not impaired	Past due but not impaired				Impaired financial assets
			Fixed interest rate	Variable interest rate	Non-interest bearing		31-60 Days	61-90 Days	91-120 Days	>121 Days	
2017	%										
Cash and cash equivalents	0.1%	465	-	465	-	465	-	-	-	-	-
Receivables:											
Trade Debtors	-	1,778	-	-	1,778	1,368	150	38	189	33	-
Tabcorp Distribution	-	3,937	-	-	3,937	3,937	-	-	-	-	-
Accrued Income	-	476	-	-	476	476	-	-	-	-	-
Intercompany Debtors	-	3,897	-	-	3,897	118	143	113	118	3,404	-
Other financial assets:											
Loans	6.3%	521	482	-	39	521	-	-	-	-	-
Investments:											
Investment in subsidiaries	-	347	-	-	347	347	-	-	-	-	-
Investment in 3UZ Pty Ltd	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		12,503	482	465	11,556	8,314	293	151	307	3,437	-
2016											
Cash and cash equivalents	1.6%	222	-	222	-	222	-	-	-	-	-
Receivables:											
Trade Debtors	-	868	-	-	868	561	70	194	43	-	-
Tabcorp Distribution	-	3,676	-	-	3,676	3,676	-	-	-	-	-
Accrued Income	-	1,141	-	-	1,141	1,141	-	-	-	-	-
Intercompany Debtors	-	2,708	-	-	2,708	238	149	134	276	1,911	-
Other financial assets:											
Loans	5.4%	1,311	700	-	611	1,311	-	-	-	-	-
Investments:											
Investment in subsidiaries	-	347	-	-	347	347	-	-	-	-	-
Investment in 3UZ Pty Ltd	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		11,355	700	222	10,433	8,578	219	328	319	1,911	-

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

d) Liquidity risk

Liquidity risk arises when the Group is unable to meet its financial obligations as and when they fall due. The Group operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, makes payments within 30 days from the date of resolution. It also continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of cash reserves.

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

(\$ thousand)

	Weighted average effective interest rate	Interest rate exposure					Maturity dates (a)			
		Carrying amount	Fixed Interest Rate	Variable interest rate	Non-interest bearing	Nominal Amount	Less than 1 month	1-3 mths	3 mths – 1 year	1-5 years
2017	%									
Cash and cash equivalents	0%	-	-	-	-	-	-	-	-	-
Payables:										
Trade creditors	-	3,517	-	-	3,517	3,517	2,844	670	3	-
Other payables	-	2,329	-	-	2,329	2,329	2,329	-	-	-
Interest bearing liabilities:										
Unsecured - TCV loan facility	5.4%	28,045	17,538	10,507	-	28,045	-	-	11,969	16,076
Non Interest bearing liabilities:										
Unsecured - interest free loan	-	-	-	-	-	-	-	-	-	-
Gaming machine entitlements	-	88	-	-	88	88	-	88	-	-
Total		33,979	17,538	10,507	5,934	33,979	5,173	758	11,972	16,076
2016										
Cash and cash equivalents	0%	-	-	-	-	-	-	-	-	-
Payables:										
Trade creditors	-	4,030	-	-	4,030	4,030	3,425	568	29	8
Other payables	-	1,755	-	-	1,755	1,755	1,755	-	-	-
Interest bearing liabilities:										
Unsecured - TCV Loan facility	5.4%	26,156	19,000	7,156	-	26,156	-	-	8,656	17,500
Non Interest bearing liabilities:										
Unsecured - Interest Free Loan	-	-	-	-	-	-	-	-	-	-
Gaming machine entitlements	-	451	-	-	451	451	-	89	362	-
Total		32,392	19,000	7,156	6,236	32,392	5,180	657	9,047	17,508

Note:

- (a) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities
(b) The carrying amounts disclosed exclude statutory amounts (e.g. GST payables)

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

Table 27.3b: The Parent's Interest rate exposure and maturity analysis of financial liabilities (b)

(\$ thousand)

	Weighted average effective interest rate	Interest rate exposure					Maturity dates (a)			
		Carrying amount	Fixed Interest Rate	Variable interest rate	Non-interest bearing	Nominal Amount	Less than 1 mth	1-3 Mths	3 mths – 1 year	1-5 years
2017	%									
Cash and cash equivalents	0%	-	-	-	-	-	-	-	-	-
Payables:										
Trade creditors	-	2,888	-	-	2,888	2,888	2,271	617	-	-
Intercompany payables	-	447	-	-	447	447	366	81	-	-
Other payables	-	1,865	-	-	1,865	1,865	1,865	-	-	-
Interest bearing liabilities:										
Unsecured - TCV loan facility	5.36%	28,045	10,507	17,538	-	28,045	-	-	11,969	16,076
		33,245	10,507	17,538	5,200	33,245	4,502	698	11,969	16,076
2016										
Cash and cash equivalents	0%	-	-	-	-	-	-	-	-	-
Payables:										
Trade creditors	-	3,468	-	-	3,468	3,468	2,921	515	26	6
Intercompany payables	-	167	-	-	167	167	163	5	-	-
Other payables	-	1,391	-	-	1,391	1,391	1,391	-	-	-
Interest bearing liabilities:										
Unsecured - TCV loan facility	5.36%	26,156	7,156	19,000	-	26,156	-	-	8,656	17,500
		31,182	7,156	19,000	5,026	31,182	4,474	520	8,682	17,506

Note:

- (a) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities
(b) The carrying amounts disclosed exclude statutory amounts (e.g. GST payables)

(e) Market risk

The Group's exposures to market risk are primarily through interest rate risk with only an insignificant exposure to foreign currency and other price risks. Objectives, policies and processes used to manage each of these risks are disclosed below.

Foreign currency risk

HRV is exposed to insignificant foreign currency risk through a bank account held in New Zealand dollars used to have New Zealand based participants pay for fees to enter into Victorian based events. The balance of the bank account at any point in time is relatively immaterial and therefore results in minimal exposure. Given the minimal exposure to foreign currency risk HRV does not actively manage its risk in this area.

The Group's exposure to foreign currency risk is set out in the Table 27.4

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Group does not hold any interest bearing financial instruments that are measured at fair value, therefore has nil exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to cash flow interest rate risk arises primarily through the Group's interest bearing liabilities. Minimisation of this risk is achieved by entering into a combination of fixed rate and capped variable interest bearing financial instruments.

Equity price risk

The Group is exposed to a low level equity price risk through its investment in 3UZ Unit Trust, which is an unlisted entity. Given that the investment's classification as a strategic asset central to the business operation, it is not traded and has been recognised at cost due to the factors outlined in Note 9.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rate risk are set out in Tables 27.2 & 27.3. In addition, the Group's sensitivity to interest rate and foreign exchange risk is also set out in the table 27.4a.

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity disclosure analysis

Table 27.4 discloses the impact on the Group and parent entity's net operating result and equity for each category of financial instrument held by the Group at year-end if the following movements were to occur.

- A parallel shift of +1 per cent and -1 per cent in market interest rates (AUD) from year-end rates;
- Proportional exchange rate movement of -5 per cent (depreciation of AUD) and +5 per cent (appreciation of AUD) against the NZD.

Table 27.4a: The Group market risk exposure

	(\$ thousand)								
	Foreign exchange risk					Interest rate risk			
	Carrying amount	-5%		5%		-1%		1%	
		Net Result	Equity	Net Result	Equity	Net Result	Equity	Net Result	Equity
					(100 basis points)		(100 basis points)		
2017									
Contractual financial assets:									
Cash and cash equivalents (a)	1,320	7	7	(7)	(7)	(1)	(1)	1	1
Receivables	6,405	-	-	-	-	-	-	-	-
Other financial assets	39	-	-	-	-	-	-	-	-
Investments	1,082	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	5,848	-	-	-	-	-	-	-	-
Interest bearing liabilities	28,045	-	-	-	-	120	120	(120)	(120)
Non interest bearing liabilities	88	-	-	-	-	-	-	-	-
Total Impact		7	7	(7)	(7)	119	119	(119)	(119)
2016									
Contractual financial assets:									
Cash and cash equivalents (a)	993	1	1	(1)	(1)	(1)	(1)	1	1
Receivables	5,897	-	-	-	-	-	-	-	-
Other financial assets	154	-	-	-	-	-	-	-	-
Investments	1,082	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	5,785	-	-	-	-	-	-	-	-
Interest bearing liabilities	26,156	-	-	-	-	87	87	(87)	(87)
Non Interest bearing liabilities	451	-	-	-	-	-	-	-	-
Total Impact		1	1	(1)	(1)	86	86	(86)	(86)

NOTE 28. CONTINGENT ASSETS AND LIABILITIES

Contingent Liabilities

Letter of Comfort – Melton Entertainment Trust:

On 4th August 2017, HRV provided the Melton Entertainment Trust (HRV is the sole beneficiary), a letter of comfort stipulating that HRV will support the Trust in meeting its obligations to 30 September 2018. As at balance date HRV is comfortable that the performance of the Trust will be sufficient for it to meet its external obligations in its own right.

NOTE 29. COMMITMENTS FOR EXPENDITURE

	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Other Expenditure Commitments				
Tabcorp Gaming Solutions Service Agreement (a)				
<i>Payable:</i>				
Not longer than one year	1,107	1,096	-	-
Longer than 1 year and not longer than 5 years	4,932	4,726	-	-
Longer than 5 years	-	1,431	-	-
	6,039	7,253	-	-
Total Other Expenditure Commitments (inclusive of GST)	6,039	7,253	-	-
Total Commitments for Expenditure (inclusive of GST)	6,039	7,253	-	-
Less GST recoverable from the Australian Taxation Office	(549)	(659)	-	-
Total Capital Expenditure Commitments (exclusive of GST)	5,490	6,594	-	-

a. On commencement of the new gaming arrangements in 2012, the infrastructure, services and functions currently supplied by Tabcorp become the responsibility of the gaming venues. The TGS package entered into is an all-encompassing offering covering a range of services for a daily fee per machine currently at \$33.59 with an annual CPI increase.

Freehold Land

HRV entered into a Section 173 Agreement with the Melton Shire Council on the 26th May 2009 with regard to Freehold land held by HRV at 92-134 Abey Road, Melton South (Lot 2). This agreement requires HRV to achieve substantial commencement of construction that must be consistent with the Toolern Development Plan within 5 years of the date of the agreement (May 2014) and achieve practical completion within 6 years (May 2015). Failing to comply with these obligations may result in the land being retransferred back to the Melton Shire Council.

In November 2012, HRV and Melton Shire Council agreed to extend the time to develop the land with a new substantial commencement date by June 2017 and practical completion date by June 2018. A further extension was agreed to in July 2017 extending the time to 30 June 2021 and 30 June 2022 respectively.

NOTE 30. SUBSEQUENT EVENTS

No material subsequent events have occurred since balance date.

NOTE 31. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1.

Name of entity	Country of incorporation	Equity Holding
RISE Pty Ltd	Australia	100%
HRV Management Ltd (company limited by guarantee)	Australia	a
Melton Entertainment Trust	Australia	b

DECLARATION IN THE FINANCIAL STATEMENTS

The attached financial statements for Harness Racing Victoria have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

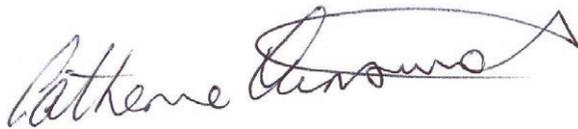
We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2017 and financial position of Harness Racing Victoria at 30 June 2017.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

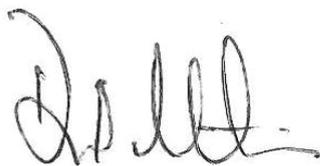
We authorise the attached financial statements for issue on 24th October 2017.



Dale G Monteith
CHAIRMAN



Dr Catherine Ainsworth BVSc (Hons), MVSc, MBA, GAICD
BOARD MEMBER



David Martin BE (Hons), MBA, CPeng
CHIEF EXECUTIVE OFFICER



Pauline Zahra CPA
INTERIM GENERAL MANAGER FINANCE

Melbourne, 24th October 2017

Independent Auditor's Report

To the Board of Harness Racing Victoria

Opinion	<p>I have audited the consolidated financial report of Harness Racing Victoria (the authority) and its controlled entities (together the consolidated entity) which comprises the:</p> <ul style="list-style-type: none"> • consolidated entity and authority balance sheet as at 30 June 2017 • consolidated entity and authority comprehensive operating statement for the year then ended • consolidated entity and authority statement of changes in equity for the year then ended • consolidated entity and authority cash flow statement for the year then ended • notes to the financial statements, including a summary of significant accounting policies • chairman's, accountable officer's and chief finance and accounting officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial positions of the consolidated entity and the authority as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the authority and the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Material uncertainty related to going concern	<p>I draw attention to Note 1(w) of the financial report, which indicates the existence of a short-term finance facility that is due for renewal in June 2018. Its extension is contingent on the approval of the Treasurer of Victoria. The consolidated entity is reliant on the extension to continue to extinguish its liabilities in the normal course of business. This indicates a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern. My opinion is not modified in respect of this matter.</p>

Board's responsibilities for the financial report The Board of the authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing the authority's and the consolidated entity's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.

Auditor's responsibilities for the audit of the financial report As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

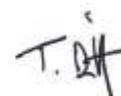
As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 authority's and the consolidated entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the authority's and the consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the authority and the consolidated entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation

Auditor's responsibilities for the audit of the financial report (continued)

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the authority and consolidated entity to express an opinion on the financial report. I remain responsible for the direction, supervision and performance of the audit of the authority and the consolidated entity. I remain solely responsible for my audit opinion.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



MELBOURNE
24 October 2017

Travis Derricott
as delegate for the Auditor-General of Victoria



HARNESS RACING VICTORIA

HARNESS RACING VICTORIA

400 Epsom Road, Flemington, 3031

Postal : PO Box 184, Moonee Ponds, Victoria 3039

P 03 8378 0200 / F 03 9214 0699

info@hrv.org.au / www.hrv.org.au

ABN 22 764 910 853