2019
ANNUAL REPORT

HARNESS
RACING
VICTORIA

Mission

> “A vibrant and growing harness racing industry that promotes participation, integrity and innovation with a focus on expanding revenue streams and maximises returns to 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

Financial Statements

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 2018-19 financial year.

CHAIRMAN'S FOREWARD

I am pleased to present the 2018-19 Harness Racing Victoria (HRV) annual report on behalf of the Board.

Firstly, I want to thank my fellow Board members, the HRV Executive Management Team, HRV staff and the wider industry for their dedication to harness racing in Victoria. As I have previously stated, the only way to truly succeed is for individual self-interest to be parked and for all sectors of the business to unite under an 'industry-first' ethos. During this last 12 months I am proud to say on several occasions the industry has been enormously better off for living by that mantra.

The most memorable example of this was the 2018 Inter Dominion (ID18), which was a magnificent event. I am sure ID18 will long be etched into the minds and hearts of harness fans across the nation. To have this important series return to Victoria for the first time in a decade – and to reinstate the Trotting Inter Dominion – was enormously satisfying. To see the glee on the faces of industry participants and to hear feedback from those trainers and drivers that they "felt incredibly relevant again" meant a lot to all involved.

ID18 was the vehicle to return harness racing to a mainstream media presence through saturated news coverage in the Herald Sun and various websites, radio stations, and free-to-air television on Channel 7. The broadcast on ID18 Grand Final night was first-class and to have people like Hamish McLachlan alongside industry media talents such as Adam Hamilton and Michael Guerin, Jason Bonnington and Brittany Graham, made for a slick production befitting such an event. I believe ID18 set the bar for future Inter Dominions and I wish New Zealand and New South Wales every success and commit our support to them during the next two years before we again host ID21 back here in Victoria.

Importantly, ID18 provided a strong economic boost to the communities in which it was hosted. For this reason we deliberately shared the heat nights beyond Tabcorp Park Melton, with the Cranbourne and Ballarat clubs stepping up to host wonderful nights, engaging locals with our sport.

For the second successive year I am pleased to be able to report that HRV has recorded a profit ($0.4m) for the 2018-19 financial year. This is significant given in 2016-17 HRV reported a $1.6m loss, and if not for the prudent strategies employed by the Board and the Executive Management Team under the leadership of outgoing CEO David Martin that downward trend was set to continue. David announced that he would step away from his role in September and I wish him well in his future endeavours and thank him for his efforts at HRV.

Whilst pleasing to report another year of profit it is important to explain to the industry some of the significant financial challenges we face in 2019-20 and beyond. There has been a substantial weakening of turnover in the second half of 2018-19 following the introduction of Point of Consumption Taxes (PoCTs) on wagering by state governments around Australia.

In Victoria, the PoCT replaced previous wagering and betting tax structures on 1 January 2019 at a rate of 8% of net wagering revenue from all wagering activity by customers located in Victoria. This has resulted in lower than forecast returns to HRV from racefield fees.

The HRV Board and Executive Management team look forward to working with the State Government to assess the impact of the PoCT and the appropriateness of the compensation arrangements in place through the VRI PoCT payment

I wish to acknowledge and thank the Victorian State Government for its continued support and contributions to industry funding, with $1.5m committed to integrity, $3m per annum over two years for prizemoney, and $1.0m from the FY19 state budget. This is vital capital for our industry and we are very thankful for receiving it. I look forward to continuing to work closely with the State Government and Minister Pakula to maximise funding opportunities and support all sectors of the industry in 2019-20 and beyond.

Other projects of significance at HRV in 2018-19 included increased focus on the important area of animal welfare with all licenced participants undergoing a training program to ensure best practice, development of an in-house customer service team, and leading the way nationally on the rolling out of the National Ratings Based Handicapping System, which went live in July 2019. We are seeing more competitive racing and fewer long odds-on favourites since the new system was implemented and, whilst it is still early days and tweaking of programming will be required, all signs point to an improved racing product. This is vital for increasing returns from the all-important wagering dollar and harness racing's market share.

A big thank you to all those very committed and passionate harness racing people in-house at HRV and in stables and studs right across Victoria who have contributed to 2018-19. We have challenges ahead, but through continued cooperation and consultation, mutual respect and understanding I believe we have much to be optimistic about as an industry in the future.

Dale G. Monteith
HRV Chairman

48
Total number
of clubs

28
Total number
of race tracks

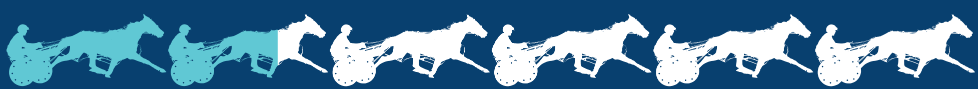
10,435
Total number
of participants

$379.8m
Direct
Spending

4,495
Total Directly employed
in Harness Racing

$573.9m
Economic
Impacts

Total Value added by Harness Racing ● Metro ● Regional



22.8%
($130.9m)

77.2%
($443.0m)

CONSULTATION

In accordance with the *Racing Act 1958*, 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. Minutes are taken and provided for the Board to review. HRAC members contributed to a significant number of agreed actions being implemented, showing the value of the HRAC process.

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)
- Dennis Bice, Trots Clubs Victoria
- Terry Lewis, Harness Breeders Victoria
- Carol Bass, Victorian Harness Racing Club (representing owners)
- Lance Justice, Victorian Harness Racing Trainers and Drivers Association
- Anne-Maree Conroy, Victorian Square Trotters Association
- Maxine Brain
- Grant Campbell
- Terry Suhan
- Clinton Welsh

With forums attended by a mixture of HRV Board and Management representatives, attendees were able to discuss the HRV strategy and any other matter they wished to raise. A look to the longer-term was provided with consultation regarding a future with increased on-track stabling in Victoria.

FINANCIAL PERFORMANCE

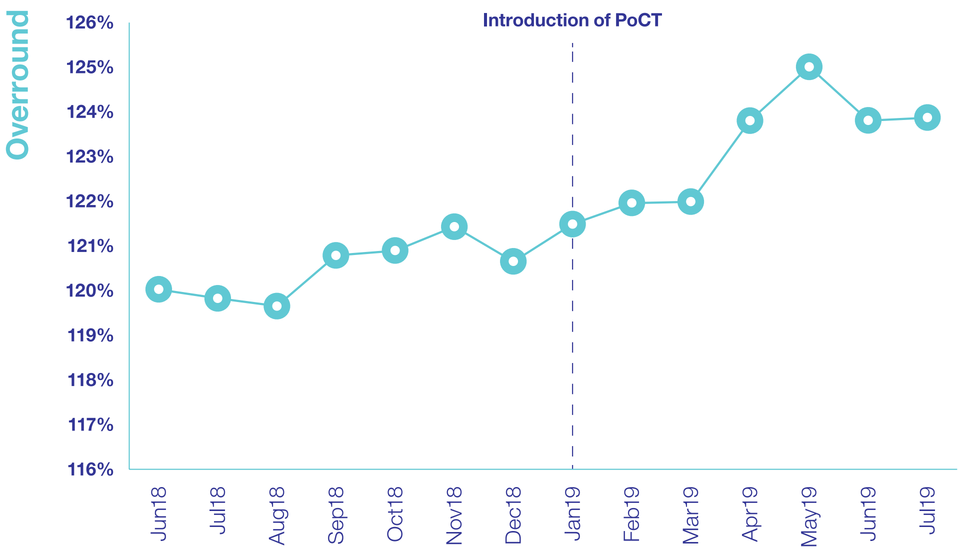
2018-19 was another solid year for HRV with consolidated profit (before revaluations) for the HRV Group of $0.4m, following a profit of $0.5m in the prior year. This was despite the Point of Consumption Tax (PoCT) headwinds in the last six months, which resulted in a $0.5m reduction in consolidated profit.

Point of Consumption Tax (PoCT)
On 1 January 2019, the Victorian Government introduced a new tax (on all Wagering Service Providers - WSPs) of 8% on the net wagering revenue derived from all wagering and betting activity by customers located in Victoria.

The introduction of the PoCT mid-way through the financial year and WSP market consolidation has led WSPs to increase prices or over-rounds (WSPs profit margin). In the past 12 months, over-rounds on HRV product have increased by approx. 4% from 120% up to 124%.

Pricing the market at 124% makes HRV product uncompetitive driving turnover away from Victorian harness content. In addition customer returns on winning bets are lower meaning that customers have less money to bet on the next race placing a further decline on turnover.

HRV RACES OVERROUND (ALL WSP's)



The three Victorian racing codes share in 18.75% of the PoCT collected by the Victorian Government through a PoCT compensation payment. HRV's share of this for the six months to 30 June 2019 was $1.4m with $0.9m offsetting additional taxes paid and $0.5m retained directly by HRV, which somewhat offsets the estimated $1m decline in racefield fee revenues for the 6 months to 30 June 2019.

HRV Turnover

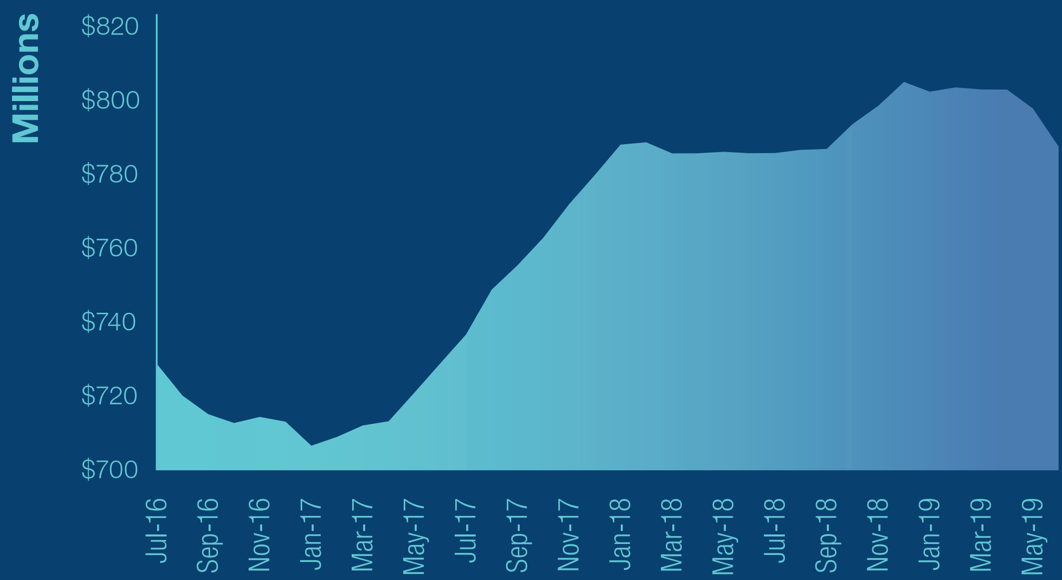
For the six months to 31 December 2018, prior to the introduction of the PoCT, HRV wagering turnover grew at approximately 5% despite 10 fewer races being run in the same period compared to the prior year. However since the commencement of the PoCT, for the six months to 30 June 2019 HRV turnover declined approximately 5% on prior year with four more races run in the same period.

Total turnover for the 12 months ended 30 June 2019 was $920.9m, 1% lower compared to prior 12 months of $929.0m.

	2018/19	2017/18
Victorian TAB	$153.5m	$164.1m
Interstate TABs	$252.5m	$277.4m
Corporate Bookmakers	$381.7m	$344.4m
Betting Exchange	$ 53.3m	$ 55.1m
*International	$ 79.9m	$ 88.0m
	$920.9m	**$929.0m**

**International turnover decreased as a direct result of PMU in France reducing wagering on international content*

Turnover - Rolling 12 mth



FINANCIAL REVIEW OF OPERATIONS AND FINANCIAL CONDITIONS

Five year financial summary

	2019	2018	2017	2016	2015
	$'000	$'000	$'000	$'000	$'000
Tabcorp revenue	40,982	43,354	45,159	46,772	49,584
Other revenue	48,817	41,635	37,570	37,304	35,385
Total revenue	**89,799**	**84,989**	**82,729**	**84,076**	**84,969**
Stake money expense	(41,605)	(39,797)	(39,124)	(39,592)	(38,282)
Other expenses	(47,797)	(44,690)	(45,300)	(44,699)	(42,629)
Net profit / (loss)	**397**	**502**	**(1,695)**	**(215)**	**4,058**

Cash assets	2,430	2,652	1,320	993	484
Total assets	90,767	81,881	81,682	82,428	66,859
Current liabilities	(23,666)	(22,962)	(23,136)	(20,082)	(17,034)
Total liabilities	(40,786)	(42,151)	(42,454)	(41,505)	(40,522)

Revenue:

- Total revenue for the year increased 6% to $89.8m up from $85.0m in the prior year. 67% of the Group's revenues are earned from Wagering (Tabcorp revenue and racefield fees) which were flat year on year at $60.2m.
- Tabcorp Joint Venture revenues (including the PoCT make-good arrangements) declined by 3% or $1.4m to $41.0m. This was offset by a $0.8m increase in racefield fees from other WSPs (such as corporate bookmakers and interstate TABs) and HRV's share of PoCT of $0.5m ($1.4m less additional taxes of $0.9m).
- Grant income was up $3.7m due to the $1.0m contribution from the Victorian Budget to assist in supporting the harness racing industry and $1.6m from the Victorian Governments prizemoney increases.
- $15.2m of revenues came from Tabcorp Park Melton, an increase of $1.0m on 2017-18 and can be attributed to increases across all areas of operations.

Expenditure:

- Total expenditure increased to $89.5m compared to $84.3m in 2017-18. This is in line with the increases in Grant income and costs driven by the revenue increase at Tabcorp Park Melton.
- The highest expense item is stakemoney, which increased $1.8m on 2017-18 to a record $41.6m.

Balance Sheet:

- HRV's Balance Sheet remains strong. HRV has a favourable Net Asset position of $50.0m, an increase of $10.2m from prior year. This increase is attributable to the increase in value of the Land and Buildings at Tabcorp Park which is valued in the accounts at $76.2m.
- Cash Assets at 30 June 2019 was $2.4m, all excess cash has been applied to the Line of Credit within the Treasury Corporation Victoria (TCV) Short Term facility assisting HRV to reduce its interest expense.
- Current Liabilities of $23.7m have increased from $23.0m on prior year; however Total Liabilities over the year decreased to $40.8m from $42.2m, mainly driven by the decrease in debt, which at 30 June 2019 was $26.2m, down from $27.0m in the prior year.

INTEGRITY

In a continued effort to enhance the integrity of harness racing in Victoria, HRV developed and implemented a number of key initiatives in 2018-19.

Increased drug testing rates in 2018-19, were maintained with post-race swabs doubled and human samples and 'out of competition' drug testing increased by 50% on 2016-2017.

HRV would like to acknowledge the assistance of the Victorian Government in providing financial support to conduct these greater levels of testing.

HRV continued its close working relationship with the Sports Integrity Intelligence Unit (SIIU) of Victoria Police to monitor and address potential threats to the integrity of the industry. A number of investigations were undertaken, with three licensed persons found guilty for race fixing at a Magistrates Court and a subsequent charging of another licensed person with criminal conduct that emanated from a harness racing meeting.

The Notification of Driving Tactics Policy came into effect requiring the trainer, or the person in charge during their absence, to notify the officiating Stewards at a race meeting of the intended driving tactics when a stable has multiple runners (2 or more) engaged. The policy allows the Stewards an opportunity to question and/or place on notice the relevant drivers prior to the race should they deem it necessary.

HRV cracked down on trainers presenting horses to race with an elevated TCO2 (total carbon dioxide) level by announcing a new policy designed to reduce the number of horses presented with elevated TCO2 levels and to disrupt/prevent the likelihood of illegal race-day treatment.

HRV continues to proactively conduct surveillance and inspections to prevent, deter and detect prohibited pre-race treatment of competing horses. HRV achieved their highest number of animal welfare and stable inspections during the last season, which also resulted in a number of pre-race treatment offences being detected and successfully prosecuted before the HRV RAD Board and Victorian Civil and Administrative Tribunal (VCAT).

HRV continue to utilise the Integrity Matters column to inform and educate the industry via Trots Media and the Harness Racer publication on the importance of integrity in harness racing and includes key integrity news articles and information relevant to the integrity of our sport. HRV also utilises former and current trainers, some of whom have been suspended or disqualified to discuss the impact of past rule breaches on their reputations and careers and also to promote positive behaviours and conduct.

ANIMAL WELFARE

HRV Veterinarians continue to conduct post-race endoscopic examinations at the Bendigo Harness Racing Club and Tabcorp Park Melton, which has had positive impacts on both horse welfare and performance by providing additional information to industry participants and earlier identification of potential horse welfare issues.

A policy was introduced to formalise action taken by the HRV Stewards where a horse is observed as displaying a significant degree of Exercise Induced Pulmonary Haemorrhage (EIPH) upon endoscopic examination. The policy was formulated to maintain the safety and welfare of all participants as paramount importance to HRV, the harness racing industry and a fundamental expectation of the general public.

HRV has increased their monitoring of standardbred horses being sold through saleyards and ensuring follow up with any horses that may be presented in poor condition. HRV engages with Councils and the RSPCA to ensure horses that are being rehomed or sold through the sales are in good condition.

HRV, in conjunction with Trots Clubs Victoria, reviewed the Conduct of Trials Guidelines and added the requirement for clubs to have an agreement in place with a local veterinary practice to attend on short notice in the event of a horse or horses being injured at the trials.

HRV, in collaboration with the Bendigo Harness Racing Training Centre (BHRTC), developed an Animal Welfare Training Module for all licensed participants for the 2017-18 racing season with 2,233 participants completing the course in the last 12 months.

RACING OPERATIONS

In FY2018-19 HRV conducted 440 race meetings, comprising of 3,857 races across 28 different venues. Average field sizes decreased slightly from 8.90 to 8.76 and the amount of starters decreased 1.8% year on year. The return of the Inter Domination in December was a highlight for the 2018/2019 season which resulted in an international increase in awareness to the sport.

$3m per annum for 2 years into prizemoney from the State Government on 1 January 2019 enabled HRV to boost stake money at both country and metropolitan levels and provide a further $225,000 into Country Cups.

To assist in stimulating the Victoria Breeding Industry HRV paid out $1,500 breeding bonuses on all fillies & mares races with prizemoney over $5,000 in May & June. In total 78 races carried breeding certificates worth $117,000 to 63 individual winners.

Throughout the year, where nominations were strong, races were frequently split to encourage greater participation. New racing products were introduced to provide opportunities for horses of varying abilities. These initiatives resulted in a record stakemoney and Vicbred bonuses being paid to participants across the industry of $41.6m.

HRV continues to work with all Clubs to support their infrastructure needs and track maintenance to ensure a safe and even racing surface.

Racing highlights for the year included:

2019 Inter Dominion Championships

Pacer - Tiger Tara (Kevin Pizzuto)
Trotter - Tornado Valley (Andy Gath)

Group 1 Hunter Cup

Tiger Tara (Kevin Pizzuto)

Group 1 Great Southern Star

Dance Craze (Anton Golino)

Group 1 Victoria Derby

Muscle Factory (Shane & Lauren Tritton)

Country Club Championships

Pacer – Buster Brady (Kima Frenning)
Trotter – Fratellino (Shaun McNaulty)

RACING OPERATIONS (CONTINUED)

KEY INDICATORS	2019	2018	2017	2016	2015	2014	2013
Meetings (TAB)	439	432	457	461	455	455	452
Meetings (non TAB)	1	1	2	2	2	1	1
Races	3,857	3,863	3,723	3,830	3,806	3,820	3,814
Horses raced	3,726	3,819	3,903	3,963	4,058	4,039	4,099
Nominations	47,713	50,360	48,777	49,051	52,987	51,531	53,344
Starters	32,324	32,902	33,081	34,129	35,239	35,698	36,843
Drivers	639	658	681	723	748	762	815
Trainers	1,046	1,090	1,141	1,196	1,224	1,247	1,300
Stablehands	1,085	1,154	1,168	1,174	1,206	1,219	1,271
Sires	69	78	67	75	72	79	81
Foals (i)	1,790	1,784	1,908	1,848	1,865	2,215	2,359
Namings	1,185	1,145	1,178	1,295	1,440	1,466	1,508
Services	3,011	3,202	3,232	3,065	2,839	3,269	3,559

(i) Determination of foal is any Vicbred foal, regardless of birth location.

RACING SNAPSHOT

MEETINGS

DAY	TWILIGHT	NIGHT	439	$41.6M
152	19	268	TOTAL RACE MEETINGS	TOTAL STAKE MONEY

42
SAT NIGHT MEETINGS AT MELTON

BREEDERS CROWN FINAL MOVES TO SAT NIGHT 25 AUG

25
COUNTRY CUP CHAMPIONSHIP RACES

ID18
2018 INTER DOMINION MELBOURNE
INTER DOMINION RETURNS TO VICTORIA AFTER 10 YEARS

NUMBER OF RACES BY GAIT ● TROTTERS ● PACERS

MARKETING, MEDIA & COMMUNICATIONS

During the reporting period we have been focused on establishing a strong brand position that is both relevant to audiences and differentiated from other codes. We continued to capitalise on the sport's strengths of its regional reach and strong participation levels across life stages and demographics (incl. Pony Trots, female participants, grassroots) to increase community interest and mainstream appeal, whilst also retaining core focus on primary revenue streams of wagering and sponsorship. In achieving our commercial objectives we have worked hard to re-invigorate and increase the profile of key racing events including the 2018 Inter Dominion Championship (ID18) and in doing so engage new audience segments.

Much of this has been achieved by developing new technologies to engage with new and existing audiences and creating engaging stories that bring to life our horses, along with the colourful owners, trainers & drivers that sustain our sport.

2018 Inter Dominion Championship

Without doubt, one of the key focus areas during the review period was the successful promotion and operation of the 2018 Inter Dominion Championship (ID18), the most prestigious event in Australasian harness racing which had returned to Victoria after a 10-year hiatus. The series is regarded as the "Melbourne Cup" of harness racing in Australia and the Championship Finals attract the very best horses in Australasia. The Championship is one of the trotting world's seven major races. The others are Little Brown Jug (USA), Elitloppet (Sweden), Prix de France (France), Campionato Europeo (Italy), Oslo Grand Prix (Norway) and the Canadian Trotting Championship (Canada).

HRV announced that Ballarat and Cranbourne trots clubs would each host the second and third rounds of the 2018 Inter Dominion heats, providing a significant boost to both local economies. Tabcorp Park Melton hosted the first round of Inter Dominion heats on Saturday 1 December before Ballarat for the second round on Wednesday 5th December with the third round of heats run at Cranbourne on Saturday 8 December before the Grand Final night back at Melton on Saturday 15 December.

At the same time of this announcement HRV also revealed the Trotting Inter Dominion would make a return for the first time since 2012 given that the trotting population now comprises almost a quarter of the total harness population in Victoria. Victorian State Government funding commitment was secured for HRV Marketing, including provision for ID18 in 2018/19 State Budget with further funding accessed from the Raceday Attraction Program (RAP). Comprehensive Market Research Projects were completed for the initial research phase for the ID18 advertising campaign development. A series of in-depth focus group sessions were conducted in mid-July. Insights gained from the research were used to develop communications strategies to define the strategic opportunity for the ID18 campaign. A TV advertising campaign was developed and commenced six weeks in advance of the ID final. Further media support was provided with the Herald-Sun Form Guide Agreement being negotiated to provide for additional Inter Dominion lift-outs.

Agreement was reached with the Seven Network for 1.5hour live coverage (starting 9pm) of the finals across five capital cities Australia wide and throughout reginal Victoria across Prime Network which featured, amongst other things, both the Trotting ID and Pacing ID Grand Finals. Also included were segments explaining Trots v Pacers, HERO Program and ongoing success of women in harness racing. Hamish McLachlan spearheaded the coverage on the Seven Network with Tabcorp's Adam Hamilton, Mick Guerin and Brittany Graham along with HRV's Jason Bonnington in what was a showcase event for the sport.

A multimedia communications approach was created, focusing on reaching identified audience segments in Victoria utilising a mix of FTA & Pay TV, Press / Print, Metro & Regional Press & Radio, Out of Home (Buses, Large Format & Shopping Centres) and Digital. We then developed the creative platform which would be media / channel agnostic, expressed consistently across all communication channels from television through to print, social media and beyond to form an integrated communications campaign.

Tabcorp was announced as principal partner for the 2018 TAB Inter Dominion with the new sponsorship agreement included naming rights to both the Inter Dominion pacing and trotting series of races, comprising heats and grand finals, the Inter Dominion barrier draw function to be held at Zinc Federation Square and the associated live broadcast from the barrier draw on RSN.

From a marketing perspective we were pleased to report that, all things considered, we planned, produced and promoted a series of racing and support events that we can all be very proud of.

Attendance and On course wagering at country cups after the ID18 Final increased noticeably from 2017/18 (i.e. year on year) and feedback received from many participants, breeders, owners, club officials and employees, indicates that the widespread media coverage and interest from people who had stepped away from the trots has been invigorating. Some of the highlights included a new tracking camera on the inside track which enhanced the dedicated Sky coverage to give unprecedented trots viewing.

Events associated with ID18 such as the barrier draw at Federation Square were well attended and with assistance from media partners Sky and RSN, contributed to strong promotion of the series. We enjoyed daily coverage in the Herald Sun with behind-the-scenes stories being shared with the public. On the finals night the big crowd enjoyed many fantastic races and for those that couldn't make it on the night, the Crocmedia production and 7TWO coverage with Hamish McLachlan, Adam Hamilton, Michael Guerin, Jason Bonnington, Brittany Graham and Josh Jenkins showcased our sport.

2018 INTER DOMINION CHAMPIONSHIP STATS

14
days

40+
races

20k+
attendance

268k
unique website users

500k
video views across the campaign

5k
e-news subscribers 50%

9.5 million
page impressions reaching an average 110k users

1 million+
TV viewers across 5 capital cities and regional Victoria

25k
combined social community 50%

MARKETING, MEDIA & COMMUNICATIONS (CONTINUED)

Partnerships

We are very pleased with the improved working relationships we have established with all broadcasters during the period and broadcast phases and continue to invest in media as a key strategic driver of growth, working to build customer engagement and drive wagering revenues. Our media expenditure includes investments in Trots Vision, thetrots.com.au, harness.org, punters.com, Radio Sport National, SKY Racing, Macquarie Media Ltd, Crocmedia and News Corp. Trots Vision which live streams all HRV races, continued to be particularly well supported by punters, participants and trots fans across the country and remains an area of strategic focus and opportunity. Our strategic plan outlines a range of multi segment marketing strategies that also includes integration opportunities with major stakeholder groups such as Victoria Harness Racing Sports Club, Harness Breeders Victoria, Victorian Trainers & Drivers Association and Trots Clubs Victoria.

Community & Participation

We have remain focused on delivering new activations to bring people closer to horses and engage in the sport. Our Pony Trots program is a grassroots community initiative that takes place right across regional Victoria, where children (age 5 to 16) can learn about and compete in harness racing providing a cost-effective and positive interest in the trots industry for the participating children and their families. Pony Trots is a great way for children to have fun with their pony and a fabulous way to be introduced to the world of the trots. A key strategic objective remains driving attendances at country races including our 25 major Country Cup meetings as primary entry points for target audience segments with each club playing a vital role in engaging with members, participants, racegoers and local communities to promote the sport and deliver positive and engaging raceday experiences.

Events

A number of major events were delivered during the period including ID18, Summer of Glory (incorporating Breakfast of Champions live broadcast of RSN's Racing Pulse program at Tabcorp Park Melton), Breeders Crown, Vicbred Super Series, TAB Redwood Rattler and Trots Country Cups Carnivals. Off the track, an outstanding cast of participants and contributors, in both season 2017-18 and over a lifetime, gathered at HRV's Gordon Rothacker Medal night at a gala function at Crown's Palladium room. Dick Lee, a prolific Group 1 winning trainer and driver, successful breeder and owner became the 18th Gordon Rothacker Medal recipient.

PEOPLE & CULTURE

This year, our People & Culture strategy has continued to be shaped by HRV's change agenda. The key strategic focus in 2019 has been on creating high-performing teams supported by a diverse and inclusive culture.

HRV continues to invest in developing the skills of people in both its own workforce and the industry, supported by a focus on wellbeing, which we believe will deliver higher levels of engagement and productivity. This strategy together with an approach to creating an inclusive culture that attracts and retains the best people and that cultivates diverse views and an inclusive mindset we believe will make HRV a great place to work!

Developing a high-performance culture
Our strategy will enable HRV to drive superior business decisions, increased innovation and a more engaged workforce.

To further support this, we have launched a series of new technological service delivery solutions including on-line performance and learning management systems together with workshops that provide our leaders with the skills they need to have open and transparent conversations with their staff. This will provide usable feedback that enhances productivity, business alignment, development opportunities and ownership for performance.

Delivering wellbeing initiatives for our people
We have implemented a series of workplace wellbeing workshops. We have empowered our employees to research and recommend programs that support health and wellbeing.

While our health and wellbeing program will be implemented over several years, we are already seeing tangible results with positive feedback from employees regarding changes to lifestyle and health and fitness, along with more energy, productivity and balance in the workplace.

A highly engaged workforce
We measure engagement every year following our People Matters Survey. This year's employee engagement score has seen an improvement, but we have more work to do to achieve our objective of being a great place to work.

Developing a talent pipeline
With much invested in building talent and leadership, we aim to ensure that our people continue to be challenged and fulfilled.

An increased focus on internal development has given our people a diverse set of career experiences and stretch projects. With a focus on employee training and development, we have provided additional mentoring, training, and leadership experiences to accelerate learning for future leaders.

Leadership development
We have continued to develop leadership capability. A Leadership Development Program is currently being rolled out to our people leaders.

Stewards Panel Enterprise Agreement
The Stewards panel enterprise agreement was finalised this year with new career pathways and better work life balance outcomes.

Improving Service Delivery to Our Industry
We have established a HR business partner function. This enables us to hone employee job skills for efficiency and productivity, as well as identifying, developing and grooming key employees for advancement. Our HR business partners have worked closely with their assigned business unit leaders to improve HR service delivery and to support business unit leaders with coaching and training.

The People and Culture team has continued to support our club network providing timely and accurate advice in relation to employee relations matters and assisted with problem solving and mediations. It has also contributed to improved service delivery to the industry with the establishment of a centralised customer service function which early indicators support a professional and responsive service to industry participants. In addition, workshops have been delivered to Club management during the year with a focus on compliance and creating respectful workplaces.

In collaboration with Trots Club Victoria, we delivered the 'Club Development Webinar Series' across the Club network with a focus on good governance practices. This continues our focus on building capability and professionalism.

STATEMENT OF EXPECTATIONS

The Minister for Racing issued a new Statement of Expectations for the period from 1 January 2018 to 30 June 2019. The table below highlights HRV's actions and the measures of success set by the Minister. HRV is well advanced in achieving these objectives.

MINISTERIAL STATEMENT OF EXPECTATIONS - IMPLEMENTATION AND MONITORING STRATEGY 2018-19

Expectations	Actions and measure of success
Improved timelines • Make it easier for participants to submit required data online	Harness racing participants in Victoria have traditionally submitted licensing forms to HRV in hardcopy. HRV has developed an online form to allow participants to submit licensing information electronically. HRV trialled the online form in 2017 prior to a full roll out for the 2018 licence renewal process. HRV will encourage its use by providing a discounted licence fee for online submission. This change forms part of HRV's transition to more efficient digital services. HRV is aiming to have a significant majority of participants submitting online licensing forms.
• Reduce the time taken to finalise racing disciplinary matters	HRV recognises the importance of an efficient disciplinary system but notes that these processes can be frustrating for participants that are directly or indirectly affected. Whilst the time taken to finalise individual matters depends on the circumstances of a case, HRV will seek to make improvements to those processes within its control. To reduce the time taken to finalise swab results, HRV has implement a Service Level Agreement (SLA) with Racing Analytical Services Limited. The SLA reduces the time taken to complete swab analysis from an average of 15 days to 11 days. HRV will also implement an 'Early Plea Resolution Procedure' to facilitate the efficient resolution of Racing Appeals and Disciplinary Board where a participant indicates that they will plead guilty to a charge. This will streamline the process for all involved without infringing on a licensed participants right to contest an allegation. HRV will continue to review its processes to identify further opportunities to streamline disciplinary processes.
Risk-based strategies • Improve HRV's inspection and swabbing programs to focus on areas of greatest risk to the achievement of regulatory outcomes	HRV currently conducts pre-race and post-race swabs to test for prohibited substances. The government has provided HRV with an additional $3.1million over two years to strengthen its testing regime which will result in a doubling of the number of post-race swabs in 2017-18 and 2018-19. HRV will conduct six monthly reviews of swab results to identify the areas of greatest integrity risk and use this information to adjust its swabbing program accordingly.

Expectations	Actions and measure of success
Compliance related assistance and advice • Increase awareness and understanding amongst participants of their obligations as harness racing participants (including animal welfare requirements)	HRV will consult with the harness racing industry and key stakeholders to develop an Animal Welfare Framework. The Framework will set out HRV's expectations of participants around the welfare of horses. The Framework will include, but not be limited to, rules and standards about training, transportation, stabling, veterinary inspections and harness equipment. The Framework will be used as a basis for an on-line training module to increase participant awareness of rules and industry standards.
• Increase awareness and understanding amongst participants of harness racing penalty framework	HRV will utilise publications such as Harness Racer to increase participants understanding of the existing penalty framework and advise them of updates. The 'Integrity Matters' section of Harness Racer will share insights from participants to promote good conduct and behaviour.
Incentive based regulation • Collect data to evaluate regulatory outcomes and inform incentive-based regulatory approaches	There are 48 harness racing clubs in Victoria that conduct trials and race meetings regulated by HRV. HRV will monitor and support the governance and financial performance of clubs through a funding model that incentivises good governance and utilises a needs-based funding model. Where required, strategies for improvement will be developed and linked to HRV funding.
Cooperation amongst regulators • Develop strategies to enhance cross-code collaboration and improve regulatory outcomes	The Victorian Racing Industry (VRI) forum, consisting of membership from the three Victorian racing codes, is ensuring a strong racing industry into the future. HRV will work with Racing Victoria and Greyhound Racing Victoria to identify good regulatory practice, share lessons and explore data sharing opportunities.
Accountability and transparency • Collect and publish data on integrity and animal welfare outcomes	HRV currently collects and publishes data on integrity and animal welfare outcomes. HRV will review its existing data and reporting and identify opportunities for improvement. HRV implemented a number of recommendations to increase the transparency and improve operational performance.

REPORT OF OPERATIONS

Statutory Information

In accordance with *Financial Management Act 1994,* I am pleased to present the Report of Operations for HRV for the year ending 30 June 2019.

Dale G Monteith
Chairman
28 August 2019

Objectives, Functions and Activities

HRV 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

HRV 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
Danny Frawley
Peter Watkinson
Adam Kilgour

Members of Harness Racing Victoria Executive Management Team

David Martin - Chief Executive Officer
Luke Spano - General Manager, Finance
Brent Fisher - General Manager, Integrity
Stephen Bell - General Manager, Racing
Andrew English - General Manager, Marketing
Isabella Galati - Manager People & Culture
John Briffa - General Counsel & Company Secretary
Glen McGoldrick - General Manager - RISE
Gayle Harvey - General Manager - Tabcorp Park Melton

Audit and Risk Committee

The Audit and Risk Comittee 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 controls;
    - Risk management; and
    - Business policies and practices and compliance with applicable laws, regulations, standards and best practice guidelines;
- Review results of the annual external audit and maintain effective communication with external auditors to 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
- Assist the Board in reviewing the effectiveness of HRV's internal control environment covering:
    - Effectiveness and efficiency of operations;
    - Reliability of financial reporting; and
    - Compliance with applicable laws and regulations.

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.

Comparative Workforce Data

The following table discloses the head count of all active HRV employees, employed in the last full pay period in June of the current reporting period (2019), and in the last full pay period of the previous reporting period (2018). The table also discloses the full-time equivalent (FTE) based on total working hours for the full pay period in 2019 and 2018.

	June 2019							June 2018						
			Ongoing			Casual				Ongoing			Casual	
	All employees (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE	All employees (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
Gender														
Women	131	62	42	9	46	80	16	132	65	43	10	47	79	18
Men	140	77	68	1	68	71	9	138	77	62	1	57	75	20
Self -described	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Age														
15-24	54	18	10	-	10	44	8	43	14	5	-	3	38	11
25-34	51	36	27	-	27	24	9	64	37	32	2	28	30	9
35-44	39	28	25	2	26	12	2	40	31	21	3	27	16	4
45-54	51	29	25	3	26	23	3	49	30	27	2	25	20	5
55-64	48	24	20	5	22	23	2	47	24	17	3	19	27	5
65+	28	4	3	-	3	25	1	27	6	3	1	2	23	4
Function														
Executives	10	10	10	-	10	-	-	9	7	9	-	7	-	-
Management / Professional	22	20	19	2	20	1	-	23	19	21	2	19	-	-
Administrative	30	26	24	4	26	2	-	30	25	25	4	25	1	-
Hospitality	107	50	27	4	28	76	22	101	54	25	5	30	71	24
Race day	102	33	30	-	30	72	3	107	37	25	-	23	82	14
Total employees	**271**	**139**	**110**	**10**	**114**	**151**	**25**	**270**	**142**	**105**	**11**	**104**	**154**	**38**

Occupational Health And Safety

HRV 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.

Compliance with Building ACT 1993

HRV does not own or control any government buildings and is exempt from notifying its compliance with the building and maintenance provisions of the Building Act 1993.

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 2018-19, 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. HRV is not a tax funded general Government service and does not adopt any pricing principles utilising a net competitive advantage. Approximately 51% 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

HRV has continued to work with clubs to identify technological options to reduce energy and greenhouse gas emissions. Examples include the use of active reactor (electronic dimming) technology, the installation of solar panelling and LED venue lighting.

The club network and HRV continue to work together to provide the most cost effective methods of track maintenance with multiple clubs using dust suppressants to provide an optimum cushioned surface as well as significant savings in the application of water to tracks and a relative reduction in the diesel consumption used for track machinery.

HRV in conjunction with VRIF continues to support clubs in the upgrading of water trucks. The purpose built units complete with proficient spray systems and booms have been responsible for a significant decrease in water usage and fuel savings. Clubs also continue to maximise water storage opportunities to assist in reducing the cost of the water supplies.

Office based environmental impacts

Participant statements are emailed opposed to being printed and sent via traditional mail which results in a dramatic reduction in the use of paper and delivered savings in postage costs. HRV has further reduced its paper usage for RAD Board hearings, if a person pleads guilty to the charge(s) on a summary basis then a summary brief can be prepared opposed to a full brief which represents a 90% reduction in paper required. HRV has also developed online forms for transfer of ownership and licence renewals further reducing the reliance on paper. Furthermore participants are offered a discount off their licence fee if they renew online. In 2019-20 HRV will transition more paper based forms online in an effort to reduce the environmental impact.

Protected Disclosures Act 2012

HRV 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.

HRV 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 (VIPP)*, 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 2018-19 to which VIPP applied.
There were no contracts **completed** in 2018-19 to which VIPP applied.

Consultancies

During the year, HRV had nine consultancies that cost in excess of $10,000 excluding GST. The total expenditure incurred during 2018-19 in relation to these consultancies is $400,478 (excluding GST). Details of individual consultancies are outlined below.

Consultant	Purpose Of Consultancy	Total Approved Project Fee	Expenditure 2018-19 (Excluding GST)	Future Expenditure (Excluding GST)
Kerry Freer Events	Inter Dominion 2018 project consultant	21,758	21,758	-
Bastion Reputation Management Pty Ltd	Communications strategy	15,000	15,000	-
University of Melbourne	Sport integrity survey	11,586	11,586	-
Gemba Group Pty Ltd	Revenue modelling & strategic planning	31,300	31,300	-
Coffey Services Australia Pty Ltd	Melton landfill audit	40,183	40,183	12,915
Taylors Development Strategists Pty Ltd	Landfill Title Re-establishment	16,809	16,809	75,500
TBS Consulting Group	Interim General Manager RISE	13,500	13,500	-
Tonkin & Taylor Pty Ltd	Landfill monitoring of Melton site	52,740	52,740	15,750

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

Attestation for compliance with Ministerial Standing Direction 5.1.4

I, Dale G Monteith, on behalf the Board, certify that Harness Racing Victoria has complied with the applicable Standing Directions of the Minister of Finance under the *Financial Management Act 1994* and Instructions.

Dale G Monteith
Chairman
Harness Racing Victoria
28 August 2019

DISCLOSURE INDEX

The annual report of HRV 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*	*Page reference*
Ministerial Directions & Financial Reporting Directions		
Report of operations		
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	36
FRD 22H	Purpose, functions, powers and duties	36
FRD 8D	Departmental objectives, indicators and outputs	24
FRD 22H	Key initiatives and projects	10-17
FRD 22H	Nature and range of services provided	36-49
Management and structure		
FRD 22H	Organisational structure	24
Financial and other information Financial and other information		
FRD 8D	Performance against output performance measures	10-12
FRD 8D	Budget portfolio outcomes	22-23
FRD 10A	Disclosure index	30-31
FRD 12B	Disclosure of major contracts	26
FRD 15E	Executive officer disclosures	68
FRD 22H	Employment and conduct principles	25
FRD 22H	Occupational health and safety policy	26
FRD 22H	Summary of the financial results for the year	12
FRD 22H	Significant changes in financial position during the year	12
FRD 22H	Major changes or factors affecting performance	10
FRD 22H	Subsequent events	26
FRD 22H	Application and operation of Freedom of Information Act 1982	26
FRD 22H	Compliance with building and maintenance provisions of Building Act 1993	26
FRD 22H	Statement on National Competition Policy	26
FRD 22H	Application and operation of the Protected Disclosure Act 2012	28
FRD 22H	Details of consultancies over $10 000	29
FRD 22H	Disclosure of ICT expenditure	51
FRD 22H	Statement of availability of other information	29
FRD 24C	Reporting of office based environmental impacts	26
FRD 25C	Victorian Industry Participation Policy disclosures	28
FRD 29C	Workforce Data disclosures	25
SD 5.2	Specific requirements under Standing Direction 5.2	83

Legislation	*Requirement*	*Page reference*
Ministerial Directions & Financial Reporting Directions		
Compliance attestation and declaration		
SD 5.1.4	Attestation for compliance with Ministerial Standing Direction	29
SD 5.2.3	Declaration in report of operations	84
Financial statements		
Declaration		
SD 5.2.2	Declaration in financial statements	84
Other requirements under Standing Directions 5.2		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	32-83
SD 5.2.1(a)	Compliance with Ministerial Directions	32-83
SD 5.2.1(b)	Compliance with Model Financial Report	32-83
Other disclosures as required by FRDs in notes to the financial statements (a)		
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	67-70
FRD 103H	Non Financial Physical Assets	60
FRD 110A	Cash Flow Statements	35 & 72
FRD 112D	Defined Benefit Superannuation Obligations	71

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 STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Notes	Consolidated Entity		Parent Entity	
		2019	2018	2019	2018
		$'000	$'000	$'000	$'000
CONTINUING OPERATIONS					
INCOME FROM TRANSACTIONS					
Tabcorp income		40,982	43,354	40,982	43,354
Other revenue		48,817	41,635	34,016	27,742
Total income from transactions	2	**89,799**	**84,989**	**74,998**	**71,096**
EXPENSES FROM TRANSACTIONS					
Stakemoney expense		(41,605)	(39,797)	(41,605)	(39,797)
Employee benefits		(15,838)	(14,046)	(10,329)	(9,220)
Depreciation and amortisation expense		(2,272)	(2,185)	(1,786)	(1,715)
Finance costs		(582)	(682)	(589)	(681)
Other expenses		(29,162)	(27,582)	(19,927)	(19,318)
Total expenses from transactions	2	**(89,459)**	**(84,292)**	**(74,236)**	**(70,731)**
Net result from transactions (net operating balance)		**340**	**697**	**762**	**365**
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT					
Bad and doubtful debt expense		94	(145)	27	(78)
Gain arising from revaluation of long service leave liability		(37)	(39)	(40)	(48)
Loss on sale of property, plant and equipment	2(a)	-	(11)	-	(11)
Total other economic flows included in net result		**57**	**(195)**	**(13)**	**(137)**
Net result	18	**397**	**502**	**749**	**228**
OTHER ECONOMIC FLOWS - CHANGES IN EQUITY					
Changes in physical asset revaluation surplus	17	**9,853**	-	**9,853**	-
Total other economic flows - changes in equity		**9,853**	-	**9,853**	-
Comprehensive result - total change in net worth		**10,250**	**502**	**10,602**	**228**

The accompanying notes form part of these financial statements.

BALANCE SHEET
AS AT 30 JUNE 2019

		Consolidated Entity		Parent Entity	
	Notes	2019	2018	2019	2018
		$'000	$'000	$'000	$'000
CURRENT ASSETS					
Cash and cash equivalents	**24(a)**	2,430	2,652	1,300	1,616
Receivables	**4**	6,622	7,041	5,898	6,564
Inventories	**6**	110	98	-	-
Other assets	**5**	1,183	722	899	540
Total current assets		**10,345**	**10,513**	**8,097**	**8,720**
NON CURRENT ASSETS					
Property, plant and equipment	**7**	78,433	69,336	77,787	68,865
Receivables	**4**	-	-	5,571	3,919
Investments	**8**	1,237	1,082	1,454	1,429
Intangible assets	**9**	752	950	-	-
Total non-current assets		**80,422**	**71,368**	**84,812**	**74,213**
TOTAL ASSETS		**90,767**	**81,881**	**92,909**	**82,933**
CURRENT LIABILITIES					
Payables	**10**	6,593	6,925	6,663	5,799
Provisions	**11**	2,778	2,531	2,282	2,071
Interest bearing liabilities	**12**	11,552	10,918	11,552	10,918
Non-interest bearing liabilities	**13**	-	-	-	300
Prepaid income	**14**	664	852	388	628
Other liabilities	**15**	2,079	1,736	2,085	1,728
Total current liabilities		**23,666**	**22,962**	**22,970**	**21,444**
NON CURRENT LIABILITIES					
Interest bearing liabilities	**12**	14,615	16,077	14,615	16,077
Prepaid income	**14**	702	1,054	702	1,054
Provisions	**11**	249	195	111	141
Other liabilities	**15**	1,554	1,863	1,554	1,863
Total non-current liabilities		**17,120**	**19,189**	**16,982**	**19,135**
TOTAL LIABILITIES		**40,786**	**42,151**	**39,952**	**40,579**
NET ASSETS		**49,981**	**39,730**	**52,957**	**42,354**
EQUITY					
Contributed capital	**16**	9,174	9,174	9,174	9,174
Reserves	**17**	39,743	29,889	39,743	29,889
Accumulated surplus	**18**	1,064	667	4,040	3,291
TOTAL EQUITY		**49,981**	**39,730**	**52,957**	**42,354**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Consolidated Entity	Notes	Reserves	Accumulated Surplus	Contributed Capital	Total
		$'000	$'000	$'000	$'000
	Notes	17	18	16	
Balance at 1 July 2017		**29,889**	**165**	**9,174**	**39,228**
Net result for the year		-	502	-	502
Balance at 30 June 2018		**29,889**	**667**	**9,174**	**39,730**
Net result for the year		-	397	-	397
Other comprehensive income for the year		9,854	-	-	9,854
Balance at 30 June 2019		**39,743**	**1,064**	**9,174**	**49,981**

Parent Entity	Notes	Reserves	Accumulated surplus	Contributed capital	Total
		$'000	$'000	$'000	$'000
	Notes	17	18	16	
Balance at 1 July 2017		**29,889**	**3,063**	**9,174**	**42,126**
Net result for the year		-	228	-	228
Balance at 30 June 2018		**29,889**	**3,291**	**9,174**	**42,354**
Net result for the year		-	749	-	749
Other comprehensive income for the year		9,854	-	-	9,854
Balance at 30 June 2019		**39,743**	**4,041**	**9,174**	**52,957**

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		Consolidated Entity		Parent Entity	
	Notes	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash flows from operating activities					
Receipts from operations		88,500	92,573	73,521	76,918
Payments to suppliers, employees & industry		(85,837)	(88,772)	(71,243)	(74,030)
Interest received		(7)	-	-	3
Interest paid		(582)	(682)	(589)	(681)
Net cash from / (used in) operating activities	**24(b)**	**2,074**	**3,119**	**1,689**	**2,210**
Cash flows from investing activities					
Payments for property, plant and equipment		(1,469)	(691)	(1,008)	(533)
Proceeds from the sale of property, plant and equipment		-	26	-	26
Net cash used in investing activities		**(1,469)**	**(665)**	**(1,008)**	**(507)**
Cash flows from financing activities					
Proceeds from loan repayments		-	17	-	17
Proceeds from return of capital of investments		-	-	130	-
Repayment of gaming machine entitlements		-	(88)	-	-
Repayment of interest bearing liabilities		(827)	(1,051)	(827)	(569)
Proceeds of non-interest bearing liabilities		-	-	(300)	-
Net cash used in financing activities		**(827)**	**(1,122)**	(997)	**(552)**
Net increase / (decrease) in cash and cash equivalents held		**(222)**	**1,332**	**(316)**	**1,151**
Cash and cash equivalents at the beginning of the financial year		2,652	1,320	1,616	465
Cash and cash equivalents at the end of the financial year	**24(a)**	**2,430**	**2,652**	**1,300**	**1,616**

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 HRV ("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

During the 2018/19 year, AASB 9 *Financial Instruments* was adopted by HRV group entities. As required by AASB 9, HRV adopted an impairment loss model to provide for expected impairment losses, as opposed to the previous approach that recognised impairment when incurred. This has changed the way impairment losses are calculated for receivables balances, based on prior history of collections. The initial application of AASB 9 for the year ended 30 June 2019 to receivables has not significantly impacted the financial positon of HRV and its related entities.

In accordance with AASB 9 *Financial Instruments*, the Group's investment in Radio 3UZ unit trust has been recognised at fair value. As Radio 3UZ unit trust is an unlisted trust and its units are not readily traded in an open market, an independent valuation has been obtained as at 30 June 2019. The change has resulted in an increase of $0.155m to the value of the investment.

The Group has elected to apply the limited exemption in AASB 9 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application.

There has been no transition impact for the first-time adoption of AASB 9 on the Comprehensive Operating Statement or Balance Sheet.

			AASB 9 *Measurement Categories*	
		AASB 139 measurement categories	Amortised cost	Fair value through other comprehensive income
	Notes	$'000	$'000	$'000
AASB 139 *Measurement Categories*				
Loan and receivables				
Cash deposits	25 (a)	2,430	2,430	-
Receivables	4	6,511	6,511	-
Investments	9	1,237	-	1,237
As at 1 July 2018		**10,178**	**8,941**	**1,237**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Objectives and funding

The Parent entity's objectives are to administer, develop and promote HRV. 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 HRV Board on 28 August 2019.

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 HRV'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 polices set out below have been applied in preparing the financial statements for the year ended 30 June 2019 and the comparative information presented for the year ended 30 June 2018.

(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 2019. 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 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.

'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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Scope and presentation of financial statements (continued)

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.

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 2019, for futurity series to be conducted in 2019-20 are brought to account as a current liability. Fees and contributions received for series to be run after 30 June 2020 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income from transactions (continued)

- 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 including wages and salaries, superannuation, fringe benefits tax, leave entitlements, redundancy payments and work cover premiums. These are recognised when incurred, except for contributions in respect of defined benefits plans. Employer superannuation expenses in relation to employees who are members of defined benefit superannuation plans are described below.

Superannuation – State superannuation 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 recognises on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of 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); and
  - 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; and
- The increase in financial liabilities and non employee provisions due to the unwinding of discounts to reflect the passage of time.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Expenses from transactions (continued)

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.

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;
- 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.

From 1 July 2018, the Group applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

The following refers to financial instruments unless otherwise stated.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

Categories of non-derivative financial instruments

Financial assets at amortised cost

Financial assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, financial assets are measured at amortised cost using the effective interest method, less any impairment.

The financial assets at amortised cost category includes cash and deposits (refer to Note 1(l)), 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 (excluding statutory payables) and borrowings (including finance lease liabilities).

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.

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.

All receivables are recognised initially at fair value plus any directly attributable transaction costs. Contractual receivables are subsequently measured at amortised cost less any impairment.

The Group applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. Contractual receivables have been grouped on shared credit risk characteristics and days past due and select the expected credit loss rate based on the Group's past history, existing market conditions, as well as forward looking estimates at the end of the financial year.

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;
- Financial assets at amortised cost; and
- Financial instruments at fair value through comprehensive income.

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 other receivables and investment in Radio 3UZ unit trust.

Investment in Radio 3UZ unit trust

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Assets (continued)

station Radio Sport National, formerly Sport 927, and a network of regional relay stations. The investment in Radio 3UZ unit trust has been recognised at fair value through comprehensive income as required by AASB 9 *Financial Instruments.*

As Radio 3UZ unit trust is an unlisted trust and its units are not readily traded in an open market, an independent valuation has been obtained as at 30 June 2019. The independent valuation provided an indicative valuation range for the Radio 3UZ unit trust of between $6.4m and $7.4m. The investment has been brought to account based on 18% of the valuation mid-point of $6.9m.

Details in relation to investments are disclosed in Note 8.

Financial assets at amortised cost

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.

Under AASB 9, all trade receivables, loans and other receivables as well as other debt instruments not carried at fair value through net result are subject to AASB 9's new expected credit loss (ECL) impairment model, which replaces AASB 139's incurred loss approach. For other loans and receivables, the Group applies the AASB 9 simplified approach to measure expected credit losses based on the change in the expected credit losses over the life of the asset.

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

From 1 July 2018, the Group has been recording the allowance for expected credit loss for the relevant financial instruments, replacing AASB 139's incurred loss approach with AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include the Group's contractual and statutory receivables.

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. All financial assets, except those measured at fair value through the Comprehensive Operating Statement, are subject to annual review for impairment.

The Group applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. Contractual receivables have been grouped on the basis of shared credit risk characteristics and days past due and select the expected credit loss rate based on the Group's past history, existing market conditions, as well as forward looking estimates at the end of the financial year.

Credit loss allowance is classified as other economic flows in the net result. Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

In prior years, a provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. Bad debts considered as written off by mutual consent.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Assets (continued)

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 Assistant Treasurer. 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.

The capitalisation threshold for non-current physical assets is $1,000 (excluding GST). The threshold applies to each individual item acquired or constructed. Non-current physical assets with a purchase price and associated costs of acquisition of $1,000 (excluding GST) and over, are to be capitalised.

Items with a purchase price and associated costs of acquiring the item of less than $1,000 (excluding GST), are not capitalised but are written off as an expense as acquired.

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 acquirer'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 Trust, intangibles are limited to the amount paid to acquire gaming machine entitlements.

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

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 10%. 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Assets (continued)

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;
- 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.

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. HRV 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Liabilities (continued)

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 compensation 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 2019, for futurity series to be conducted in 2019-20 are brought to account as a current liability. Fees and contributions received for series to be run after 30 June 2020 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, including 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Commitments

(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 stakemoney

Country Club Contributions to stakemoney are brought to account as revenue in the Comprehensive Operating Statement. These amounts are then distributed as stakemoney, 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 income 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 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 (HRV'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:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Critical accounting estimates and assumptions (continued)

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 9 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 8 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 2019 reporting period. Management assesses the impact of all these new standards and measures their applicability and early adoption where applicable.

As at 30 June 2019, 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 2019. 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

(u) AASB's issued that are not yet effective (continued)

Standard/ Interpreta-tion	**Summary**	**Applicable For Annual Reporting Periods Beginning On:**	**Impact On Public Sector Entity Financial Statements**
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015 8 *Amendments to Australian Accounting Standards* – Effective Date of AASB 15 has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017 for Not-for-Profit entities.	1 January 2019	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. There is no significant impact for the group arising from the proposed change of AASB 15.
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of operating leases (which are currently not recognised) on balance sheet.	1 January 2019	The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability. In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge. There will be no change for lessors as the classification of operating and finance leases remains unchanged. There is no significant impact for the group arising from the proposed change of AASB 16. HRV has estimated the potential impact of AASB 16 in the initial year of application as follows: Increase in right-of-use assets of $0.23 million; Decrease in finance leased assets of $0.17 million; Increase in right-of-use lease liabilities of $0.23 million; Decrease in finance lease liabilities of $0.17 million; Decrease in supplies and services expense of $0.17 million; Increase in depreciation expense of $0.17 million; Increase in interest expense of $0.00 million.
AASB 1058 *Income of Not-for-Profit Entities*	AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 *Contributions*. The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context. AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.	1 January 2019	Grant revenue is currently recognised up front upon receipt of the funds under AASB 1004 *Contributions.* The timing of revenue recognition for grant agreements that fall under the scope of AASB 1058 may be deferred. There is no significant impact for the group arising from the proposed changes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 net current liability position as at 30 June 2019 of $13.346m (2018 - $12.449m) for HRV (the consolidated entity) and $14.872m (2018 - $12.724m) for the authority (parent entity), the financial report is prepared on a going concern basis. The Board believes the going concern basis is appropriate, based on the following factors:

- Harness Racing Victoria ('HRV') has a total of $31.615m unsecured loan facility available from Treasury Corporation Victoria ('TCV') (including a short-term variable line of credit facility of $17.0m). As at 30 June 2019, only $26.167 million (2018: $26.995 million) was drawn down and recorded as liability, with $5.475 million available to HRV as unused funding facility.
- The Treasurer has provided an irrevocable and unconditional guarantee of up to $35.3 million that guarantees TCV the due and punctual payment of obligations as set out in the loan agreement if HRV are unable to meet its loan repayment obligations. This guarantee remains in full force and effect until all monies due and payable or contingently due or liable to be paid have been paid or satisfied in full.
- During 2018-19, the consolidated entity recorded a profit of $0.397m (2018: $0.502m) and generated positive cash inflows from operating activities of $2.074m (2018: cash inflows of $3.119m) by implementing initiatives to improve revenues, operational profitability and cash flow.

These factors provide the Board with assurance and comfort that the going concern basis is appropriate for HRV in the preparation of this financial report.

NOTE 2. INCOME AND EXPENSES FROM TRANSACTIONS

	Consolidated Entity		Parent Entity	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
The Comprehensive Operating Statement consists of the following income and expense items:				
Income				
Tabcorp income	40,982	43,354	40,982	43,354
Other income				
Racefield fees	17,829	16,969	17,829	16,969
Point of consumption tax	1,429	-	1,429	-
Registered bookmakers fees	8	9	8	9
Gaming commission	7,471	7,204	-	-
Food & beverage	4,523	4,232	-	-
Accommodation	1,325	1,201	-	-
Other venue revenue	370	362	-	-
Sponsorship, advertising & events	1,785	1,488	1,124	803
RISE IT charges	1,453	1,079	-	-
Grants	6,031	2,219	5,879	2,183
Registration & licensing fees	1,323	1,618	1,323	1,618
Raceday fees	348	363	348	363
Fines & appeals	202	225	202	225
Country Club contributions to stakemoney	678	715	678	715
Futurities income:				
- Vicbred	710	728	710	728
- Breeders Crown	1,098	1,294	1,098	1,294
- Race series subsidies	721	1,098	721	1,098
Sky new media fees	-	23	-	23
Property	-	-	706	685
Industry programs	98	117	98	117
Management & service fee	87	81	636	333
Interest	-	-	-	3
Other revenue	1,328	610	1,227	576
Total other revenue	**48,817**	**41,635**	**34,016**	**27,742**
Total income	**89,799**	**84,989**	**74,998**	**71,096**

NOTE 2. INCOME AND EXPENSES FROM TRANSACTIONS (CONTINUED)

	Consolidated Entity		Parent Entity	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Expenses				
Stakemoney				
Metropolitan stakes	15,580	13,822	15,580	13,822
Country stakes	21,395	21,058	21,395	21,058
Drivers fees	11	38	11	38
Vicbred win bonuses	3,671	4,039	3,671	4,039
Vicbred breeder bonuses	948	840	948	840
Total stakemoney	**41,605**	**39,797**	**41,605**	**39,797**
Employee benefits				
Post employee benefits				
Defined contribution superannuation expense	1,182	997	750	619
Defined benefits superannuation expense	24	44	24	44
Salaries, wages and long service leave	14,632	13,005	9,555	8,557
Employee benefits	**15,838**	**14,046**	**10,329**	**9,220**
Depreciation and amortisation expense (refer Note 7 and 9)	**2,272**	**2,185**	**1,786**	**1,715**
Finance costs	**582**	**682**	**589**	**681**
Other expenses				
Country club funding	5,254	5,256	5,254	5,256
Marketing & sponsorship expenses	2,687	1,970	1,204	1,060
Vision & audio	3,226	3,089	3,226	3,089
Property costs	2,661	2,520	997	901
Development fund (refer Note 19)	962	1,095	962	1,095
Gaming costs	3,907	3,677	-	-
Cost of goods sold	1,511	1,373	-	-
Fields & form comments	1,105	652	1,105	652
Swabs	955	771	955	771
Timing & photo finish	41	45	41	45
Registration	688	636	688	636
Integrity & licensing	265	288	265	288
Communication costs	133	137	87	86
Computer costs	717	455	636	512
Training facilities	40	40	40	40
Insurance	940	1,057	913	1,035
Consulting / legal fees	457	1,130	427	965
Operating expenses	3,613	3,391	3,127	2,887
Total other expenses	**29,162**	**27,582**	**19,927**	**19,318**
Total expenses from transactions	**89,459**	**84,292**	**74,236**	**70,731**

NOTE 2(A). PROFIT / (LOSS) ON SALE OF ASSETS

	Consolidated Entity		Parent Entity	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Gross proceeds	-	26	-	26
Carrying amount of assets disposed	-	(37)	-	(37)
Profit / (loss) on sale of assets	**-**	**(11)**	**-**	**(11)**

NOTE 3. REMUNERATION OF AUDITORS

Victorian Auditor-General's Office - audit of the financial report	66	65	32	35
Internal audit	39	32	39	32
Other audit services	8	2	-	-
Total remuneration of auditors	**113**	**99**	**71**	**67**

NOTE 4. RECEIVABLES

Current				
Contractual				
Trade receivables (a)	940	1,159	639	1,001
Provisions for doubtful debts	(112)	(206)	(106)	(133)
Net trade receivables	**828**	**953**	**533**	**868**
Accrued income	939	496	808	353
Net accrued income	**939**	**496**	**808**	**353**
Tabcorp distribution receivable	4,315	5,031	4,315	5,031
Commission / distribution receivable	142	112	-	-
Intercompany receivables	-	-	-	37
Sundry debtors	95	86	-	-
Statutory				
Goods and services tax (GST) recoverable	303	363	242	275
Net other receivables	**4,855**	**5,592**	**4,557**	**5,343**
Total current receivables	**6,622**	**7,041**	**5,898**	**6,564**
Non current				
Contractual				
Intercompany receivables	-	-	5,571	3,919
Total non-current receivables	**-**	**-**	**5,571**	**3,919**
Total receivables	**6,622**	**7,041**	**11,469**	**10,483**

NOTE 4. RECEIVABLES (CONTINUED)

Receivables are subject to impairment loss assessment in accordance with AASB 9's expected credit loss model. The impairment loss allowance is increased / decreased accordingly with the impairment expense recognised in the net result as an 'other economic flow'.

Contractual receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. HRV holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. HRV applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

The initial application of AASB 9 for the year ended 30 June 2019 has not significantly impacted the financial positon of HRV and its related entities.

	Consolidated Entity		Parent Entity	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Movement in the provision for doubtful debts (a)				
Balance at the beginning of the year	(206)	(139)	(133)	(130)
Amounts recovered during the year	131	83	63	83
Increase in allowance recognised in profit or loss	(36)	(153)	(36)	(86)
Reversal of provision for receivables written off during the year as uncollectible	-	3	-	-
Balance at end of the year	**(111)**	**(206)**	**(106)**	**(133)**

(a) Movement in the provision of doubtful debts
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 sale of goods and services. The $36,000 increase in provision was recognised in the operating result for the current financial year in accordance with AASB 9 *Financial Instruments.*

(b) Aging analysis of receivables
Please refer to table 26.2(c) in Note 26 for the aging analysis of receivables.

(c) Nature and extent of risk arising from receivables
Please refer to Note 26(c) and 26.4(a) for the nature and extent of credit risk and market risk arising from receivables.

NOTE 5. OTHER ASSETS - CURRENT

Prepayments	1,183	722	899	540
Total other current assets	**1,183**	**722**	**899**	**540**

NOTE 6. INVENTORIES

Food at cost	36	19	-	-
Beverage at cost	74	79	-	-
Total inventories	**110**	**98**	**-**	**-**

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

Consolidated Entity

	Freehold land	Buildings	Building improvements	Plant and equipment	Melton track	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2018-19 Year						
Gross carrying amount						
Balance as at 1 July 2018	**26,960**	**40,520**	**1,251**	**12,687**	**3,048**	**84,467**
Additions	-	179	-	1,290	-	1,469
Revaluation increments	5,424	307	-	-	-	5,732
Revaluation decrements	-	-	-	-	(241)	(241)
Balance as at 30 June 2019	**32,384**	**41,006**	**1,251**	**13,977**	**2,807**	**91,427**
Accumulated depreciation						
Balance as at 1 July 2018	**-**	**(2,461)**	**(1,225)**	**(11,101)**	**(344)**	**(15,131)**
Depreciation expense	-	(1,237)	(1)	(663)	(172)	(2,073)
Revaluation increments	-	3,694	-	-	516	4,210
Balance as at 30 June 2019	**-**	**(4)**	**(1,226)**	**(11,764)**	**-**	**(12,994)**

Consolidated Entity

	Freehold land	Buildings	Building improvements	Plant and equipment	Melton track	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2017-18 Year						
Gross carrying amount						
Balance as at 1 July 2017	**26,960**	**40,495**	**1,251**	**12,060**	**3,048**	**83,815**
Additions	-	25	-	664	-	689
Disposals / writeoffs	-	-	-	(37)	-	(37)
Balance as at 30 June 2018	**26,960**	**40,520**	**1,251**	**12,687**	**3,048**	**84,467**
Accumulated depreciation						
Balance as at 1 July 2017	**-**	**(1,229)**	**(1,224)**	**(10,519)**	**(172)**	**(13,144)**
Depreciation expense	-	(1,232)	(1)	(582)	(172)	(1,987)
Balance as at 30 June 2018	**-**	**(2,461)**	**(1,225)**	**(11,101)**	**(344)**	**(15,131)**
Net book value						
As at 30 June 2018	26,960	38,059	26	1,586	2,704	69,335
As at 30 June 2019	**32,384**	**41,002**	**25**	**2,213**	**2,807**	**78,433**

NOTE 7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Parent Entity

	Freehold land	Buildings	Building improvements	Plant and equipment	Melton track	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2018-19 Year						
Gross carrying amount						
Balance as at 1 July 2018	**26,960**	**40,520**	**1,251**	**8,689**	**3,048**	**80,468**
Additions	-	179	-	829	-	1,008
Revaluation increments	5,424	307	-	-	-	5,731
Revaluation decrements	-	-	-	-	(241)	(241)
Balance as at 30 June 2019	**32,384**	**41,006**	**1,251**	**9,518**	**2,807**	**86,966**
Accumulated depreciation						
Balance as at 1 July 2018	**-**	**(2,461)**	**(1,225)**	**(7,572)**	**(344)**	**(11,602)**
Depreciation expense	-	(1,237)	(1)	(377)	(172)	(1,787)
Revaluation increments	-	3,694	-	-	516	4,210
Balance as at 30 June 2019	**-**	**(4)**	**(1,226)**	**(7,949)**	**-**	**(9,179)**

Parent Entity

	Freehold land	Buildings	Building improvements	Plant and equipment	Melton track	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2017-18 Year						
Gross carrying amount						
Balance as at 1 July 2017	**26,960**	**40,495**	**1,251**	**8,218**	**3,048**	**79,972**
Additions	-	25	-	508	-	533
Disposals / writeoffs	-	-	-	(37)	-	(37)
Balance as at 30 June 2018	**26,960**	**40,520**	**1,251**	**8,689**	**3,048**	**80,468**
Accumulated depreciation						
Balance as at 1 July 2017	**-**	**(1,229)**	**(1,224)**	**(7,262)**	**(172)**	**(9,888)**
Depreciation expense	-	(1,232)	(1)	(310)	(172)	(1,715)
Balance as at 30 June 2018	**-**	**(2,461)**	**(1,225)**	**(7,572)**	**(344)**	**(11,602)**
Net book value						
As at 30 June 2018	26,960	38,059	26	1,117	2,704	68,866
As at 30 June 2019	**32,384**	**41,002**	**25**	**1,569**	**2,807**	**77,787**

NOTE 7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Consolidated entity		Parent entity	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Aggregate depreciation and amortisation allocated during the year was as follows:				
Buildings at fair value	1,237	1,232	1,237	1,232
Building improvements at fair value	1	1	1	1
Plant and equipment at fair value	663	582	377	310
Melton complex at fair value	172	172	172	172
Gaming entitlements amortisation	198	198	-	-
	2,271	**2,185**	**1,787**	**1,715**

	Consolidated entity 2019 $'000	Consolidated entity 2018 $'000	Parent entity 2019 $'000	Parent entity 2018 $'000
Valve of freehold land				
Freehold land - 28 - 52 Ferris Road Melton	3,216	2,678	3,216	2,678
Freehold land - 92 -134 Abey Road Melton (Lot 1)	18,512	15,411	18,512	15,411
Freehold land - 92 -134 Abey Road Melton (Lot 2)	10,656	8,871	10,656	8,871
	32,384	**26,960**	**32,384**	**26,960**

Fair Value

Consistent with AASB 13 *Fair Value Measurement,* HRV determines the policies and procedures for both recurring fair value measurements, such as property, plant and equipment and financial instruments, and for non-recurring fair value measurements, such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, HRV has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

NOTE 7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Consolidated Fair Value measurement hierarchy of Assets as at 30 June 2019

In 2019, although HRV were not required to obtain a full valuation for the parcels of land being 28 - 52 Ferris Rd Melton and Lot 1 and 2 at 2 -134 Abey Road Melton, a management revaluation was required to conduct fair value assessments to assess whether the asset's carrying value still materially reflects its fair value. Fair value assessments for land and buildings for HRV were accordingly made using separate annual indices for land and buildings supplied by Valuer-General Victoria. The following indices were applied for the revaluation of Land and Buildings using the Valuer-General's commercial rates:

Land - 20.10%;
Buildings and Track - 10.90%.

The revaluation amounts for the different classes of assets have been detailed under Note 17.
The following table highlights classes of Assets, the fair value measure, technique and assessment and inputs.

	Carrying amount as at 30 June 2019	Carrying amount as at 30 June 2018	Fair Value measurement at end of reporting period using:					
			Level 1		Level 2		Level 3	
			2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Land at fair value								
Non specialised land	-	-	-	-	-	-	-	-
Specialised land	32,384	26,960	-	-	32,384	26,960	-	-
Total land at fair value	**32,384**	**26,960**	**-**	**-**	**32,384**	**26,960**	**-**	**-**
Buildings at fair value								
Non specialise buildings	-	-	-	-	-	-	-	-
Specialised buildings	41,002	38,059	-	-	-	-	41,002	38,059
Total buildings at fair value	**41,002**	**38,059**	**-**	**-**	**-**	**-**	**41,002**	**38,059**
Building improvements at fair value								
Non specialised plant and equipment	-	-	-	-	-	-	-	-
Specialised plant and equipment	25	26	-	-	-	-	25	26
Total building improvements at fair value	**25**	**26**	**-**	**-**	**-**	**-**	**25**	**26**
Plant and equipment at fair value								
Non specialised plant and equipment	-	-	-	-	-	-	-	-
Specialised plant and equipment	2,239	1,586	-	-	-	-	2,239	1,586
Total plant and equipment at fair value	**2,239**	**1,586**	**-**	**-**	**-**	**-**	**2,239**	**1,586**
Melton track fair value								
Non specialised plant and equipment	-	-	-	-	-	-	-	-
Specialised plant and equipment	2,807	2,704	-	-	-	-	2,807	2,704
Total Melton track at fair value	**2,807**	**2,704**	**-**	**-**	**-**	**-**	**2,807**	**2,704**

NOTE 7. 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	2019 Range (weighted average)	Observable / unobservable inputs	Sensitivity of fair value measurement to changes in significant unobservable inputs
Specialised buildings	Current 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	Current 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	Current 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	Current 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	Current 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	Current 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	Current 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	Current 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	Current 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 8. INVESTMENTS

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Investment in subsidiaries - at cost	-	-	217	347
Shares in radio 3UZ Pty Ltd - at cost	-	2	-	2
Shares in radio 3UZ Pty Ltd - at fair value	2	-	2	-
Units in radio 3UZ unit trust – at cost	-	1,080	-	1,080
Units in radio 3UZ unit trust – at fair value	1,235	-	1,235	-
Total investments	**1,237**	**1,082**	**1,454**	**1,429**

Units in Radio 3 UZ unit trust

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. The investment in Radio 3UZ unit trust has been recognised at fair value as required by AASB 9 *Financial Instruments*.

As Radio 3UZ unit trust is an unlisted trust and its units are not readily traded in an open market, an independent valuation has been obtained as at 30 June 2019. The independent valuation provided an indicative valuation range for the Radio 3UZ unit trust of between $6.4m and $7.4m.

The investment has been brought to account based on 18% of the valuation mid-point of $6.9m.

Investment in subsidiaries

The Parent entity's 'investment in subsidiaries' is wholly comprised of its investment in Racing Information Services Enterprise Pty Ltd or 'RISE'. RISE owns the proprietary racing software for the harness racing industry across all states and territories in Australia.

As at the date of this report, management are in discussions with the other harness racing jurisdictions in Australia, to return RISE this to a multi-state ownership model.

NOTE 9. INTANGIBLE ASSETS

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Goodwill	132	132	-	-
Gaming machine entitlements	1,983	1,983	-	-
Accumulated amortisation	(1,363)	(1,165)	-	-
Total intangible assets	**752**	**950**	**-**	**-**
Opening balance	950	1,148	-	-
Amortisation	(198)	(198)		
Closing balance	**752**	**950**	**-**	**-**

(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

	2019	2018
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 10. PAYABLES

	Consolidated Entity		Parent Entity	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current payables				
Contractual - unsecured				
Trade creditors	3,380	3,476	2,630	2,774
Intercompany payables	-	-	1,211	93
Development fund accruals	210	180	210	180
Sundry creditors and accruals	3,003	3,269	2,612	2,752
Total current payables	**6,593**	**6,925**	**6,663**	**5,799**
Total payables	**6,593**	**6,925**	**6,663**	**5,799**

(a) Maturity analysis of payables

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

(b) Nature and extent of risk arising from payables

Please refer to Note 26.3 for the nature and extent of risks arising from payables.

NOTE 11. PROVISIONS

	Consolidated Entity		Parent Entity	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Employee benefits				
Annual leave				
Unconditional and expected to wholly settle within 12 months	569	506	412	374
Unconditional and expected to wholly settle after 12 months	191	144	166	134
Long service leave				
Unconditional and expected to wholly settle after 12 months	1,355	1,281	1,129	1,045
Provisions related to employee benefit on-costs				
Unconditional and expected to wholly settle within 12 months	103	95	67	63
Unconditional and expected to wholly settle after 12 months	238	231	213	199
State-wide sulky fund	87	83	87	83
Provision for aggregate insurance	208	173	208	173
Bonus points liability	27	18	-	-
Total current provision	**2,778**	**2,531**	**2,282**	**2,071**
Non current				
Employee benefits	214	167	95	121
Provisions related to employee benefit on-costs	35	28	16	20
Total non current provision	**249**	**195**	**111**	**141**
Total provisions	**3,027**	**2,726**	**2,393**	**2,212**

NOTE 11. PROVISIONS (CONTINUED)

(b) Movement in provisions

	Employee benefits	On-costs	Statewide sulky fund	Bonus points liability	Aggregate insurance	Total
	2019	2019	2019	2019	2019	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated Entity						
Opening balance	**2,098**	**354**	**83**	**19**	**173**	**2,727**
Additional provisions recognised	731	101	32	54	35	953
Reductions arising from payments / other sacrifices of future economic benefits	(535)	(84)	(28)	(46)	-	(693)
Unwind of discount and effect of changes in the discount rate	35	5	-	-	-	40
Closing balance	**2,329**	**376**	**87**	**27**	**208**	**3,027**
Current	2,115	341	87	27	208	2,778
Non current	214	35	-	-	-	249
Total provisions	**2,329**	**376**	**87**	**27**	**208**	**3,027**
Parent Entity						
Opening balance	**1,674**	**282**	**83**	**-**	**173**	**2,212**
Additional provisions recognised	524	52	32	-	35	643
Reductions arising from payments / other sacrifices of future economic benefits	(430)	(41)	(28)	-	-	(499)
Unwind of discount and effect of changes in the discount rate	34	3	-	-	-	37
Closing balance	**1,802**	**296**	**87**	**-**	**208**	**2,393**
Current	1,707	280	87	-	208	2,282
Non current	95	16	-	-	-	111
Total provisions	**1,802**	**296**	**87**	**-**	**208**	**2,393**

NOTE 12. INTEREST BEARING LIABILITIES

	Consolidated Entity		Parent Entity	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current				
Unsecured - TCV loan facility	11,552	10,918	11,552	10,918
Total current interest bearing liability	**11,552**	**10,918**	**11,552**	**10,918**
Non current				
Unsecured - TCV loan facility	14,615	16,077	14,615	16,077
Total non current interest bearing liability	**14,615**	**16,077**	**14,615**	**16,077**
Total interest bearing liabilities	**26,167**	**26,995**	**26,167**	**26,995**

(a) Maturity analysis of interest bearing liabilities
Please refer to table 26.3 in Note 26 for the ageing analysis of interest bearing liabilities.

(b) Nature and extent of risk arising from interest bearing liabilities
Please refer to Note 26.3 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	31,615	33,077	31,615	33,077
Business card limit	99	99	39	39
Total facilities amount	**31,714**	**33,176**	**31,654**	**33,116**
Amount of facility unused	**5,530**	**6,159**	**5,475**	**6,099**

On 30 June 2014, the Treasurer on behalf of the State of Victoria under the *Borrowings and Investment Powers Act 1987* has provided an irrevocable and unconditional guarantee for up to $35.3m in favour of Treasury Corporation Victoria (TCV) that guarantees TCV the due and punctual payment of obligations as set out in the loan agreement in the event that HRV are unable to meet its obligations under the Unsecured TCV Loan Facility. The guarantee shall be a continuing guarantee and indemnity shall remain in full force and effect until all monies due and payable or contingently due or liable to be paid have been paid or satisfied in full.

NOTE 13. NON-INTEREST BEARING LIABILITIES

Current				
RISE funding agreement	-	-	-	300
Total non interest bearing liabilities	**-**	**-**	**-**	**300**

(a) Maturity analysis of non-interest bearing liabilities
Please refer to table 26.3 in Note 26 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 26.3 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.

NOTE 14. PREPAID INCOME

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current				
Tabcorp Melton sponsorship	351	351	351	351
Other revenue invoiced in advance	313	501	37	277
Total current prepaid income	**664**	**852**	**388**	**628**
Non current				
Tabcorp Melton sponsorship	702	1,054	702	1,054
Total non current prepaid income	**702**	**1,054**	**702**	**1,054**
Total prepaid income	**1,366**	**1,906**	**1,090**	**1,682**

NOTE 15. OTHER LIABILITIES

Current				
Vicbred income invoiced in advance	695	547	695	547
Breeders Crown income invoiced in advance	1,172	1,089	1,172	1,089
Other	212	100	218	92
Total current other liabilities	**2,079**	**1,736**	**2,085**	**1,728**
Non current				
Vicbred fees invoiced in advance	157	365	157	365
Breeders Crown fees invoiced in advance	1,284	1,418	1,284	1,418
Other	113	80	113	80
Total non-current liabilities	**1,554**	**1,863**	**1,554**	**1,863**
Total other liabilities	**3,633**	**3,599**	**3,639**	**3,591**

NOTE 16. CONTRIBUTED CAPITAL

Contributed capital	9,174	9,174	9,174	9,174
Total contributed capital	**9,174**	**9,174**	**9,174**	**9,174**

NOTE 17. RESERVES

	Consolidated Entity		Parent Entity	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Asset revaluation reserve				
Balance at beginning of financial year	29,889	29,889	29,889	29,889
Increment on valuation of investments	155	-	155	-
Increment on valuation of freehold land	5,424	-	5,424	-
Increment on valuation of building	4,275	-	4,275	-
Balance at end of financial year	**39,743**	**29,889**	**39,743**	**29,889**

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

NOTE 18. ACCUMULATED SURPLUS

Accumulated surplus at the beginning of the financial year	667	165	3,291	3,063
Net operating surplus	397	502	749	228
Accumulated surplus at the end of the financial year	**1,064**	**667**	**4,040**	**3,291**

NOTE 19. DEVELOPMENT FUND

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 Comprehensive Operating Statement.

During the year ended 30 June 2019 expenditure on the following projects was incurred. No comparative for 2018 is shown due to the nature of the program. Each year the projects receiving funding change therefore making any comparative not applicable.

		2019 $'000
Boort	Horse wash	1
Charlton	Multipurpose facility upgrade	290
Cranbourne	Cranbourne deck enclosure	111
	Relamping	2
Echuca	Function room upgrade	7
Horsham	Machinery shed extension	20
Kilmore	Water truck	46
St Arnaud	Water standpipe relocation	7
Stawell	Access pipe and landscaping	120
Tabcorp Park	Relamping	82
HRV	Track maintenance supervisor	33
	Track maintenance program	157
	Development fund costs	4
	Asbestos audit	7
	Safety audit	40
	Stewards tower	12
	Head on towers stage one	2
	Spreader truck	19
	Track thermography	1
Total development fund expenses		**961**

NOTE 20. RESPONSIBLE PERSONS

In accordance with the Ministerial Directions issued by the Assistant Treasurer 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.

Governing Board:

Dale G Monteith (Board Chairman)
Elizabeth Clarke (Deputy Chair)
Dr Catherine Ainsworth
Jane Brook
Daniel Frawley
Peter Watkinson
Adam Kilgour

Accountable Officer:

David Martin (Chief Executive Officer)

The following persons were directors of the subsidiaries:

Dale G Monteith (Board Chairman)
Elizabeth Clarke (Deputy Chair)
Dr Catherine Ainsworth
Jane Brook
Daniel Frawley
Peter Watkinson
Adam Kilgour

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the Group and HRV during the reporting period was in the range: $310,000 - $319,999 ($310,000 - $319,999 in 2017-18).

Total remuneration, by $10,000 band, for responsible persons

Income band	**2019**	**2018**
$0 to $10,000	-	1
$10,001 to $20,000	1	2
$20,001 to $30,000	5	4
$30,001 to $40,000	1	2
$60,001 to $70,000	1	1
$310,001 to $320,000	1	1
Total number	**9**	**11**
Total remuneration $'000	**551**	**583**

NOTE 21. EXECUTIVE OFFICERS REMUNERATION

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.

Remuneration of executive officers	Total remuneration	
Parent Entity	**2019**	**2018**
Remuneration	**$'000**	**$'000**
Short-term benefits	1,285	1,208
Post-employment benefits	113	106
Other long-term benefits	81	36
Termination benefits	1	115
Total remuneration (i)	**1,480**	**1,465**
Total number of executives (ii)	**8**	**10**
Total annualised employee equivalent (AEE) (iii)	**7**	**7**

Remuneration of executive officers	Total remuneration	
Consolidated	**2019**	**2018**
Remuneration	**$'000**	**$'000**
Short-term benefits	1,618	1,416
Post-employment benefits	143	126
Other long-term benefits	92	38
Termination benefits	1	115
Total remuneration (i)	**1,855**	**1,695**
Total number of executives (ii)	**10**	**12**
Total annualised employee equivalent (AEE) (ii)	**9**	**8**

i. Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB 119 *Employee Benefits*.

ii. 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.

iii. Annualised employee equivalent is based on the time fraction worked during the reporting period.

NOTE 22. RELATED PARTY TRANSACTIONS

(a) Parent entity

The Parent entity within the Group is Harness Racing Victoria.

(b) Subsidiaries & related party transactions

The following entities have been consolidated into the Group's financial statements pursuant to the determination made by the Assistant Treasurer under section 53(1)(b) of the *Financial Management Act 1994 (FMA)*:

- HRV Management Ltd;
- Melton Entertainment Trust (MET); and
- Racing Information Services Enterprise (MET).

Related parties of the Group include:

All key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);

- All cabinet ministers and their close family members; and
- All departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial state ments.

All related party transactions have been entered into on arm's length basis.

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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Transactions with MET & RISE Pty Ltd				
Rental income	-	-	706	685
Goods and services received by HRV	-	-	549	251
Goods and services provided to HRV	-	-	443	585
Finance interest income			-	3
Balances:				
Receivables	-	-	5,571	3,956
Payables	-	-	1,211	93
Other current liabilities	-	-	300	300

Details of the lease agreement between HRV and the Melton Entertainment Trust are outlined in Note 25.

(c) 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; and

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 22. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel information (KMP)
The KMP of HRV is detailed below:

Governing Board:

Dale G Monteith (Board Chairman)
Elizabeth Clarke (Deputy Chair)
Dr Catherine Ainsworth
Jane Brook
Daniel Frawley
Peter Watkinson
Adam Kilgour

Accountable Officer:

David Martin (Chief Executive Officer)

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' financial report.

Remuneration of KMP	Total remuneration	
Parent Entity	**2019**	**2018**
Remuneration	**$'000**	**$'000**
Short-term benefits	499	482
Post-employment benefits	37	36
Other long-term benefits	5	1
Total remuneration (i)	**541**	**519**
Total number of KMP (ii)	**8**	**9**

The following persons were directors of the subsidiaries:

Dale G Monteith (Board Chairman)
Elizabeth Clarke (Deputy Chair)
Dr Catherine Ainsworth
Jane Brook
Daniel Frawley
Peter Watkinson
Adam Kilgour

Remuneration of KMP	Total remuneration	
Consolidated	**2019**	**2018**
Remuneration	**$'000**	**$'000**
Short-term benefits	512	546
Post-employment benefits	37	36
Other long-term benefits	5	1
Total remuneration (i)	**555**	**583**
Total number of KMP (ii)	**9**	**11**

i. Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB 119 *Employee Benefits.*

ii. The total number of executive officers includes persons who meet the definition of KMP under AASB 124 *Related Party Disclosures* and are also reported within the related parties note disclosure.

NOTE 23. SUPERANNUATION ARRANGEMENTS

All schemes are controlled by outside parties. HRV has no outstanding loans from any of the named schemes and all contributions are fully 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 January 1995 - State Superannuation Fund (New Scheme) – Defined Benefit Scheme.
- Permanent employees after 1 January 1995 - 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%. The Victorian Superannuation Fund contributions are based on the Commonwealth Government Superannuation Guarantee and Board directives.

(c) Employer contributions made during the financial year:

	Consolidated Entity		Parent Entity	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
State superannuation fund	24	44	24	44
Victorian superannuation fund	327	414	246	338
Host Plus superannuation fund	259	170	28	6
Various other funds as nominated by the employee	596	413	476	275
Total contributions	1,206	1,041	774	663

NOTE 24. 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
(a) Reconciliation of cash and cash equivalents				
Deposits at call	2,127	2,367	1,300	1,616
Cash assets on hand	303	285	-	-
Closing cash and cash equivalents balance	**2,430**	**2,652**	**1,300**	**1,616**
(b) Reconciliation of the net result for the year to the net cash from operating activities				
Net result for the year	**397**	**502**	**749**	**228**
Add / (deduct) non-cash items:				
Depreciation / amortisation of non-current assets	2,272	2,185	1,786	1,715
Loss on sale of property, plant and equipment	-	11	-	11
Doubtful debts	(94)	68	(27)	4
Other non-cash items	-	24	-	24
Change in assets and liabilities:				
(Increase) / decrease in receivables	513	(201)	(959)	(107)
(Increase) / decrease in other current assets	(473)	(169)	(359)	(76)
Decrease in other non-current assets	-	494	-	-
Increase / (decrease) in accounts payable & other liabilities	(839)	-	318	216
Increase / (decrease) in provisions	298	205	181	195
Net cash provided by / (used in) operating activities	**2,074**	**3,119**	**1,689**	**2,210**

(c) Loan Facilities

Details of loan facilities and security granted are detailed in Note 12(d).

NOTE 25. LEASES

	Consolidated Entity		Parent Entity	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Non-cancellable operating leases				
Not longer than one year	294	158	294	158
Longer than 1 year and not longer than 5 years	54	149	54	149
Total non-cancellable operating leases	**348**	**307**	**348**	**307**

Disclosure as lessee - operating leases

Operating leases relate to the following items:

- Motor vehicle fleet with lease terms ranging between 1 and 3 years; and
- Office equipment with lease terms ranging between 1 and 5 years.

Operating lease relates to the racetrack and entertainment complex owned by HRV, which is leased to the Melton Entertainment Trust. The lease term expires on 15 August 2022 with annual increase of CPI or 3%, whichever is greater per annum.

Disclosure as lessor				
Non-cancellable operating leases				
Not longer than one year	-	-	727	706
Longer than 1 year and not longer than 5 years	-	-	1,520	2,246
Total non-cancellable operating leases	**-**	**-**	**2,247**	**2,952**

NOTE 26. 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 26.1.

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Table 26.1: Categorisation of financial instruments

	Note	Cash and deposits	Financial assets measured at fair value through other comprehensive income (FVOCI)	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
			$'000	$'000	$'000	$'000
2019						
Contractual financial assets						
Cash and deposits	**24(a)**	2,430	-	-	-	2,430
Receivables						
Receivables (i)	**4**	-	-	6,319	-	6,319
Investments						
Investments (iii)	**9**	-	1,237	-	-	1,237
Total contractual financial assets		**2,430**	**1,237**	**6,319**	**-**	**9,986**
Contractual financial liabilities						
Payables (ii)	**11**	-	-	-	6,593	6,593
Borrowings						
Interest bearing liabilities	**13**	-	-	-	26,167	26,167
Total contractual financial liabilities		**-**	**-**	**-**	**32,760**	**32,760**
2018						
Contractual financial assets						
Cash and deposits	**24(a)**	2,652	-	-	-	2,652
Receivables						
Receivables (i)	**4**	-	-	6,678	-	6,678
Investments						
Investments (iii)	**9**	-	-	-	1,082	1,082
Total contractual financial assets		**2,652**	**-**	**6,678**	**1,082**	**10,412**
Contractual financial liabilities						
Payables (ii)	**11**	-	-	-	6,925	6,925
Borrowings						
Interest bearing liabilities	**13**	-	-	-	26,995	26,995
Total contractual financial liabilities		**-**	**-**	**-**	**33,920**	**33,920**

i. The amount of receivables disclosed here exclude statutory amounts (e.g. GST input tax credit recoverable).
ii. The amount of payables disclosed here exclude statutory amounts (e.g. GST payables).
iii. 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 26. FINANCIAL INSTRUMENTS (CONTINUED)

Table 26.2a: Credit quality of the Group's contractual financial assets that are neither past due nor impaired

	Note	Financial institutions $'000	Credit rating of financial institution	Other $'000	Total $'000
2019					
Contractual financial assets					
Cash and cash equivalents	**24(a)**	2,127	AA-	303	2,430
Receivables	**4**	-	-	6,319	6,319
Investments	**9**	-	-	1,237	1,237
Total concractual financial assets		**2,127**	**-**	**7,859**	**9,986**
2018					
Contractual financial assets					
Cash and cash equivalents	**24(a)**	2,367	AA-	285	2,652
Receivables	**4**	-	-	6,678	6,678
Investments	**9**	-	-	1,082	1,082
Total contractual financial assets		**2,367**	**-**	**8,045**	**10,412**

Table 26.2b: Credit quality of the Parent's contractual financial assets that are neither past due nor impaired

	Note	Financial institutions $'000	Credit rating of financial institution	Other $'000	Total $'000
2019					
Contractual financial assets					
Cash and cash equivalents	**24(a)**	1,300	AA-	-	1,300
Receivables	**4**	-	-	11,227	11,227
Investments	**9**	-	-	1,454	1,454
Total contractual financial assets		**1,300**	**-**	**12,681**	**13,981**
2018					
Contractual financial assets					
Cash and cash equivalents	**24(a)**	1,616	AA-	-	1,616
Receivables	**4**	-	-	10,208	10,208
Investments	**9**	-	-	1,429	1,429
Total contractual financial assets		**1,616**	**-**	**11,637**	**13,253**

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 4 March 2019.

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 26. FINANCIAL INSTRUMENTS (CONTINUED)

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

Table 26.2c: The Group's interest rate exposure and ageing analysis of financial assets (i)

			Interest rate exposure				Past due but not impaired				
	Weighted average effective interest rate	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing	Not past due and not impaired	31-60 days	61-90 days	91-120 days	>121 days	Impaired financial assets
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2019											
Cash and cash equivalents	0.1%	2,430	-	2,127	303	2,430	-	-	-	-	-
Receivables:											
Trade debtors	-	828	-	-	828	317	187	98	226	-	-
Tabcorp distribution	-	4,315	-	-	4,315	4,315	-	-	-	-	-
Accrued income	-	939	-	-	939	939	-	-	-	-	-
Other receivables	-	237	-	-	237	237	-	-	-	-	-
Investments:											
Investment in 3UZ Pty Ltd	-	1,237	-	-	1,237	1,237	-	-	-	-	-
Total		**9,986**	**-**	**2,127**	**7,859**	**9,475**	**187**	**98**	**226**	**-**	**-**
2018											
Cash and cash equivalents	0.1%	2,652	-	2,367	285	2,652	-	-	-	-	-
Receivables:											
Trade debtors	-	953	-	-	953	407	151	361	(50)	84	-
Tabcorp distribution	-	5,031	-	-	5,031	5,031	-	-	-	-	-
Accrued income	-	496	-	-	496	496	-	-	-	-	-
Other receivables	-	86	-	-	86	86	-	-	-	-	-
Investments:											
Investment in 3UZ Pty Ltd	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**10,300**	**-**	**2,367**	**7,933**	**9,754**	**151**	**361**	**(50)**	**84**	**-**

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

Table 26.2d: The Parent's interest rate exposure and ageing analysis of financial assets (i)

	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	
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2019											
Cash and cash equivalents	0.1%	1,300	-	1,300	-	1,300	-	-	-	-	-
Receivables:											
Trade debtors	-	533	-	-	533	260	152	12	109	-	-
Tabcorp distribution	-	4,315	-	-	4,315	4,315	-	-	-	-	-
Accrued income	-	808	-	-	808	808	-	-	-	-	-
Intercompany debtors	-	5,571	-	-	5,571	169	221	193	3,527	1,461	-
Investments:											
Investment in subsidiaries	-	217	-	-	217	217	-	-	-	-	-
Investment in 3UZ Pty Ltd	-	1,237	-	-	1,237	1,237	-	-	-	-	-
Total		**13,981**	**-**	**1,300**	**12,681**	**8,306**	**373**	**205**	**3,636**	**1,461**	**-**
2018											
Cash and cash equivalents	0.1%	1,616	-	1,616	-	1,616	-	-	-	-	-
Receivables:											
Trade debtors	-	868	-	-	868	393	86	343	(36)	82	-
Tabcorp distribution	-	5,031	-	-	5,031	5,031	-	-	-	-	-
Accrued income	-	353	-	-	353	353	-	-	-	-	-
Intercompany debtors	-	3,956	-	-	3,956	221	184	140	94	3,318	-
Investments:											
Investment in subsidiaries	-	347	-	-	347	347	-	-	-	-	-
Investment in 3UZ Pty Ltd	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**13,253**	**-**	**1,616**	**11,637**	**9,043**	**270**	**483**	**58**	**3,400**	**-**

Note:
i. 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 26. FINANCIAL INSTRUMENTS (CONTINUED)

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

Table 26.3a: The Group's interest rate exposure and maturity analysis of financial liabilities (ii)

		Interest rate exposure					Maturity dates (i)			
	Weighted average effective interest rate	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
	%	'$000	'$000	'$000	'$000	'$000	'$000	'$000	'$000	'$000
2019										
Payables:										
Trade creditors	-	3,380	-		3,380	3,380	3,234	136	9	-
Other payables	-	3,213	-	-	3,213	3,213	3,213	-	-	-
Interest bearing liabilities:										
Unsecured - TCV loan facility	1.4%	26,167	-	26,167	-	26,167	-		11,552	14,615
Total		**32,760**	**-**	**26,167**	**6,593**	**32,760**	**6,447**	**136**	**11,561**	**14,615**
2018										
Payables:										
Trade creditors	-	3,476	-		3,476	3,476	3,127	343	6	-
Other payables	-	3,449	-	-	3,449	3,449	3,449	-	-	-
Interest bearing liabilities:										
Unsecured - TCV Loan facility	2.1%	26,995	-	26,995	-	26,995	-	-	10,918	16,077
Total		**33,920**	**-**	**26,995**	**6,925**	**33,920**	**6,576**	**343**	**10,924**	**16,077**

Note:

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

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

Table 26.3b: The Parent's interest rate exposure and maturity analysis of financial liabilities (ii)

	Weighted average effective interest rate	Interest rate exposure					Maturity dates (i)			
		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
	%	'$000	'$000	'$000	'$000	'$000	'$000	'$000	'$000	'$000
2019										
Payables:										
Trade creditors	-	2,630	-	-	2,630	2,630	2,514	111	5	-
Intercompany payables	-	1,211	-	-	1,211	1,211	141	143	927	
Other payables	-	2,822	-	-	2,822	2,822	2,822	-	-	-
Interest bearing liabilities:										
Unsecured - TCV loan facility	1.4%	26,167	-	26,167	-	26,167	-	-	11,552	14,615
Total		**32,830**	**-**	**26,167**	**6,663**	**32,830**	**5,477**	**254**	**12,484**	**14,615**
2018										
Payables:										
Trade creditors	-	2,774	-	-	2,774	2,774	2,516	253	5	-
Intercompany payables	-	93	-	-	93	93	38	55	-	-
Other payables	-	2,932	-	-	2,932	2,932	2,932	-	-	-
Interest bearing liabilities:										
Unsecured - TCV loan facility	2.1%	26,995	-	26,995	-	26,995	-	-	10,918	16,077
Total		**32,794**	**-**	**26,995**	**5,799**	**32,794**	**5,486**	**308**	**10,923**	**16,077**

Note:
i. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities.
ii. 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 26.4(a).

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 8.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rate risk are set out in Tables 26.2 & 26.3. In addition, the Group's sensitivity to interest rate and foreign exchange risk is also set out in the table 26.4a.

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity disclosure analysis

Table 26.4 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; and
- Proportional exchange rate movement of -5 per cent (depreciation of AUD) and +5 per cent (appreciation of AUD) against the NZD.

Table 26.4a: The Group market risk exposure

		Foreign exchange risk				Interest rate risk			
		-5%		5%		-1%		1%	
						(100 basis points)		(100 basis points)	
	Carrying amount	Net result	Equity	Net result	Equity	Net result	Equity	Net result	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2019									
Contractual financial assets:									
Cash and cash equivalents (i)	2,430	13	13	(13)	(13)	(3)	(3)	3	3
Receivables	6,319	-	-	-	-	-	-	-	-
Investments	1,237	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	6,593	-	-	-	-	-	-	-	-
Interest bearing liabilities	26,167	-	-	-	-	116	116	(116)	(116)
Total impact		**13**	**13**	**(13)**	**(13)**	**113**	**113**	**(113)**	**(113)**
2018									
Contractual financial assets:									
Cash and cash equivalents (i)	2,652	8	8	(8)	(8)	(3)	(3)	3	3
Receivables	6,678	-	-	-	-	-	-	-	-
Investments	1,082	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	6,925	-	-	-	-	-	-	-	-
Interest bearing liabilities	26,995	-	-	-	-	109	109	(109)	(109)
Total impact		**8**	**8**	**(8)**	**(8)**	**106**	**106**	**(106)**	**(106)**

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

Table 26.4b: The Parent market risk exposure

		Foreign exchange risk				Interest rate risk			
		-5%		5%		-1% (100 basis points)		1% (100 basis points)	
	Carrying amount	Net result	Equity	Net result	Equity	Net result	Equity	Net result	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2019									
Financial assets:									
Cash and cash equivalents (i)	2,430	13	13	(13)	(13)	(2)	(2)	2	2
Receivables	6,319	-	-	-	-	-	-	-	-
Investments	1,237	-	-	-	-	-	-	-	-
Financial liabilities:									
Payables	6,593	-	-	-	-	-	-	-	-
Interest bearing liabilities	26,167	-	-	-	-	116	116	(116)	(116)
Total increase / (decrease)		**13**	**13**	**(13)**	**(13)**	**114**	**114**	**(114)**	**(114)**
2018									
Financial assets:									
Cash and cash equivalents (i)	1,616	8	8	(8)	(8)	(2)	(2)	2	2
Receivables	10,208	-	-	-	-	-	-	-	-
Investments	1,429	-	-	-	-	-	-	-	-
Financial liabilities:									
Payables	5,799	-	-	-	-	-	-	-	-
Interest bearing liabilities	26,995	-	-	-	-	109	109	(109)	(109)
Total increase / (decrease)		**8**	**8**	**(8)**	**(8)**	**107**	**107**	**(107)**	**(107)**

Note:

i. Cash and cash equivalents includes AUD$254,096 in cash held in a New Zealand bank account (NZD$244,135 @NZD/AUD 1.0408 at 30 June 2019).

(f) Fair value

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

- Level 1 - the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 - the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 - the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Group considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short term nature of the financial instruments and the expectation that they will be paid in full. The aggregate fair values and carrying amount of financial assets and financial liabilities are disclosed in the Balance Sheet and in the notes to the financial statements.

Fair value estimates recognised in respect of financial instruments in the Balance Sheet are all estimated and categorised as Level 1.

NOTE 27. CONTINGENT LIABILITIES

Letter of comfort – Melton Entertainment Trust:

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 2020. As at balance date HRV believes 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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Other expenditure commitments				
Tabcorp gaming solutions service agreement (i)				
Payable:				
Not longer than one year	1,155	1,129	-	-
Longer than 1 year and not longer than 5 years	2,563	3,752	-	-
Total other expenditure commitments (inclusive of GST)	**3,718**	**4,881**	**-**	**-**
Total commitments for expenditure (inclusive of GST)	**3,718**	**4,881**	**-**	**-**
Less GST recoverable from the Australian Taxation Office	(338)	(444)	-	-
Total capital expenditure commitments (exclusive of GST)	**3,380**	**4,437**	**-**	**-**

i. On commencement of the gaming arrangements in 2012, the infrastructure, services and functions currently supplied by Tabcorp become the responsibility of the gaming venues.

Freehold land

HRV entered into a Section 173 agreement with the Melton Shire Council on the 26 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

(a) Control exists as HRV is the sole member of the company.
(b) Control exists as HRV is the sole beneficiary of the trust.

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 Assistant Treasurer 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 2019 and financial position of the entity at 30 June 2019.

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 28 August 2019.

Dale G Monteith
CHAIRMAN

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

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

Luke Spano CPA
GENERAL MANAGER FINANCE

Melbourne, 28 August 2019

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

To the Board of Harness Racing Victoria

Opinion	I have audited the consolidated financial report of Harness Racing Victoria (the authority) and its controlled entities (together the consolidated entity), which comprises the: • consolidated entity and authority balance sheet as at 30 June 2019 • 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 significant accounting policies • declaration in the financial statements. 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 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975*. 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 APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Other Information	Other Information is financial or non-financial information in the authority's financial reporting which is provided in addition to the financial report and the auditor's report. The Board of authority is responsible for the Other Information. The Other Information we obtained prior to the date of this auditor's Report was the report of operations. My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

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 and the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to 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 my 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 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 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
12 September 2019

Simone Bohan
as delegate for the Auditor-General of 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