HARNESS RACING VICTORIA

Harness Racing Victoria

ANNUAL REPORT 2012

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REPORT TO THE MINISTER

The Hon. Dr Denis Napthine MP

Minister for Racing

Dear Minister,

On behalf of the Board I present this report on the 2011/12 financial year.

Financials

The financial performance of the HRV Group saw a consolidated result of a net loss of $6.6m. The majority of the loss is attributed to two major factors; i) a higher than budgeted spend in the Development Fund, resulting in improved infrastructure that will benefit the sport and industry into the future; and ii) HRV has raised a provision for impairment of $1.7m against accrued race field fees from Sportsbet as a result of the recent decision by the Federal Court in the Sportsbet case.

A drop in revenue also contributed to the loss for the year.

Revenue for the year declined by 2.2% from $74.7m to $73.0m. Operating expenses (including the Development Fund) grew from $69.7m to $73.1m whilst interest and depreciation totalled $4.8m and other economic flows included in the net result totalled $1.7m.

During the year HRV paid out $34.516m in stakes, an increase of 1.5% over the previous year's stakes of $33.988m.

HRV's parimutuel wagering through Tabcorp (the major source of HRV revenue) declined by 1.3% for the year and HRV's market share dropped from 14.74% to 14.34%.

Some of the major factors influencing the 2011/12 result were:

- Federal Court decision – refer below;
- A significant decline in wagering during the period October 2011 to April 2012;
- Higher than normal Development Fund expenditure ($4.737m) in 2011/12 compared with $1.199m the previous year. The principal projects concerned are Swan Hill (which will be completed in October 2012) and the Cranbourne Training Centre (also to be completed in 2012);
- The financial performance of Tabcorp Park improved by $0.21m over the previous year;
- Organisational reforms at HRV and Tabcorp Park will see efficiencies of over 11% achieved on administration costs in years 2011/12 and 2012/13.

Federal Court Decision

With reference to the Federal Court decision (Sportsbet v HRV) the HRV Board has resolved to appeal the decision to the Full Bench of the Federal Court. Apart from the provision for impairment of the Sportsbet fees resulting from the decision, HRV has also received a letter of demand from Sportingbet for $1.406m in respect of race fields fees paid to HRV.

Major Industry Awards

The industry's top award, the Gordon Rothacker Medal, was won by Ted Demmler. Ted is an industry icon and as a trainer and driver was at the highest level for decades. In recent times he has enjoyed Group 1 success as an owner as Ted continues his long association with the sport of harness racing.

The Horse of the Year Awards were conducted at Tabcorp Park in October 2011 for the 2010/11 season. In a hotly contested vote, Victorian champion Smoken Up won the day over Sushi Sushi.

The Harness Racing Weekly sponsored Vin Knight Medal was won by Glenn Douglas.

The Victorian Premierships for the 2010/11 season were won by:

- Metropolitan Driver — Chris Alford
- Metropolitan Trainer — Glenn Douglas
- State Driver — Daryl Douglas
- State Trainer — Glenn Douglas

Major Events 2011/12

HRV once again conducted several quality events during the season:

- The 2011 Australasian Breeders Crown is Australasia's greatest juvenile race series. In August 2011, $1.56m in stakes was paid out on Super Sunday. Of the nine Group 1 races, three winners were from Victoria, three from New Zealand, two from New South Wales and one from Western Australia. A truly international event, Victoria boasted outstanding winners in the three-year-old category in Bellas Delight (fillies) and Sushi Sushi (colts and geldings) along with four-year-old trotter Tsonga;
- The $425k A G Hunter Cup, sponsored for the first time by Del Re National Food Group, attracted the largest crowd seen at Tabcorp Park since its opening and New Zealander Choise Achiever stole the show;
- The $250k Seelite Windows and Doors Inter Dominion Trotting Final was the last of its kind to be held and again New Zealand prevailed with outstanding trotter I Can Doosit etching the final name on the perpetual trophy;
- The $200k Alabar Victoria Derby was won by New South Wales visitor Scandalman;

- The $425k SEW-Eurodrive Victoria Cup attracted yet another high class field and was won by Victorian Horse of the Year Smoken Up in a tight finish from Mr Feelgood;
- The $100k Nevele R Victoria Oaks was won by Emma Stewart trained Beauty Secret. Emma had an outstanding Group 1 winning season.

Achievements

There were many positive achievements and events during the year:

- The first year of the Board's Strategic Plan required a number of initiatives to be introduced. Implementation of the Plan is essentially in accordance with the time-table. Significantly, HRV announced a new race series the Great Southern Star, which will be run in March 2013 for the first time. As part of the Plan's strategy to internationalise the trotting gait, HRV will conduct a $350k trotting event which will comprise two heats and a final on the same program – a similar concept to the famed Elitloppet in Sweden;
- The Ballarat Club celebrated 150 years of history. From those early days when the Club ran events for 7 guineas in the 1860's, Ballarat has been a leading Club and this year announced its 2013 Pacing Cup will increase to $150k in prizemoney;
- Ellen Tormey, representing Victoria, won the Australasian Young Drivers Championship, held in Perth to coincide with the Inter Dominion. The highlight for Ellen was winning the title on Grand Final night at Gloucester Park with parents John (President Charlton Harness Racing Club) and Alison in the stands;
- The Victorian Choice Hotels Country Cup Circuit showed a resurgence in 2011/12. Overall there was significant growth in attendances and on course wagering across the Cup season. The Government's Raceday Attraction Program provided very welcomed assistance to many of the Country Clubs, most of which recorded healthy increases, highlighted by Bendigo, which increased on course turnover by 38%. Annual, one-off community Cup meetings were also re-introduced in Wangaratta, Ouyen and Boort, and will extend to Wedderburn, St Arnaud and Gunbower in 2012/13;
- The harness racing industry once again showed its compassion for one of its own. The Tiffany Murray Foundation appeal raised over $100,000 at various functions, in support of Tiffany, Leigh Sutton and their daughter Milla. Tiffany subsequently lost her battle with cancer in October 2011;
- Likewise the Lyn McPherson Memorial Breed for Speed night in March raised $80,000 for the Women's Cancer Foundation – Ovarian Cancer Institute;
- The $6m Vicbred Super Series was sponsored for the first time this year by Empire Stallions. Vicbred will be enhanced in 2012/13 by the announcement of the Vicbred Platinum Series, with support from the State Government and Harness Breeders (Vic) providing a boost to not only racing prizemoney, but particularly the Victorian breeding industry.

The Year Ahead

The HRV Board must meet the challenge of restoring HRV's bottom line to a break even position.

As a result, the Board has reduced budgeted expenditure by $5m in 2012/13, however it has maintained stakemoney at existing levels.

The second year of the Board's Strategic plan sees a number of initiatives continue to be introduced. These innovations will continue to develop our sport and industry, but they provide some challenges for our relatively small contingent of staff.

Appreciation

Despite the challenges, harness racing remains a vibrant industry providing both a livelihood and a proud participation to a large sector of the Victorian community across the State who are passionate about their sport of harness racing.

I would like to acknowledge some of those in this report:

- The Presidents, Secretaries and Executive members of the sport's kindred bodies who actively represent the interests of participants, owners, breeders, trainers and drivers; often on a voluntary basis;

- Representatives of the Country Club network, who are integral to harness racing and I believe are the key to our strong future;
- Tabcorp, our Joint Venture partner. Congratulations to David Attenborough and all at Tabcorp for being awarded the Victorian wagering license until 2024;
- Our media partners the Herald Sun, Sky Racing and Radio Sport National and the many individuals within the media who have strong views and a strong interest in the success of our industry and sport;
- The Shire of Melton who have been a great supporter of our development at Tabcorp Park;
- My interstate colleagues through Harness Racing Australia;
- Colleagues from the thoroughbred and greyhound racing codes.

On behalf of the Board, I also extend my appreciation to Chief Executive, John Anderson, his management team and all of the HRV and Tabcorp Park Melton staff, along with all Committee members and staff of the country clubs for their hard work and commitment to the harness racing industry.

Finally, we would like to thank you Minister, your staff and the Office of Racing for the support provided to harness racing.

I look forward to the coming year as we seek surety with regard to the race field fee issue and implement the second year of our Strategic Plan.

Ken Latta PSM
Chairman

THE RACING YEAR IN REVIEW

If the 2010/11 harness racing year represented Tabcorp Park's emergence as our stand-alone metropolitan home following the closure of Moonee Valley, then 2011/12 signified the renaissance of Victorian regional racing.

Always a stronghold of the local standardbred scene, this season's Choice Hotels Country Cup carnival provided some of the biggest crowds witnessed on Victoria's provincial circuit in modern memory.

Led by incredible attendance growth at Nyah and Hamilton along with magnificent support for recently reopened courses at Wangaratta, Ouyen and Boort, crowd numbers skyrocketed in the Country Cup season just gone.

In all, 18 of the 25 features saw a rise in on-course figures to ensure that the 2011/12 Victorian harness season will be remembered as the greatest Country Cup season since the circuit was established.

Metro Features

As is so often the case it was almost impossible to select an individual highlight that stood above all others in the 2011/12 Victorian harness racing season.

Reigning Victorian Horse of the Year Smoken Up's effort to claim his first ever SEW-Eurodrive Victoria Cup on December 17 just weeks after securing his second successive Miracle Mile title must surely rate as a seminal seasonal climax.

As must the sensational but heartbreaking Australian Trotting Grand Prix triumph of I Didnt Do It, where he denied quadruple Grand Prix champion Sundons Gift a fifth successive win in the Grand Circuit race prior to his eventual retirement some two months later.

Tabcorp Park's second staging of the time honoured Del-Re National Food Group A G Hunter Cup on February 4 also yielded plenty of highlights with three Group 1 classics decided in less than two hours, the first two of which would set the scene for a massive season ahead.

In the evening's feature race, New Zealand's dominance of the A G Hunter Cup continued with champion reinsman Anthony Butt recording an incredible sixth victory in our most prestigious event courtesy of Choise Achiever following the successes of Blossom Lady (1994/95), Mister D G (2004), Mr Feelgood (2009) and Stunin Cullen (2011).

But it was the Alabar Victoria Derby Final and Seelite Windows and Doors Inter Dominion Grand Final which provided the biggest highlight son the program.

In the Victoria Derby superstar Ian Wilson-trained three-year-old Scandalman simple broke his rivals' hearts, recording brilliant numbers from the 1200m mark to win running away by 12m on the line.

While the final ever Inter Dominion Trotting Championship in history was always going to be nostalgic, but truly transcended even its own expectations when I Can Doosit emerged from a pocket in the straight to signal his greatness before a massive Melton crowd.

The dominant win represented I Can Doosit's second successive Inter Dominion crown and came in the middle of an incredible streak which has seen the Mark Purdon-trained trotting champion snare a dozen consecutive successes, all at the elite or top class level.

At time of writing Victoria is anticipating the latest incarnation of the wonderfully successful Blue Chip Farms Breeders Crown Series to climax with nine Group 1 finals on Super Sunday, August 19 at Melton's Tabcorp Park.

There, established heroes such as Sushi Sushi, Caribbean Blaster and Mustang Mach will face off in the four-year-old decider for Four-Year-Old entires and geldings.

While the duals between Sensational Gabby and Shake It Mama, Cyclone U Bolt and Aldebaran Shades and Border Control and Bit Of A Legend will also create memories for the legion of southern hemisphere harness racing fans.

Country Features

In total 25 regional pacing features were run and won over six action packed months covering the length and breadth of the state for combined stakes of almost one million dollars.

Eight track records were rewritten and a cavalcade of new heroes, both human and equine established.

Chief among them was Parwan pacer Glenferrie Alexis, a triple Country Cup champion this stanza and our newest regional queen.

Incredibly, Craig Demmler's six-year-old daughter of Courage Under Fire started at double figure odds in each of her successes at Maryborough, Yarra Valley and Horsham.

But that was nothing compared to the $102 quote which accompanied Highview Tommy to glory in his Dandy Andy-like vanquishing of Sushi Sushi and Smoken Up at Ballarat in January.

Resurgent Avenel all-rounder David Aiken dominated proceedings form a training perspective with Jaccka Clive and Wartime Sweetheart securing two Country Cup successes apiece.

While the familiar faces of Daryl Douglas, Jodi Quinlan and Greg Sugars snared 11 Country Cup victories between them in the cart.

But for all the racing highlights, this Choice Hotels Country Cup carnival will forever be defined by its capacity to bring punters and patrons back to the track.

As usual the Melton Saddlery Maoris idol Trophy Series for the trotters ran alongside the pacing series and resulted in a tied result between two top performers.

After 24 Country Trotters Cups, Bendigo-based eight-year-old Si Capisco and Woodstock star Gentlemans Honour could not be split for the title of Victoria's finest regional squaregaiter.

With victories in the Mildura Cup and John Slack Memorial Cup supplemented by placings in the Bruce Skeggs, Gunbower and Wangaratta Cups, Si Capisco had his best season yet.

While Gentlemans Honour saluted in the Warragul Cup and also filled placings at Bendigo, Ballarat, Ararat and Stawell.

At season's end, both squaregaiters finished on 17 points in the Maoris Idol series and were each recognised during Redwood Day at Maryborough, which also saw the 27th running of the Redwood Classic for two-year-old trotters and the Seelite Windows and Doors Victoria Trotters Derby, both at Group 1 level on July 15.

As always, Carisbrook Raceway celebrated the squaregaiter in grand style with their marquee meeting of the season, which saw the underrated Sun Of Sonoko salute in the Redwood Classic and Sunset Invasion claim Victoria derby glory in brilliant, sit-sprinting fashion.

Star Performers

In a season devoid of standout campaigners in many of the traditional categories, one horse who did reign supreme for the second consecutive season was iconic Melton-based nine-year-old Smoken Up.

In a season which saw him snare his inaugural SEW- Eurodrive Victoria Cup crown, Lance Justice's evergreen son of Tinted Cloud also did his usual rounds, claiming a second Miracle Mile, third Len Smith Mile and fourth SA Cup all on interstate soil.

He also looked set for redemption in Perth's Inter Dominion through February and March but sadly galloped in the $1 million final and will have to wait one more year for his maiden ID title.

However while the spoils have been evenly shared between our leading equine performers, the human highlights have been somewhat more condensed with a handful of trainers and drivers dominating the state's major premierships and races.

There is little doubt that young Smythes Creek conditioner Emma Stewart has been the breakout story of the 2011/12 Victorian harness racing season.

Fourth on the metropolitan training premiership table behind Lance Justice, Glenn Douglas and David Aiken and second in the state title behind Glenn Douglas only, Stewart shone when it mattered most, snaring six Group 1 winners for the term with the Breeders Crown series still to come.

She equalled Bob Knight's record of four Vicbred Super series winners for the term and supplemented that quartet of crowns with wins in the Victoria and Australian Oaks with Beauty Secret and Shake It Mama respectively,

Stewart's leading stable reinsman Chris Alford also enjoyed his most successful season in the sulky through the 2011/12 term.

All set to break 300 winners for the season for the first time in a celebrated career at time of writing, the Bolinda-based pilot created history with his quartet of Vicbred Super series successes aboard Blitzthemcalder, Spidergirl, Guaranteed and Philadelphia Man.

A fifth Group 1 crown aboard Shake It Mama in the Australian Oaks took him clear of Greg Sugars and Chris Lang Jr, who snared four Group 1 triumphs each right around Australia by the end of July.

Also worthy of recognition was gun, young Charlton reinswoman Ellen Tormey.

Not only did the 22-year-old secure a second successive Victorian Concessional Driving Premiership she also broke new ground by winning the Australian Young Drivers Championship across the Nullarbor in March.

Opposing young tyros like Morgan Woodley, Todd Rattray, Ken Rogers and Zac Butcher, Tormey became just the fourth Victorian to claim the coveted title.

She also joined Kerryn Manning and Danielle Hill as the only females to taste success in the star-making series across its two decade history.

HISTORICAL FINANCIAL PERFORMANCE SUMMARY

		2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
HRV Racing Operations						
Wagering	Income	52,281	54,094	53,835	52,594	48,583
Capital Grants RRIF	Income	2,968	1,958	1,408	213	1,159
Stake Money	Country Club Contributions	1,071	1,007	1,128	1,092	1,084
	HRV Contributions	(33,445)	(32,982)	(32,572)	(32,487)	(32,289)
	Country Club Contributions	(1,071)	(1,007)	(1,128)	(1,092)	(1,084)
		(33,445)	**(32,982)**	**(32,572)**	**(32,487)**	**(32,289)**
Metropolitan Racing	Income	306	275	495	449	953
	Expenses	(2,703)	(2,841)	(3,093)	(3,470)	(3,695)
		(2,397)	**(2,566)**	**(2,597)**	**(3,021)**	**(2,742)**
Country Clubs	Income	562	568	597	492	421
	Expenses	(7,857)	(8,135)	(8,185)	(8,319)	(8,050)
		(7,295)	**(7,567)**	**(7,588)**	**(7,827)**	**(7,629)**
Futurities	Income	2,722	2,914	2,295	2,893	2,615
Racing	Income	1,918	2,149	1,583	1,475	1,277
	Expenses	(4,955)	(5,193)	(5,027)	(4,943)	(4,471)
		(3,037)	**(3,044)**	**(3,444)**	**(3,467)**	**(3,194)**
Commercial Operations	Income	1,634	1,747	1,848	1,365	2,225
	Expenses	(4,373)	(4,087)	(4,331)	(3,362)	(4,163)
		(2,739)	**(2,340)**	**(2,483)**	**(1,997)**	**(1,939)**
Product Development	Income	0	0	0	0	552
	Expenses	(678)	(493)	(502)	(556)	(304)
		(678)	**(493)**	**(502)**	**(556)**	**249**
Development Fund	Expenses	(4,861)	(1,318)	(1,528)	(2,034)	(2,017)
Administration	Income	2,504	3,468	2,304	3,389	2,803
	Expenses	(12,633)	(11,776)	(10,174)	(9,398)	(5,746)
		(10,129)	**(8,308)**	**(7,869)**	**(6,008)**	**(2,944)**
Non Racing Operations						
RISE IT Operations	Income	1,288	1,187	1,187	1,300	930
	Expenses	(1,275)	(1,189)	(1,258)	(1,243)	(1,024)
		13	**(2)**	**(71)**	**57**	**(94)**
Tabcorp Park	Income	8,629	8,251	8,032	1,798	0
	Expenses	(8,663)	(8,497)	(8,599)	(2,562)	0
		(34)	**(245)**	**(567)**	**(765)**	**0**
Eliminations	Income	(2,852)	(2,933)	(2,854)	(851)	(205)
	Expenses	2,852	2,933	2,854	851	205
		0	**0**	**0**	**0**	**0**
TOTALS	Total Income	73,031	74,685	71,859	66,209	62,398
	Total Expenses	(79,662)	(74,585)	(73,543)	(68,615)	(62,639)
Profit/(Loss)		**(6,631)**	**100**	**(1,684)**	**(2,406)**	**(240)**

RACE MEETING STATISTICS

	2012		2011		
	Aggregate $000's	Average $000's	Aggregate $000's	Average $000's	Average %
Metropolitan Meetings - All					
Total Meetings	73		76		(3.9%)
Off Course Tote	39,965	547.5	44,714	588.3	(10.6%)
On Course Tote	2,152	29.5	2,850	37.5	(24.5%)
Bookmakers	1,271	17.4	1,826	24.0	(30.4%)
Attendance (Not measured for all meetings)	0.0	0.0	13.4	0.2	(100.0%)
Metropolitan Meetings - Day					
Total Meetings	27		34		(20.6%)
Off Course Tote	10,371	384.1	13,973	411.0	(25.8%)
On Course Tote	320	11.9	521	15.3	(38.6%)
Bookmakers	259	9.6	383	11.3	(32.3%)
Attendance (Not measured for all meetings)	0	0.0	4.2	0.1	0.0%
Metropolitan Meetings - Night					
Total Meetings	46		42		9.5%
Off Course Tote	29,594	643.4	30,741	731.9	(3.7%)
On Course Tote	1,832	39.8	2,328	55.4	(21.3%)
Bookmakers	1,012	22.0	1,443	34.4	(29.9%)
Attendance (Not measured for all meetings)	0	0.0	9.2	0.2	(100.0%)
Country Club TAB Meetings - All					
Total Meetings	424		430		(1.4%)
Off Course Tote	138,843	327.5	157,326	365.9	(11.7%)
On Course Tote	7,764	18.3	8,412	19.6	(7.7%)
Bookmakers	1,268	3.0	1,673	3.9	(24.2%)
Attendance	170.6	0.4	158.8	0.4	7.5%
Country Club TAB Meetings - Day					
Total Meetings	168		155		8.4%
Off Course Tote	52,717	313.8	53,486	345.1	(1.4%)
On Course Tote	2,409	14.3	2,278	14.7	5.8%
Bookmakers	366	2.2	375	2.4	(2.4%)
Attendance	49.7	0.3	44.1	0.3	12.6%

(Includes 7 Country Club Meetings at Tabcorp Park)

RACE MEETING STATISTICS

	2012		2011		
	Aggregate $000's	Average $000's	Aggregate $000's	Average $000's	Average %
Country Club TAB Meetings - Night					
Total Meetings	214		228		(6.1%)
Off Course Tote	74,883	349.9	89,891	394.3	(16.7%)
On Course Tote	4,677	21.9	5,329	23.4	(12.2%)
Bookmakers	778	3.6	1,125	4.9	(30.8%)
Attendance	100.1	0.5	97.2	0.4	3.0%
(Includes 11 Country Club Meetings at Tabcorp Park)					
Country Club TAB Meetings - Twilight					
Total Meetings	42		47		(10.6%)
Off Course Tote	11,243	267.7	13,949	296.8	(19.4%)
On Course Tote	678	16.1	805	17.1	(15.8%)
Bookmakers	124	3.0	173	3.7	(28.4%)
Attendance	20.8	0.5	17.4	0.4	19.8%
(Includes 4 Country Club Meetings at Tabcorp Park)					
Country Club Non-TAB Meetings					
Total Meetings	1		1		0.0%
Off Course Tote	0	0.0	0	0.0	0.0%
On Course Tote	26	26.4	34	34.3	(23.1%)
Bookmakers	14	14.4	24	23.7	(39.4%)
Attendance	0.7	0.7	0.7	0.7	(6.9%)
Victorian Performance on Victorian Meetings					
Total Meetings	498		507		(1.8%)
Off Course Tote	178,808	359.1	202,041	398.5	(11.5%)
On Course Tote	9,942	20.0	11,296	22.3	(12.0%)
Bookmakers	2,554	5.1	3,523	6.9	(27.5%)
Attendance	171.3	0.3	172.9	0.3	(0.9%)
Victorian Off Course Performance on Interstate/International Meetings					
Total Meetings	1,594		1,622		(1.7%)
Off Course Tote	305,344	191.6	315,720	194.6	(3.3%)
Victorian Performance on All Harness Meetings					
Total Meetings	2,092		2,129		(1.7%)
Off Course Tote	484,152	231.4	517,760	243.2	(6.5%)
On Course Tote	9,942	4.8	11,296	5.3	(12.0%)
Total Tote - On and Off Course	**494,094**	**236.2**	**529,056**	**248.5**	(6.6%)
Bookmakers	2,554	1.2	3,523	1.7	(27.5%)
Total Betting (Tote plus Bookmakers)	**496,648**	**237.4**	**532,579**	**250.2**	(6.7%)

REPORT OF OPERATIONS

Accountable Officer's Declaration

In accordance with *Financial Management Act 1994*, I am pleased to present the Report of Operations for Harness Racing Victoria for the year ending 30 June 2012.

K Latta PSM
Chairman
28 September 2012

Objectives, Functions and Activities

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

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

Organisational Structure and Corporate Governance Arrangements

Harness Racing Victoria is led by a seven member Board which reports to the Minister for Racing. It is managed by an Executive team comprising the Chief Executive, Chief Operating Officer, Chief Commercial Officer, General Manager – Tabcorp Park and Legal Counsel.

Minister for Racing - The Hon. Dr Denis Napthine, MP

Members of Harness Racing Victoria Board
Ken Latta PSM – Chairman
Stephen Nash
Kate Roffey
Neale Wheat
Paul Horvath
Geoffrey Kay
Richard Brice - Appointed 22/9/11 and Resigned 23/2/12
Elizabeth Clarke - Appointed 18/9/12
Ian Delmenico - Appointed 18/9/12

Chief Executive - John Anderson

Chief Operating Officer - Brant Dunshea
Brant is responsible for strategic planning and ultimately overseeing the Integrity, Stewarding, Racing, Registration, Futurities and Planning and Development Teams. Areas under Brant's control include the production of the annual racing calendar, race programming, handicapping, infrastructure development, futurities, country clubs, Tabcorp Park racing operations, occupational health & safety and breeding and ownership initiatives.

Chief Commercial Officer - Shane Gloury
Shane oversees the Finance, Marketing, Events, Communications and Information Technology Teams at HRV. Areas under Shane's control include Accounting and Finance, Marketing, Event Management, Communication, Media, Sponsorship, Membership, Risk Management, Country Club Compliance and also providing direction and support to Country Clubs in related areas.

Legal Counsel - Craig Launder

Craig is responsible for Legal matters and Corporate Governance. Craig is also HRV's Freedom of Information Officer.

General Manager - Tabcorp Park - Martin Beekes
Martin heads up the Tabcorp Park operation and is responsible for the hospitality and non racing operations at Tabcorp Park in Melton.

Audit Committee

The Audit Committee consists of the following members:
John Stewart (Chairman- Independent)
Geoff Tory (Independent) – Resigned 23 February 2012
Neale Wheat (Board Member)
David Logan – Appointed 27 July 2012

The main responsibilities of the Audit Committee are to:

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

Other HRV Committees

Finance and Strategic Planning Sub Committee - This Committee is responsible for assisting in discharging the Board's responsibilities in overseeing financial accountability and implementation of the Strategic Plan and Budget.

Development Fund Sub Committee – The Committee considers and prioritises applications by Clubs to maintain and develop the infrastructure of the Harness Racing Industry and relevant Occupational Health and Safety works.

Programming and Futurities Sub Committee - This Committee determines policy for the programming of races at harness meetings and is responsible for overseeing Victoria's two futurity schemes – the Vicbred Program and Australasian Breeders Crown. It also manages HRV's participation in the Australian Pacing Gold futurity series.

Integrity Sub Committee - This Committee consists of an Independent Chairman, two HRV Board members and a further independent member. This Committee considers matters and policies in respect of all issues relating to the integrity of

harness racing in Victoria.

Human Resource Management

HRV promotes the ongoing professional development of its people in order to achieve ongoing improvements in service delivery and to create satisfying career paths for employees. HRV actively promotes safe work practices, career development, work life balance and a friendly non-discriminatory working environment.

During the year, HRV offered a range of programs to ensure all staff have the knowledge and skills required in the contemporary work environment. Particular focus this year was placed on enhancing workplace behaviours and creating a positive work environment with all staff undertaking Bullying Prevention training and also relevant staff accessing the Talking Performance training and on-line resources through the States Services Authority. HRV continued its commitment to Stewards training by expanding the accredited vocational training program for Stewards. All members of the Stewards Panel have either completed an accredited training course or are currently in the process of undertaking an accredited training course.

HRV also continued with the strategy of ongoing skill development for track maintenance personnel via the accredited training maintenance training program. All employees are encouraged to extend their professional skills with individual development needs identified as part of the performance management process.

Negotiations for HRV Stewards Panel Enterprise Agreement were successfully completed during the year in a manner which demonstrated a collegial and collaborative approach by all stakeholders to workplace relations.

HRV continues to assist Tabcorp Park by continuing with the development of their policies and procedures with a particular focus over the year on compliance and workplace behaviour training.

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.

Occupational Health and Safety

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

HRV employs a full time OH&S Manager who reports to the HRV Chief Operating Officer.

In meeting the expectations of the organisation and its OH&S obligations, the role addresses the following areas:

- Assistance to HRV staff and registered racing club officials concerning rehabilitation and return to work related matters.
- On-going risk assessments covering all registered country racing clubs.
- Consultation and development of safety design features for selected race track infrastructure.
- Ongoing development of new and amendments to existing HRV OHS Policies and Procedures.
- Technical research concerning a wide range of OHS related initiatives for future improvement opportunities.
- Providing technical assistance and support concerning a wide variety of HRV and Racing Club equipment.
- Carrying out a range of tasks/projects as requested by the HRV Chief Operating Officer.

Financial Review of Operations and Financial Conditions

For the financial year ended 30 June 2012 a loss result of $6.6 million was recorded. This result compares unfavourably to the prior year profit of $0.1 million. The large loss result was primarily attributable to revenue from Tabcorp being well down on budgetary expectations and also additional Development Fund Expenditure was committed to in order to take advantage of grants being available from the State Government. The loss result is also attributable to a $1.7m provision for impairment loss being raised following the Federal Courts decision in the Sportsbet Case which was announced in August 2012. HRV had previously accrued this revenue on the basis that it believed that it was entitled to charge Sportsbet a racefields fee.

In 2011/12 revenue declined by $1.7 million from $74.7 million in 2010/11 to $73.0 million. The reduction in revenue was primarily attributable to some transitional racefields fees being received in the prior year which inflated the racefields income line in this year. Sponsorship revenues also declined in 2011/12 as a result of a one off sponsorship item of $1 million connected with the Tabcorp Park naming rights agreement being recorded in the prior year. The decline in sponsorship revenue in 2011/12 was offset by additional Grant income of $1 million which was received during the year.

During the year Harness Racing Victoria distributed a record total of $34.5 million in stakemoney to owners, trainers, drivers, breeders and studmasters. This total was 0.5 million higher than 2010/11. Other expenses from operations of $45.1 million in 2011/12 were $4.5 million higher than last year. Most of the increase in other expenses in 2011/12 is attributable to increases in Development Fund Expenditure (Capital Development Projects at Harness Venues). Development Fund Expenditure totalled $4.7 million in 2011/12 compared to $1.2 million in the

STAFF PROFILE BY POSITION - FULL TIME	MALE		FEMALE		TOTAL FULL TIME	
	2012	2011	2012	2011	2012	2011
Executive	8	7	0	1	8	8
Professionals	15	13	2	1	17	14
Paraprofessionals	17	25	2	1	19	26
Clerical Workers	4	3	5	11	9	14
Broadcasters & Country Clubs	9	9	0	0	9	9
TOTAL	**53**	**57**	**9**	**14**	**62**	**71**

In addition, the HRV Board employed 8 part time staff at 30 June 2012 and 19 casual staff were utilised during the year.

HRV STAFFING TRENDS - FULL TIME				
2012	2011	2010	2009	2008
62	71	71	70	67

prior year. Increased Development Fund Expenditure was required following the receipt of Grant Income from the Regional Racing Infrastructure Fund.

Cash Assets at 30 June 2012 of $1.7 million are in line with the same time last year whilst Total Assets of $71.1 million have declined marginally on the $71.5 million recorded at the equivalent period last year. Current Liabilities have increased from $10.3 million at 30 June 2011 to $17.7 million at 30 June 2012. Harness Racing Victoria has arranged for additional short term financing arrangements in 2012/13 to ensure that it can pay its creditors as and when they fall due.

As a result of the increase in current liabilities, total liabilities over the year increased from $45.9 million to $52.1 million.

Future Outlook

After a tough 2011/12 financial year, the HRV Board is committed to getting the Budget for 2012/13 back into a profitable position. A significant number of expenditure cuts have been made and this together with some expected growth in wagering income plus the new gaming arrangements which commence in August 2012 are expected to result in the 2012/13 financial result returning to a surplus position.

The HRV Board is very conscious of its net current asset position and in particular of the amount of liabilities that are required to be settled in the next 12 months. The Board has arranged with the approval of the Department of Treasury and Finance and the ANZ Bank to extend its borrowing and overdraft facility in 2012/13 so that HRV can pay its current liabilities as and when they fall due over the next 12 months.

The HRV Board will continue to strive to maximise Harness Racing's share of wagering income and maximise returns to Industry stakeholders. HRV will only receive some small moderate growth in Tabcorp Income when the new JV wagering agreement commences with Tabcorp in August 2012. Basic stake levels in 2012/13 are expected to be maintained in line with 2011/12 levels.

The profitability of the Tabcorp Park venue is improving and while a small loss resulted in 2011/12, the new gaming arrangements which commence in August 2012 will assist the venue in moving into a profitable position. The new gaming arrangements are expected to generate an additional $0.9M in gaming revenues for Tabcorp Park for the year. The Tabcorp Park Business is expected to continue to expand as the business matures and the local region continues to grow.

Subsequent Events

Federal Court Decision in Sportsbet Case

Harness Racing Victoria (HRV) has been directly involved in legal proceedings as respondent to a claim by Sportsbet Pty Ltd (Sportsbet) filed with the Federal Court of Australia on 15 May 2009 effectively challenging HRV's right to charge Sportsbet a Racefields fee.

This matter was heard by the Federal Court in 2011 and a decision handed down by that Court on Tuesday 21 August 2012. The Court determined that Victorian Racefields Legislation was valid and that HRV was entitled to charge wagering service providers a fee based on turnover. However, the Court held that the Racefields Fee charged to Sportsbet was incorrectly levied on the basis that it was discriminatory to Sportsbet.

The Board of Harness Racing Victoria has resolved to appeal this decision to the Full Court of the Federal Court of Australia and, believes that it has reasonable prospects of overturning this decision on appeal. An Appeal is likely to be heard within the next 12 months.

On the basis that HRV believes that it is entitled to charge a fee and notwithstanding the legal proceedings, HRV had previously accrued and recognised as revenue $1,713,211 in fees that it expected to receive from Sportsbet up until 30 June 2012.

While HRV believes that it has reasonable prospects of overturning the decision on appeal, HRV has decided to adopt a very conservative approach in these financial statements and raise an impairment provision against the full amount of these accrued Racefields fees as a result of the decision of the Federal Court (notwithstanding the Court confirming that HRV is entitled to charge a fee). This has the effect of increasing the loss result for the year ended 30 June 2012 by $1,713,211. Should HRV be successful on appeal, the provision for impairment loss will be subsequently reversed and legal costs incurred may be recovered by HRV.

Subsequent to the decision being handed down by the Federal Court, HRV has received a letter of demand from another corporate bookmaker seeking a full refund of all Racefield fees paid to HRV since 2009. It is possible that other wagering service providers could take similar action.

HRV is of the view that any claim or potential claim by other wagering service providers should be limited under the Limitations of Actions Act and that only fees paid for 12 months prior to an action commencing can be claimed in such an action. There may also be other grounds under which such claims may be limited.

HRV remains of the view as supported by the Federal Court decision that it is entitled to charge a Racefields fee and will resist any challenge from any wagering service provider seeking a refund of any fees previously paid.

Developments arising from this case are likely to be determined only at such point in time as the Sportsbet Appeal is finalised. HRV cannot quantify the likely impact of these developments, if any, as there is still significant uncertainty around this matter.

HRV believes that its maximum potential liability in the worst case scenario will be limited to refunding Racefield fees to challenging wagering service providers for a period of 12 months prior to the commencement of such an action. For the year ended 30 June 2012, HRV received a total of $4.2m in Racefield fees from wagering service providers other than Sportsbet.

FIVE YEAR FINANCIAL SUMMARY

	2012	2011	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000
Tabcorp Revenue	46,962	47,319	49,988	48,652	48,264
Other Revenue	26,065	27,387	21,928	17,553	14,131
Total Revenue	**73,027**	**74,706**	**71,916**	**66,205**	**62,394**
Stake Money Expense	(34,516)	(33,988)	(33,699)	(33,579)	(33,373)
Other Expenses	(45,142)	(40,618)	(39,901)	(35,032)	(29,261)
Net Profit/(Loss)	**(6,631)**	**100**	**(1,684)**	**(2,406)**	**(240)**
Cash Assets	1,675	1,722	1,623	2,271	8,680
Total Assets	71,096	71,457	63,700	59,718	47,372
Current Liabilities	(17,701)	(10,331)	(14,222)	(13,797)	(15,496)
Total Liabilities	(52,130)	(45,860)	(50,165)	(44,499)	(29,747)

Tabcorp Heads of Agreement

Subsequent to year end, HRV have signed a Heads of Agreement with Tabcorp for the waiver of a $2,000,000 naming rights sponsorship liability which was originally due and payable by HRV in August 2012 upon expiration of Tabcorp's Gaming Licence in Victoria. This amount of $2,000,000 has been brought to account by HRV as a Current Liability in the Balance Sheet at 30 June 2012. The agreement to waive this amount by Tabcorp subsequent to year end effectively means that HRV will not have to repay this amount.

Furthermore as part of the Heads of Agreement entered into with Tabcorp subsequent to year end, Tabcorp have agreed to a deferred settlement term on a racefields settlement liability of $4,900,000 owed by HRV to Tabcorp. At 30 June 2012, this amount of $4,900,000 has been recognised by HRV as a current liability in the Balance Sheet. As part of the Heads of Agreement signed subsequent to year end however, HRV will only be required to repay $500,000 of this liability in the 2012/13 year with the remaining $4,400,000 repayable over the following three years. This effectively transfers $4,400,000 in current liabilities at 30 June 2012 into non-current liabilities post balance date.

Approval of overdraft facility

The Department of Treasury and Finance and the ANZ Bank have both approved an overdraft facility for HRV in 2012/13 subsequent to balance date. A $4,000,000 overdraft facility has been approved for HRV for the period from 9 July 2012 through until 31 October 2012 and a $2,000,000 overdraft facility has been approved from 1 November 2012 through until 30 June 2013.

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.

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, Craig Launder. During 2011/12, there was one request received by HRV.

Compliance with Building Act 1993

Harness Racing Victoria 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.

National Competition Policy

The principle of competitive neutrality aims to ensure that Government businesses do not enjoy any net competitive advantage simply by virtue of their public sector ownership. Harness Racing Victoria is not a tax funded general Government service and does not adopt any pricing principles utilising a net competitive advantage. Approximately 64% 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.

Office Based Environmental Impacts

In 2009 HRV established a Resource Smart Committee responsible for the overall implementation of HRV's environmental policy. The objective of the Committee is to reduce the environmental impacts from HRV's operations. Since the Committee has been formed, there has been increased focus on the use of paper and recycling of paper, reducing fuel and electricity usage and the use of recycled water.

Whistleblowers

Harness Racing Victoria is committed to the aims and objectives of the Whistleblowers Protection Act 2001 (the Act). It does not tolerate improper conduct by its employees or officers, nor the taking of reprisals against those who come forward to disclose such conduct.

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

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

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

Implementation of the Victorian Industry Participation Policy

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

Contracts commenced to which VIPP applied:

- During 2011/12 HRV commenced two contracts totalling $2.6 million in value and of the two contracts both were in regional Victoria ($2.6 million) and neither of them were in Metropolitan Melbourne.

The commitments by contractors under VIPP include:

- An overall level of local content of 100% of the total value of the contracts.
- 21 full time equivalent jobs.

Contracts completed to which VIPP applied:

- No contracts were completed to which VIPP applied.

Consultancies

During the year, HRV had 3 consultancies that cost in excess of $10,000 excluding GST.

Consultant	Purpose of consultancy	Total approved project fee	Expenditure 2011/12 (excluding gst)	Future expenditure (excluding gst)
Coffey Environments Australia Pty Ltd	Melton landfill audit	33,074	20,649	12,425
Tonkin & Taylor Pty Ltd	Environmental assessment of Melton land	112,800	50,519	62,281
Initiative Marketing	Re-branding & re-positioning program	50,000	30,000	20,000

There were 4 consultancies during the year where the fees payable for each consultancy was less than $10,000. The total cost of these consultancies was $11,357 excluding GST.

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 on compliance with the Australian/New Zealand Risk Management Standard

I, Shane Gloury certify that Harness Racing Victoria has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard (or equivalent designated standard) and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The audit committee verifies this assurance and that the risk profile of Harness Racing Victoria has been critically reviewed within the last 12 months.

Shane Gloury
Chief Finance and Accounting Officer
Harness Racing Victoria
September 28, 2012

Reporting on Consultation

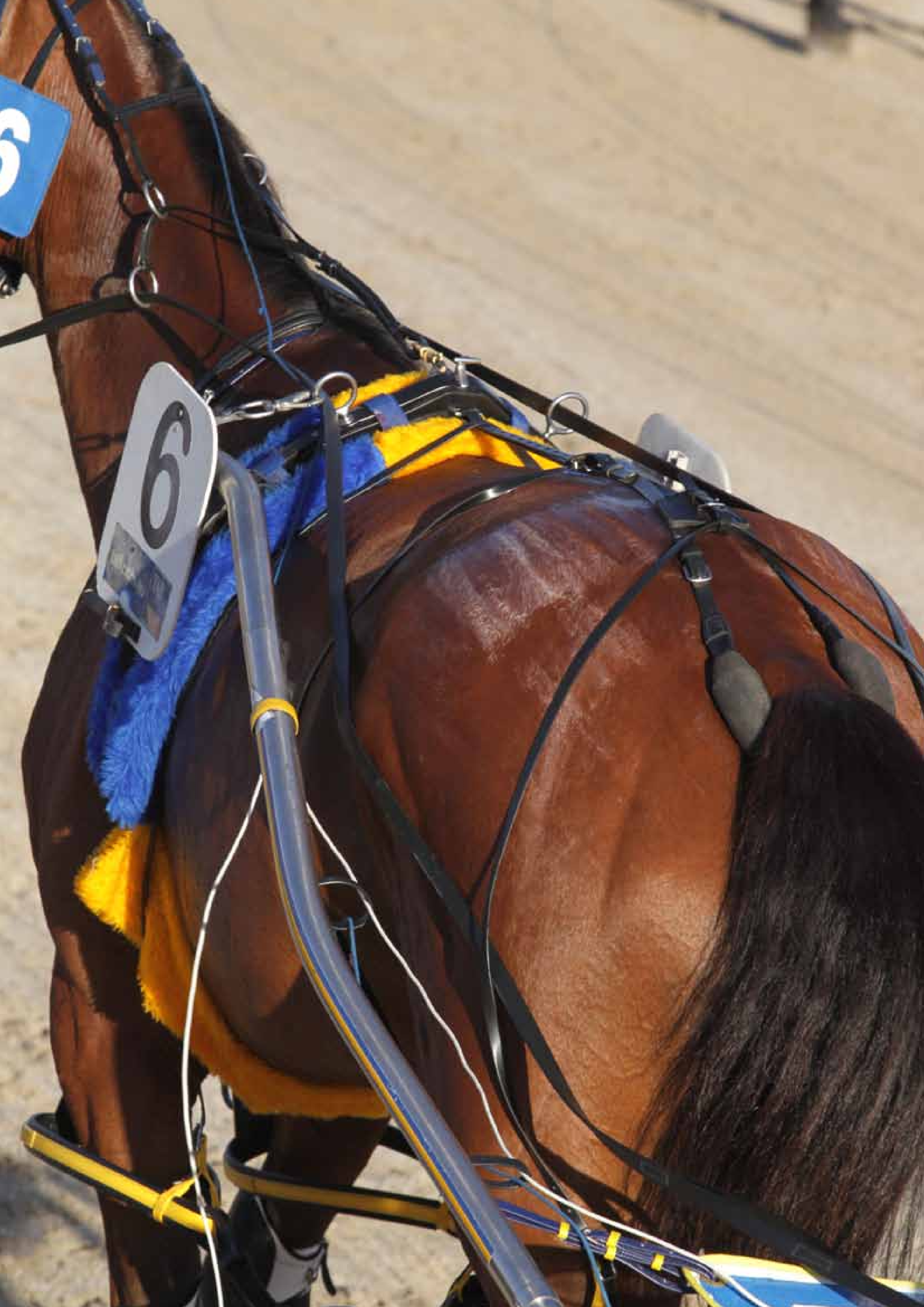
Harness Racing Victoria has established proper procedures for consultation with harness racing industry participants in accordance with section 44B of the Racing Act 1958.

Section 44C requires HRV to include in its Annual Report details of its consultation meetings and decisions made following consultation with harness racing industry participants.

Meetings were held during 2011/12 on 25 October 2011, 26 November 2011 and 3 April 2012 (combined meeting).

Association of Victorian Country Harness Racing Clubs Inc (AVCHRC)
Harness Breeders (Vic) (HBV)
Victorian Bookmakers Association (VBA)
Victorian Harness Racing Sports Club (VHRSC) (representing Owners)
Victorian Harness Racing Trainers and Drivers Association (VHRTDA)
Victorian Square Trotters Association (VSTA)

At each of the meetings above, a number of agenda items were discussed. Of these many were for communication purposes, however below are items which required a decision or outcome.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6

Association	Issues Discussed	Decision/Outcome
AVCHRC	A new model for the Harness Card was negotiated between HRV, VHRTDA, VHRSC and AVCHRC	Implemented
HBV	HBV requested an update on the implementation of the payment of stakemoney to lessees.	HRV advised the new season was likely to start on 1 September 2012, subject to successful testing of the computer system.
HBV	HBV requested the results of a review of the 2011 Breeders Crown Series.	HRV advised that adding an extra meeting over the final week worked well and increased the social side of the Breeders Crown carnival. The 4yo division of Breeders Crown is fully subsidised by HRV and the current format would be reviewed.
VBA	VBA view that HRV should not allow agencies.	HRV to review.
VHRTDA	HRV concerned that drivers activating gear with their foot gave the impression drivers were making contact with the horse's legs.	VHRTDA agreed this was not acceptable.
VHRTDA	To expedite the process of protest hearings, it was recommended that parties give evidence following the replay of the race.	Agreed.
VHRTDA	HRV sought the VHRTDA's view on moving starts when the mobile was not available. Trainers would have the option to scratch without penalty.	No objection.
VHRTDA	HRV concerned that whips were being used by drivers outside the confines of the sulky.	VHRTDA agreed this was not acceptable.
VHRTDA	Discussions regarding the communication to participants regarding the abandonment of race meetings.	Procedures have been put in place to ensure communication to the industry.
VHRTDA	VHRTDA raised the issue of the removal of front straight cameras at certain tracks.	HRV confirmed that there were no head on cameras at mid week race meetings, however cameras would remain at Country Cup meetings, Melton, Yarra Valley and Saturday night meetings.
VHRTDA/VHRSC	VHRTDA raised concern regarding the display of swabbing procedures at Clubs.	Procedures to be reviewed and all Clubs be provided with laminated procedures to be displayed.
VSTA	VSTA recommended an increase in T0 only races.	HRV is already gradually increasing these races.
VSTA	VSTA recommended an increase in the number of races programmed for horses NIL lifetime wins.	HRV is already negotiating with Sky Racing to program these races.
VSTA	VSTA recommended an increase in 3yo and 4yo races at metropolitan meetings.	HRV advised that these races had been programmed in the past and fields could not sustain nominations.
VSTA	VSTA requested that a couple of races for TM1 trotters be programmed during the May, June and September.	HRV advised this could only be done at the expense of a Trotters FFA or Discretionary Handicap. HRV would look at adding an occasional TM1or better race.
VTSA	VSTA requested more bottom up races be programmed which would also give horses the opportunity to win Vicbred bonuses.	HRV was already introducing these races gradually so the population could sustain them without impacting on other races.

The following issues were discussed with all groups:

- HRV provided an update of Tabcorp Park's performance.
- HRV provided an update on industry performance in relation to wagering.
- HRV advised it was meeting with Sky Racing with regard to the scheduling of races in an effort to alleviate the problem of saturation of races

DISCLOSURE INDEX

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

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KEY INDUSTRY STATISTICS

	2012	2011	2010	2009	2008	2007	2006
Meetings (TAB)	497	506	504	509	498	505	493
Meetings (Non-TAB)	1	1	2	3	3	4	11
Races	3,969	4,069	4,084	4,122	4,088	4,375	4,076
Horses raced	4,340	4,418	4,440	4,458	4,442	4,672	4,612
Nominations	57,663	57,995	57,973	55,512	57,787	58,392	56,413
Starters	38,811	39,099	39,241	38,633	38,827	40,295	39,549
Drivers	854	872	897	887	878	847	930
Trainers	1,368	1,405	1,460	1,478	1,497	1,443	1,542
Stablehands	1,342	1,674	1,741	1,751	1,672	952	1,281
Sires	88	133	103	114	108	113	101
Foals	2,538	2,916	2,985	2,916	2,713	3,018	2,839
Namings	1,572	1,556	1,665	1,689	2,169	2,308	1,785
Services	3,872	4,320	4,943	5,190	4,879	4,473	4,617

FINANCIAL STATEMENTS

COMPREHENSIVE OPERATING STATEMENTS

For The Financial Year Ended 30 June 2012

	Notes	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
INCOME FROM TRANSACTIONS					
Tabcorp income		46,962	47,319	46,962	47,319
Other income		26,065	27,387	19,000	20,882
Total Income from Transactions	2	**73,027**	**74,706**	**65,962**	**68,201**
EXPENSES FROM TRANSACTIONS					
Stakemoney expense		(34,516)	(33,988)	(34,516)	(33,988)
Employee benefits		(11,311)	(11,458)	(7,471)	(7,737)
Depreciation and amortisation expense		(2,589)	(2,487)	(2,509)	(2,407)
Finance costs		(2,231)	(2,269)	(2,195)	(2,242)
Other operating expenses		(27,240)	(24,254)	(24,113)	(21,332)
Total Expenses from Transactions	2	**(77,887)**	**(74,456)**	**(70,804)**	**(67,706)**
Net Result from Transactions (Net Operating Balance)		**(4,860)**	**250**	**(4,842)**	**495**
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT					
Bad and doubtful debts expense		(182)	(28)	(179)	(25)
Provision for Impairment loss on racefields fees		(1,593)	-	(1,593)	-
Gain/(Loss) on sale of property, plant and equipment	2(a)	4	(21)	4	(21)
Revaluation decrement on property, plant and equipment	8	-	(101)	-	(101)
Total Other Economic Flows Included in Net Result		**(1,771)**	**(150)**	**(1,768)**	**(147)**
Net Result	19	**(6,631)**	**100**	**(6,610)**	**348**
OTHER ECONOMIC FLOWS - OTHER NON-OWNER CHANGES IN EQUITY					
Changes in physical asset revaluation surplus	18	-	11,962	-	11,962
Total Other Economic Flows - Other Non-Owner Changes in Equity		**-**	**11,962**	**-**	**11,962**
Comprehensive Result		**(6,631)**	**12,062**	**(6,610)**	**12,310**

The accompanying notes form part of these financial statements

BALANCE SHEETS

As At 30 June 2012

		Consolidated Entity		Parent Entity	
	Notes	2012 $'000	2011 $'000	2012 $'000	2011 $'000
CURRENT ASSETS					
Cash and cash equivalents	25(a)	1,675	1,722	879	1,115
Receivables	4	4,408	4,334	4,128	4,899
Other financial assets	5	20	36	20	686
Inventories	7	70	75	-	-
Other assets	6	218	253	173	208
Total Current Assets		**6,391**	**6,420**	**5,200**	**6,908**
NON-CURRENT ASSETS					
Property, plant and equipment	8	61,375	63,594	61,273	63,447
Receivables	4	-	-	1,244	-
Other financial assets	5	97	114	747	114
Investments	9	1,082	1,082	1,950	1,950
Intangible assets	10	2,151	247	-	-
Total Non-Current Assets		**64,705**	**65,037**	**65,214**	**65,511**
TOTAL ASSETS		**71,096**	**71,457**	**70,414**	**72,419**
CURRENT LIABILITIES					
Payables	11	12,871	6,203	13,177	6,239
Provisions	12	1,681	1,800	1,408	1,539
Non interest bearing liabilities	14	860	-	-	-
Prepaid income	15	469	565	409	478
Other liabilities	16	1,820	1,763	1,807	1,750
Total Current Liabilities		**17,701**	**10,331**	**16,801**	**10,006**
NON-CURRENT LIABILITIES					
Payables	11	-	2,000	-	2,000
Borrowings	13	29,100	29,100	29,100	29,100
Non interest bearing liabilities	14	1,543	464	-	-
Prepaid income	15	1,159	1,543	1,159	1,543
Provisions	12	242	174	198	141
Other liabilities	16	2,385	2,248	2,385	2,248
Total Non-Current Liabilities		**34,429**	**35,529**	**32,842**	**35,032**
TOTAL LIABILITIES		**52,130**	**45,860**	**49,643**	**45,038**
NET ASSETS		**18,966**	**25,597**	**20,771**	**27,381**
EQUITY					
Contributed capital	17	9,174	9,174	9,174	9,174
Reserves	18	15,333	15,333	15,333	15,333
Accumulated surplus/(losses)	19	(5,541)	1,090	(3,736)	2,874
TOTAL EQUITY		**18,966**	**25,597**	**20,771**	**27,381**

The accompanying notes form part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 30 June 2012

Consolidated Entity	Notes	Revaluation surplus	Accumulated surplus/(losses)	Contributed capital	Total
		$'000	$'000	$'000	$'000
	Notes	18	19	17	
Balance at 30 June 2010		**3,371**	**990**	**9,174**	**13,535**
Net result for the year		-	100	-	100
Other comprehensive income for the year		11,962	-	-	11,962
Balance at 30 June 2011		**15,333**	**1,090**	**9,174**	**25,597**
Net result for the year		-	(6,631)	-	(6,631)
Other comprehensive income for the year		-	-	-	-
Balance at 30 June 2012		**15,333**	**(5,541)**	**9,174**	**18,966**

Parent Entity	Notes	Revaluation surplus	Accumulated surplus/(losses)	Contributed capital	Total
		$'000	$'000	$'000	$'000
	Notes	18	19	17	
Balance at 30 June 2010		**3,371**	**2,526**	**9,174**	**15,071**
Net result for the year		-	348	-	348
Other comprehensive income for the year		11,962	-	-	11,962
Balance at 30 June 2011		**15,333**	**2,874**	**9,174**	**27,381**
Net result for the year		-	(6,610)	-	(6,610)
Other comprehensive income for the year		-	-	-	-
Balance at 30 June 2012		**15,333**	**(3,736)**	**9,174**	**20,771**

The accompanying notes form part of these financial statements

CASH FLOW STATEMENTS

For The Financial Year Ended 30 June 2012

	Notes	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
Cash flows from operating activities					
Receipts from operations (incl GST)		73,310	79,796	64,958	71,499
Payments to suppliers, employees & industry (incl GST)		(70,940)	(74,617)	(62,843)	(66,257)
Interest received		111	110	141	136
Interest paid		(2,195)	(2,242)	(2,195)	(2,242)
Net cash from/(used in) operating activities	25(b)	**286**	**3,047**	**61**	**3,136**
Cash flows from investing activities					
Payments for property, plant and equipment		(378)	(2,824)	(342)	(2,760)
Loans provided		11	-	11	-
Net cash from/(used in) investing activities		**(367)**	**(2,824)**	**(331)**	**(2,760)**
Cash flows from financing activities					
Proceeds from loan repayments		34	61	34	61
Repayment of interest bearing liabilities		-	(185)	-	(185)
Net cash provided by/(used in) financing activities		**34**	**(124)**	**34**	**(124)**
Net Increase/(decrease) in cash and cash equivalents held		**(47)**	**99**	**(236)**	**252**
Cash and cash equivalents at the beginning of the financial year		1,722	1,623	1,115	863
Cash and cash equivalents at the end of the financial year	25(a)	**1,675**	**1,722**	**879**	**1,115**

The accompanying notes form part of these financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Its principal address and registered office is:

Harness Racing Victoria
400 Epsom Road
Flemington VIC 3031

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

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

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

The financial statements were formally authorised for issue by the Harness Racing Victoria Board on 28th September 2012.

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 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 2012 and the comparative information presented for the year ended 30 June 2011.

(d) 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 2012. 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.

(e) 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. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

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

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

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

Statement of Changes in Equity
The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the

reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

Cash Flow Statement
Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

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

(f) 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.

(g) 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.

(h) 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 series is conducted when they are brought to account in the comprehensive operating statement as revenue. Fees and contributions received prior to 30 June 2012, for futurity series to be conducted in 2012/2013 are brought to account as a Current Liability. Fees and contributions received for series to be run after 30 June 2013 have been recorded as a Non-Current Liability.
- Gaming commission income is recognised when the right to receive the income has been established, generally on a daily basis based on the share of entitlement of gaming expenditure by customers.
- Hotel room rental income is recognised on each night of guest stay.
- Function income is recognised when it is earned (generally when the event is hosted).
- Food, beverage and sale of goods income are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of sale.
- Grants from third parties (other than contribution by owners) are recognised as income in the reporting period in which they are received or become receivable.
- Amounts received but not earned at year end are recognised as a liability in the balance sheet.

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

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

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

The Department of Treasury and Finance (DTF) in their Annual Financial Statements, recognise on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of 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)
- Plant & Equipment
  - Motor Vehicles (5-14 years)
  - Computers & Computer Equipment (3-5 years)
  - Furniture & Fittings (2-10 years)
  - Equipment (3-20 years)
  - Library (8 years)
  - Timing & Photo Finish Equipment (10 years)
  - Office Improvements (7 years)
  - Roads (40 years)
  - Software (3-10 years)
  - Track (25 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 expenses are recognised as expenses in the period in which they are incurred and include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;
- the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time; and
- finance lease charges.

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

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

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

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

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

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

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

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

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an other 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; and
- disposals of financial assets.

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

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

Categories of non-derivative financial instruments

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

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

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

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

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

(k) Assets
All assets controlled by the Group are reported in the balance sheet.

Cash and Deposits
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.

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

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

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

Investments are classified in the following categories:

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

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

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

Investment in Radio 3UZ Unit Trust

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

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

Details in relation to investments are disclosed in Note 9.

Loans and Receivables

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

Derecognition of financial assets

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

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

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

Impairment of Financial Assets

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

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

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

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

Property, Plant and Equipment

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

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

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

Revaluations of Non-Current Physical Assets

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

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

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

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

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

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

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

Gaming machine entitlements

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

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

Amortisation is allocated to intangible assets with finite useful lives on a 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. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

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

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

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

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

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

(l) Liabilities Payables
Payables consist of:

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

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer Note 1(j)). 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.

(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 settled within 12 months of the reporting period, are measured at their nominal values.

Those liabilities that are not expected to be 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 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 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 settle within 12 months; and
- present value-component that the Group does not expect to 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 2012, for futurity series to be conducted in 2012/2013 are brought to account as a Current Liability. Fees and contributions received for series to be run after 30 June 2013 have been recorded as a Non-Current Liability.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

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

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

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

(r) 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.

(s) 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.

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

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

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

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

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

Valuation of investment in Radio 3UZ Unit Trust
The factors considered are outlined in Note 9 of the financial statements.

(t) AASBs Issued that are Not Yet Effective
Certain new AASBs have been published that are not mandatory for the 30 June 2012 reporting period. The Department of Treasury and Finance ("DTF") assesses the impact of all these new standards and advises HRV of their applicability and early adoption where applicable.

As at 30 June 2012, 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 2012. Standards and Interpretations that are not applicable to the Group have been omitted. The Group has not early adopted these standards.

(u) 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.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact
AASB 9 *Financial instruments*	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (AASB 139 *Financial Instruments: Recognition and Measurement*).	1 Jan 2013	Detail of impact is still being assessed.
AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	The impact of this standard may affect disclosures in the financial reports of certain types of entities where reduced disclosure requirements may apply. The standard does not affect the operating result or financial position.
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	This Standard gives effect to consequential changes arising from the issuance of AASB 9.	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	These consequential amendments are in relation to the introduction of AASB 9.	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Standard amends AASB 124 Related Party Disclosures by removing the disclosure requirements in AASB 124 in relation to individual key management personnel (KMP).	1 July 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-6 Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements [AASB 127, AASB 128 & AASB 131]	The objective of this Standard is to make amendments to AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures to extend the circumstances in which an entity can obtain relief from consolidation, the equity method or proportionate consolidation.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	This Standard outlines consequential changes arising from the issuance of the five 'new Standards' to other Standards. For example, references to AASB 127 Consolidated and Separate Financial Statements are amended to AASB 10 Consolidated Financial Statements or AASB 127 Separate Financial Statements, and references to AASB 131 Interests in Joint Ventures are deleted as that Standard has been superseded by AASB 11 and AASB 128 (August 2011).	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	The main change resulting from this Standard is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). These amendments do not remove the option to present profit or loss and other comprehensive income in two statements, nor change the option to present items of OCI either before tax or net of tax.	1 July 2012	This amending Standard could change the current presentation of 'Other economic flows- other movements in equity' that will be grouped on the basis of whether they are potentially reclassifiable to profit or loss subsequently. No other significant impact will be expected.

(v) Going Concern

Notwithstanding the deficiency in working capital (current assets less current liabilities) of $11,310,000 (2011 - $3,911,000) and current year net loss result of $6,631,000 (2011 - $100,000 profit), the accounts are prepared on a going concern basis. The directors believe the going concern basis is appropriate based on the following factors:

Budgeted cost savings have been forecast and are expected to be delivered in 2012/13 and this will help to improve the working capital position of HRV during the 2012/13 year. In addition the new gaming regulations which come into effect on 16 August 2012 will result in HRV retaining an increased percentage of gaming profits from Tabcorp Park and this will increase the revenue and profitability of the Tabcorp Park operation.

Subsequent to year end, HRV have signed a Heads of Agreement with Tabcorp Holdings Ltd (Tabcorp) for the waiver of a $2,000,000 naming rights sponsorship liability which was originally due and payable in August 2012. This $2,000,000 amount has been brought to account as a Current Liability in the Balance Sheet at 30 June 2012 but repayment obligation has been waived subsequent to year end and will not be required to be paid by HRV.

Furthermore as part of the Heads of Agreement entered into with Tabcorp subsequent to year end, Tabcorp have agreed to a deferred settlement term on a liability of $4,900,000 owed by HRV to Tabcorp. At 30 June 2012, this amount of $4,900,000 has been recognised by HRV as a current liability. Based on the Heads of Agreement signed subsequent to year end however, HRV will only be required to repay $500,000 in the 2012/13 year with remaining $4,400,000 repayable over the following three years. This effectively transfers $4,400,000 in current liabilities at 30 June 2012 into non-current liabilities post balance date.

In addition, The Department of Treasury and Finance and the ANZ Bank have both approved a temporary increase in HRV's bank overdraft facility in 2012/13. This increase in overdraft facility is expected to enable HRV to pay its debts as and when they fall due in 2012/13 year based on budgeted cashflow projections and revenue and expense forecasts for the 2012/13 year. Refer to Note 30 for further details relating to events subsequent to balance date.

Additionally while reductions in stakemoney levels have not been factored into the HRV Budget for 2012/13, HRV is able to reduce stake levels if the need arises in order to ensure that HRV can continue to meet its obligations and pay its debts as and when they fall due.

Furthermore, while there is uncertainty over what may ultimately eventuate with Racefields Fees given the recent decision by the Federal Court in the Sportsbet Case, HRV has decided to appeal this decision and is of the view that it has reasonable prospects of overturning this decision on appeal. The appeal process is likely to defer for at least 12 months any new developments which could arise following this decision notwithstanding the receipt of a letter of demand from another Corporate Bookmaker. Refer Note 30 for further details.

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

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 30 June 2012

2. Income and Expenses from Transactions

	Consolidated Entity		Parent Entity	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
The Comprehensive Operating Statement consists of the following income and expense items:				
INCOME				
Tabcorp Income	**46,962**	**47,319**	**46,962**	**47,319**
Other Income				
Racefield fees	4,978	6,370	4,978	6,370
Registered bookmakers fees	38	52	38	52
Gaming commission	2,411	2,407	-	-
Food & beverages	3,494	3,442	-	-
Accommodation	727	658	-	-
Other venue revenue	686	490	-	-
Sponsorship, advertising & events	1,289	2,299	1,315	2,312
RISE IT charges	806	732	-	-
Grants	3,013	1,958	3,013	1,958
Registration & licencing fees	1,726	1,862	1,726	1,862
Raceday fees	584	526	584	526
Fines & appeals	189	257	189	257
Country Club contributions to stakemoney	1,071	1,007	1,071	1,007
Futurities Income				
- Vicbred Revenue	809	712	809	712
- Breeders Crown	1,486	1,496	1,486	1,496
- Race series subsidies	428	706	428	706
Sky vision fees	341	405	341	405
Property income	702	659	1,795	1,720
Industry programs	360	511	360	511
Management & service fee	539	465	574	649
Interest	112	112	142	138
Other income	276	261	151	201
Total Other Income	**26,065**	**27,387**	**19,000**	**20,882**
TOTAL INCOME FROM TRANSACTIONS	**73,027**	**74,706**	**65,962**	**68,201**

Note 2 Income and Expenses from Transactions (Continued)

	Consolidated Entity		Parent Entity	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
EXPENSES				
Stakemoney Expense				
Metropolitan stakes	11,267	11,053	11,267	11,053
Country stakes	18,805	19,060	18,805	19,060
Drivers fees	1,261	1,168	1,261	1,168
Vicbred win bonuses	2,384	1,924	2,384	1,924
Vicbred breeder bonuses	799	783	799	783
Total Stakemoney Expense	**34,516**	**33,988**	**34,516**	**33,988**
Employee Benefits				
Post employee benefits				
Defined contribution superannuation expense	755	760	451	456
Defined benefits superannuation expense	39	45	39	45
Salaries, wages and long service leave	10,517	10,653	6,981	7,236
Employee Benefits	**11,311**	**11,458**	**7,471**	**7,737**
Depreciation and Amortisation Expense (Refer Note 8)	**2,589**	**2,487**	**2,509**	**2,407**
Finance Costs	**2,231**	**2,269**	**2,195**	**2,242**
Other Operating Expenses				
Country Club funding	5,297	5,496	5,319	5,523
Marketing & sponsorship expenses	1,769	1,796	1,648	1,626
Vision & Audio	2,985	3,012	2,985	3,012
Property costs	3,295	2,880	1,855	1,650
Development fund (**Refer Note 20)**	4,737	1,199	4,737	1,199
Cost of goods sold	1,245	1,303	-	-
Fields and form comment	1,360	1,113	1,360	1,113
Swabs	409	468	409	468
Timing & photo finish	15	20	15	20
Registration	645	658	645	658
Integrity & licensing	145	151	145	151
Communication costs	140	148	93	105
Computer costs	367	359	378	375
Registered bookmaker costs	23	29	23	29
Training facilities	40	50	40	50
Insurance	937	1,048	884	1,004
Consulting/legal fees	447	1,311	423	1,285
Other expenses	3,384	3,213	3,154	3,064
Total Other Expenses	**27,240**	**24,254**	**24,113**	**21,332**
TOTAL EXPENSES FROM TRANSACTIONS	**77,887**	**74,456**	**70,804**	**67,706**

	Consolidated Entity		Parent Entity	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Note 2 Income and Expenses from Transactions (Continued)				
2(a). Gain/(Loss) on Sale of Property Plant and Equipment				
Gross proceeds	11	-	11	-
Carrying amount of property, plant and equipment disposed	(7)	(21)	(7)	(21)
Gain/(Loss) on sale of property, plant and equipment	**4**	**(21)**	**4**	**(21)**

3. Remuneration of Auditors

Victorian Auditor General's Office - audit of the financial report	55	51	27	21
Pitcher Partners - internal audit services	62	37	62	37
Other audit services	1	1	-	-
Total Remuneration of Auditors	**118**	**89**	**89**	**58**

4. Receivables

Current				
Contractual				
Trade receivables (i)	2,058	1,590	1,880	1,409
Provisions for doubtful debts (a)	(267)	(101)	(267)	(98)
	1,791	**1,489**	**1,613**	**1,311**
Accrued income	2,644	2,173	2,570	2,066
Provisions for impairment	(1,593)	-	(1,593)	-
	1,051	**2,173**	**977**	**2,066**
Tabcorp distribution receivable	1,196	374	1,196	374
Intercompany receivables	-	-	88	950
Sundry debtors	73	39	-	-
Statutory				
Goods and Services Tax (GST) recoverable	297	259	254	198
	1,566	**672**	**1,538**	**1,522**
Total Current Receivables	**4,408**	**4,334**	**4,128**	**4,899**
Non Current				
Contractual				
Intercompany receivables	-	-	1,244	-
Total Non-Current Receivables	**-**	**-**	**1,244**	**-**
Total Receivables	**4,408**	**4,334**	**5,372**	**4,899**

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

Note 4 Receivables (Continued)

	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
(a) Movement in the Provision for doubtful debts				
Balance at the beginning of the year	(101)	(73)	(98)	(73)
Amounts recovered during the year	11	5	11	5
(Increase) in allowance recognised in the net result	(189)	(33)	(190)	(30)
Reversal of provision for receivables written off during the year as uncollectible	12	-	10	-
Balance at end of the year	**(267)**	**(101)**	**(267)**	**(98)**
(b) Movement in the Provision for impairment				
Balance at the beginning of the year	-	-	-	-
(Increase) in allowance recognised in the net result	(1,593)	-	(1,593)	-
Balance at end of the year	**(1,593)**	-	**(1,593)**	-

(c) Ageing analysis of contractual receivables
Please refer to tables 27.2c and 27.2d in Note 27 for the ageing analysis of contractual receivables.

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

5. Other Financial Assets

	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
Current				
Loan - Geelong Harness Racing Club Inc	12	29	12	29
Loan - Shepparton Harness Racing Club Inc	8	7	8	7
Loan - HRV Management Ltd ATF Melton Entertainment Trust*	-	-	-	650
Total Current Other Financial Assets	**20**	**36**	**20**	**686**
Non-Current				
Loan - Geelong Harness Racing Club Inc	89	98	89	98
Loan - Shepparton Harness Racing Club Inc	8	16	8	16
Loan - HRV Management Ltd ATF Melton Entertainment Trust*	-	-	650	-
Total Non-Current Other Financial Assets	**97**	**114**	**747**	**114**
Total Other Financial Assets	**117**	**150**	**767**	**800**

* HRV provided HRV Management Ltd ATF Melton Entertainment Trust with a working capital facility of $700,000.

(a) Ageing analysis of other financial assets
Please refer to tables 27.2c and 27.2d in Note 27 for the ageing analysis of other financial assets.

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

6. Other Assets Current

	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
Prepayments	218	253	173	208
Total Other Current Assets	**218**	**253**	**173**	**208**

7. Inventories

	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
Food at cost	16	16	-	-
Beverages at cost	54	59	-	-
Total Inventories	**70**	**75**	**-**	**-**

8. Property, Plant and Equipment

Consolidated Entity			$'000			
2011/12 Year	Freehold Land	Buildings	Building Improvements	Plant and Equipment	Melton Track	Total
Gross Carrying Amount Balance as at 30 June 2011	**17,350**	**39,879**	**1,282**	**9,118**	**3,336**	**70,965**
Additions	-	49	-	328	-	377
Disposals/writeoffs	-	-	-	(14)	-	(14)
Balance as at 30 June 2012	**17,350**	**39,928**	**1,282**	**9,432**	**3,336**	**71,328**
Accumulated Depreciation						
Balance as at 30 June 2011	-	**(16)**	**(774)**	**(6,269)**	**(312)**	**(7,371)**
Disposals/writeoffs	-	-	-	7	-	7
Depreciation expense	-	(1,000)	(183)	(1,272)	(134)	(2,589)
Balance as at 30 June 2012	**-**	**(1,016)**	**(957)**	**(7,534)**	**(446)**	**(9,953)**
Net Book Value						
As at 30 June 2011	17,350	39,863	508	2,849	3,024	63,594
As at 30 June 2012	**17,350**	**38,912**	**325**	**1,898**	**2,890**	**61,375**
2010/11 Year						
Gross Carrying Amount Balance as at 30 June 2010	**5,643**	**39,620**	**1,217**	**9,957**	**3,469**	**59,906**
Reclassification of opening balances	-	-	65	-	(65)	-
Additions	-	2,305	-	486	34	2,825
Disposals/writeoffs	-	-	-	(1,325)	(1)	(1,326)
Revaluation increments	11,707	(2,046)	-	-	-	9,661
Revaluation decrements	-	-	-	-	(101)	(101)
Balance as at 30 June 2011	**17,350**	**39,879**	**1,282**	**9,118**	**3,336**	**70,965**
Accumulated Depreciation						
Balance as at 30 June 2010	-	(1,310)	**(590)**	**(6,409)**	**(177)**	**(8,486)**
Disposals/writeoffs	-	-	-	1,300	-	1,300
Depreciation expense	-	(1,008)	(184)	(1,160)	(135)	(2,487)
Revaluation increments	-	2,302	-	-	-	2,302
Balance as at 30 June 2011	-	**(16)**	**(774)**	**(6,269)**	**(312)**	**(7,371)**
Net Book Value						
As at 30 June 2010	5,643	38,310	627	3,548	3,292	51,420
As at 30 June 2011	**17,350**	**39,863**	**508**	**2,849**	**3,024**	**63,594**
Parent Entity						
2011/12 Year						
Gross Carrying Amount Balance as at 30 June 2011	**17,350**	**39,879**	**1,282**	**6,602**	**3,336**	**68,449**
Additions	-	49	-	293	-	342
Disposals/writeoffs	-	-	-	(14)	-	(14)
Balance as at 30 June 2012	**17,350**	**39,928**	**1,282**	**6,881**	**3,336**	**68,777**

Note 8 Property, Plant and Equipment (Continued)

	$'000					
	Freehold Land	Buildings	Building Improvements	Plant and Equipment	Melton Track	Total
Accumulated Depreciation						
Balance as at 30 June 2011	**-**	**(16)**	**(774)**	**(3,900)**	**(312)**	**(5,002)**
Disposals/writeoffs	-	-	-	7	-	7
Depreciation expense	-	(1,000)	(183)	(1,192)	(134)	(2,509)
Balance as at 30 June 2012	**-**	**(1,016)**	**(957)**	**(5,085)**	**(446)**	**(7,504)**
Net Book Value						
As at 30 June 2011	17,350	39,863	508	2,702	3,024	63,447
As at 30 June 2012	**17,350**	**38,912**	**325**	**1,796**	**2,890**	**61,273**
2010/11 Year						
Gross Carrying Amount Balance as at 30 June 2010	**5,643**	**39,620**	**1,217**	**7,506**	**3,469**	**57,455**
Reclassification of opening balances	-	-	65	-	(65)	-
Additions	-	2,305	-	421	34	2,760
Disposals/writeoffs	-	-	-	(1,325)	(1)	(1,326)
Revaluation increments	11,707	(2,046)	-	-	-	9,661
Revaluation decrements	-	-	-	-	(101)	(101)
Balance as at 30 June 2011	**17,350**	**39,879**	**1,282**	**6,602**	**3,336**	**68,449**
Accumulated Depreciation						
Balance as at 30 June 2010	**-**	**(1,310)**	**(590)**	**(4,120)**	**(177)**	**(6,197)**
Disposals/writeoffs	-	-	-	1,300	-	1,300
Depreciation expense	-	(1,008)	(184)	(1,080)	(135)	(2,407)
Revaluation increments	-	2,302	-	-	-	2,302
Balance as at 30 June 2011	**-**	**(16)**	**(774)**	**(3,900)**	**(312)**	**(5,002)**
Net Book Value						
As at 30 June 2010	5,643	38,310	627	3,386	3,292	51,258
As at 30 June 2011	**17,350**	**39,863**	**508**	**2,702**	**3,024**	**63,447**

Note 8 Property, Plant and Equipment (Continued)

	Consolidated Entity		Parent Entity	
	2012	2011	2012	2011
Aggregate Depreciation and Amortisation allocated during the year was as follows:	$'000	$'000	$'000	$'000
Buildings	1,000	1,008	1,000	1,008
Building improvements	183	184	183	184
Plant and equipment	1,272	1,160	1,192	1,080
Melton complex	134	135	134	135
TOTAL DEPRECIATION AND AMORTISATION	**2,589**	**2,487**	**2,509**	**2,407**
VALUE OF FREEHOLD LAND				
Freehold Land - 28-52 Ferris Rd Melton	2,757	2,757	2,757	2,757
Freehold Land - 92 -134 Abey Road Melton (Lot 1)	8,916	8,916	8,916	8,916
Freehold Land - 92 -134 Abey Road Melton (Lot 2)	5,677	5,677	5,677	5,677
	17,350	**17,350**	**17,350**	**17,350**

HRV land, buildings and race track have been revalued at 30 June 2011 by Mr Alan Bertacco of Bertacco Ferrier Pty Ltd, qualifications AAPI CPV, API Member No. 62355. The valuation of buildings and track is at fair value based on current replacement cost less accumulated depreciation at the date of the revaluation. The valuation of the land is at fair value, being on market value based on highest and best use permitted by relevant land planning provisions. The Directors have reviewed the fair value of the land at 30 June 2012 and believe that the 2011 valuation is indicative of fair value at reporting date.

9. Investments

Investment in subsidiaries - at cost *	-	-	868	868
Shares in radio 3UZ Pty Ltd - at cost	2	2	2	2
Units in radio 3UZ Unit Trust - at cost	1,080	1,080	1,080	1,080
Total Investments	**1,082**	**1,082**	**1,950**	**1,950**

* refer to Note 31 for the listing of subsidiaries.

The Consolidated entity's investment in Radio 3UZ Unit Trust has been brought to account at cost from 1 July 2005 on adoption of AASB 132 Financial Instruments: Presentation and AASB 139 Financial Instruments: Recognition and Measurement. The investment in Radio 3UZ Unit Trust has been brought to account at cost instead of fair value in accordance with AASB 139 Financial Instruments: Recognition and Measurement as at 1 July 2005 because the fair value of this investment cannot be measured reliably. The Consolidated entity's investment in Radio 3UZ Unit Trust consists of an 18% unitholding in this trust, which fully owns all of the issued shares in 3UZ Pty Ltd. 3UZ Pty Ltd operates a commercial radio station Radio Sport National (formerly Sport 927) and a network of regional relay stations.

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

10. Intangible Assets

	Consolidated Entity		Parent Entity	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Goodwill	132	132	-	-
Gaming machine entitlements	2,019	115	-	-
Total Intangible Assets	**2,151**	**247**	**-**	**-**
Opening balance	**247**	**246**	**-**	**-**
Additions	1,904	1	-	-
Closing Balance	**2,151**	**247**	**-**	**-**

(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.

(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 estimated weighted average inflation rate which are consistent with CPI increases applicable to the CGU.

(c) Key assumptions used	2012	2011
Growth rate used	5%	5%
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 5.5% has been used to discount the future payments back to their present value. As the gaming machine entitlements do not become operative until August 2012, HRV directors believe that no impairment is required.

11. Payables

Current Payables				
Contractual - Unsecured				
Trade creditors	3,634	2,026	3,417	2,439
Intercompany payables	-	-	895	2
Development fund accruals	209	172	209	172
Sundry creditors and accruals	9,028	4,005	8,656	3,626
Total Current Payables	**12,871**	**6,203**	**13,177**	**6,239**
Non-Current Payables				
Contractual - Unsecured				
Sundry creditors and accruals*	-	2,000	-	2,000
Total Non Current Payables	**-**	**2,000**	**-**	**2,000**
Total Payables	**12,871**	**8,203**	**13,177**	**8,239**

* In the 2011 accounts this amount was disclosed as prepaid income, in 2012 this amount has been reclassified to payables. Refer to Note 15 for further details.

(a) Maturity analysis of contractual payables
Please refer to tables 27.3a and 27.3b in Note 27 for the ageing analysis of contractual payables.
(b) Nature and extent of risk arising from contractual payables
Please refer to Note 27(e) for the nature and extent of risks arising from contractual payables.

12. Provisions

	Consolidated Entity		Parent Entity	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Current				
Employee benefits (a)	1,423	1,504	1,193	1,299
Provisions related to employee benefit on-costs (a)	218	230	182	199
Statewide sulky fund (i)	33	41	33	41
Bonus points liability (i)	7	25	-	-
Total Current Provision	**1,681**	**1,800**	**1,408**	**1,539**
Non-Current				
Employee benefits (a)	210	151	172	122
Provisions related to employee benefit on-costs (a)	32	23	26	19
Total Non Current Provision	**242**	**174**	**198**	**141**
Total Provisions	**1,923**	**1,974**	**1,606**	**1,680**
(a) Employee benefits and related on-costs				
Current				
Annual leave entitlements	576	695	465	566
Long service leave entitlements	848	809	728	733
On-costs	217	230	182	199
	1,641	**1,734**	**1,375**	**1,498**
Current employee benefits that:				
Are expected to be utilised within 12 months after the end of the reporting period	550	621	453	520
Are expected to be utilised more than 12 months after the end of the reporting period	873	883	740	779
	1,423	**1,504**	**1,193**	**1,299**
On-costs that:				
Are expected to be utilised within 12 months after the end of the reporting period	84	95	69	80
Are expected to be utilised more than 12 months after the end of the reporting period	134	135	113	119
	218	**230**	**182**	**199**
Non-Current				
Long service leave entitlements	210	151	172	122
On-costs	32	23	26	19
	242	**174**	**198**	**141**
Total Employee benefits and related on-costs	**1,883**	**1,908**	**1,573**	**1,639**

Note 12 Provisions (Continued)

(b) Movement in provisions

Consolidated Entity	Employee Benefits 2012 $'000	On-costs 2012 $'000	Statewide Sulky Fund 2012 $'000	Bonus Points Liability 2012 $'000	Total 2012 $'000
Opening balance	**1,655**	**253**	**41**	**25**	**1,974**
Additional provisions recognised	288	44	39	16	387
Reductions arising from payments/other sacrifices of future economic benefits	(461)	(70)	(47)	(34)	(612)
Unwind of discount and effect of changes in the discount rate	151	23	-	-	174
Closing balance	**1,633**	**250**	**33**	**7**	**1,923**
Current	1,423	218	33	7	1,681
Non-Current	210	32	-	-	242
	1,633	**250**	**33**	**7**	**1,923**

Parent Entity	Employee Benefits 2012 $'000	On-costs 2012 $'000	Statewide Sulky Fund 2012 $'000	Total 2012 $'000
Opening balance	**1,421**	**218**	**41**	**1,680**
Additional provisions recognised	218	33	39	290
Reductions arising from payments/other sacrifices of future economic benefits	(397)	(61)	(47)	(505)
Unwind of discount and effect of changes in the discount rate	123	18	-	141
Closing balance	**1,365**	**208**	**33**	**1,606**
Current	1,193	182	33	1,408
Non-Current	172	26	-	198
	1,365	**208**	**33**	**1,606**

13. Borrowings

	Consolidated Entity		Parent Entity	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Non-Current				
Secured - CBA long-term loan	29,100	29,100	29,100	29,100
	29,100	**29,100**	**29,100**	**29,100**
Total Interest Bearing liabilities	**29,100**	**29,100**	**29,100**	**29,100**

(a) Maturity analysis of borrowings
Please refer to tables 27.3a and 27.3b in Note 27 for the ageing analysis of borrowings.

(b) Nature and extent of risk arising from borrowings
Please refer to Note 27(e) for the nature and extent of risks arising from borrowings.

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

There are no financial covenants attached to the $29,100,000 CBA loan facility.

(d) Facilities

HRV has access to the following financing facilities:				
Secured	29,100	29,100	29,100	29,100
Unsecured overdraft facility	2,000	2,000	2,000	2,000
Financial guarantee	169	150	169	150
Business card limit	89	89	39	39
Total Facilities Amount	**31,358**	**31,339**	**31,308**	**31,289**
Amount of Facility Unused	2,083	2,093	2,033	2,047

Security over the CBA loan facility comprises:

- A guarantee unlimited as to the amount by HRV Management Limited supported by a registered company charge by HRV Management Limited; and
- A registered mortgage by Harness Racing Victoria over commercial property situated at Melton (Lot 2 Ferris Road, Melton South, Victoria and Lot 1 92-134 Abey Road, Melton South, Victoria).

14. Non Interest Bearing Liabilities

Current				
Tabcorp interest free loan	499	-	-	-
Gaming machine entitlements	361	-	-	-
	860	**-**	**-**	**-**
Non-Current				
Tabcorp interest free loan	-	464	-	-
Gaming machine entitlements	1,543			
	1,543	**464**	**-**	**-**
Total Non Interest Bearing Liabilities	**2,403**	**464**	**-**	**-**

(a) Maturity analysis of non interest bearing liabilities
Please refer to tables 27.3a and 27.3b in Note 27 for the ageing analysis of non interest bearing liabilities.

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

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

15. Prepaid Income

	Consolidated Entity		Parent Entity	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Current				
Tabcorp Melton sponsorship	351	151	351	151
Tabcorp Harness Racing sponsorship agreement	34	272	34	272
Other revenue invoiced in advance	84	142	24	55
	469	**565**	**409**	**478**
Non-Current				
Tabcorp Melton Sponsorship*	1,159	1,509	1,159	1,509
Tabcorp Harness Racing sponsorship agreement	-	34	-	34
	1,159	**1,543**	**1,159**	**1,543**
Total Prepaid Income	**1,628**	**2,108**	**1,568**	**2,021**

* In 2011 an additional $2,000,000 consisting of an amount repayable to Tabcorp in August 2012 was disclosed as prepaid income. In the 2012 financial statements this has been reclassified as a payable. Refer to Note 11.

16. Other Liabilities

Current				
Vicbred fees received in advance	164	215	164	215
Breeders Crown fees received in advance	1,582	1,489	1,582	1,489
Other	74	59	61	46
	1,820	**1,763**	**1,807**	**1,750**
Non-Current				
Vicbred fees received in advance	213	192	213	192
Breeders Crown fees received in advance	2,161	2,056	2,161	2,056
Other	11	-	11	-
	2,385	**2,248**	**2,385**	**2,248**
Total Other Liabilities	**4,205**	**4,011**	**4,192**	**3,998**

17. Contributed Capital

Contributed capital	9,174	9,174	9,174	9,174
	9,174	**9,174**	**9,174**	**9,174**

18. Reserves

Asset Revaluation Reserve				
Balance at beginning of financial year	15,333	3,371	15,333	3,371
Increment on valuation of freehold land	-	11,707	-	11,707
Increment on valuation of building	-	255	-	255
Balance at end of financial year	**15,333**	**15,333**	**15,333**	**15,333**

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

19. Accumulated Surplus

Accumulated surplus at the beginning of the financial year	1,090	990	2,874	2,526
Net result	(6,631)	100	(6,610)	348
Accumulated Surplus / (Losses) at the end of the financial year	**(5,541)**	**1,090**	**(3,736)**	**2,874**

20. Development Fund

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

During the year ended 30 June 2012 expenditure on the following projects was incurred. No comparative for 2011 is shown due to the nature of the program. Each year the projects receiving funding change, therefore making any comparative not applicable.

		2012 $'000
Ballarat	Mobile Barrier Contribution	24
	Track Upgrade	219
Bendigo	DVN Installation	24
	Maximum Demand Tariff 2011/12	57
	Track Re-Lamping, Dimming, Provideo Cabling & Active Reactors	32
Cobram	Water Truck	42
Colac	Track Resurfacing	1
Cranbourne	Grader	24
	Training Centre	1,006
Croydon	Track Resurfacing	2
Geelong	Maximum Demand Tariff 2011/12	49
Kilmore	Mobile Barrier	32
Kyabram	Track Resurfacing	1
Maryborough	Mobile Barrier	32
	Upgrade Cooling in Dining Room	26
Moonee Valley	Removal of Fencing and Towers	4
Shepparton	Mobile Barrier	14
	Viewing Deck	14
Swan Hill	Track & Lighting	2,330
Terang	Water System	13
HRV	6 Country Club Re-openings	352
	Asbestos Removal	9
	Bendigo HR Training Centre - Tabcorp Park	(9)
	Development Fund Expenses	84
	RASL Research & Equipment	147
	Track Maintenance Program	163
	Track Maintenance Supervisor	45
Total Development Fund Expenses		**4,737**

21. Responsible Persons

Responsible persons in accordance with Financial Reporting Direction 21 of the Financial Management Act 1994, during the reporting period were:

Responsible Minister:

The The Hon. Dr Denis Napthine, MP Minister for Racing. The remuneration of the Minister is disclosed in the annual report of the Department of Premier and Cabinet.

Governing Board:

Ken Latta PSM (Board Chairman)
Richard Brice (Appointed 22/09/11 & Resigned 23/02/12)
Paul Horvath
Geoffrey Kay
Stephen Nash
Kate Roffey
Neale Wheat

Accountable Officer:

John Anderson - Chief Executive

The following persons were directors of the subsidiaries:

John Anderson
Ian Delmenico (Appointed 17/02/12)
Craig Gardner (Appointed 25/08/11)
Shane Gloury (Appointed 19/03/12)
Paul Horvath
Geoffrey Kay
Richard Brice (Appointed 26/10/11 & Resigned 23/02/12)
Ken Latta PSM
Dougall McBurnie
Stephen Nash
Kate Roffey
Cesare Tizi
Neale Wheat

Remuneration

Remuneration received and receivable by responsible persons, excluding the Minister, in connection with the management of the Group and HRV are shown below in their relevant income bands. Their total remuneration during the reporting period is shown in the first two columns and the base remuneration is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

	Total Remuneration		Base Remuneration	
Parent entity	**2012**	**2011**	**2012**	**2011**
Income Band	**No.**	**No.**	**No.**	**No.**
$0 - $9,999	1	1	1	1
$10,000 - $19,999	5	6	5	6
$40,000 - $49,999	1	1	1	1
$220,000 - $229,999	-	-	-	1
$230,000 - $239,999	-	1	-	-
$260,000 - $269,999	-	-	1	-
$270,000 - $279,999	1	-	-	-
Total Numbers	**8**	**9**	**8**	**9**
	$'000	**$'000**	**$'000**	**$'000**
Total Remuneration Received or due and receivable by all responsible persons was:	429	399	416	387

Note 21 Responsible Persons (Continued)

	Total Remuneration		Base Remuneration	
Consolidated Entity	**2012**	**2011**	**2012**	**2011**
Income Range	**No.**	**No.**	**No.**	**No.**
$0 - $9,999	4	2	4	2
$10,000 - $19,999	5	7	5	7
$20,000 - $29,999	1	1	1	1
$40,000 - $49,999	1	1	1	1
$220,000 - $229,999	-	-	-	1
$230,000 - $239,999	-	1	-	-
$260,000 - $269,999	-	-	1	-
$270,000 - $279,999	1	-	-	-
Total Numbers	**12**	**12**	**12**	**12**
	$'000	**$'000**	**$'000**	**$'000**
Total Remuneration Received or due and receivable by all responsible persons was:	465	432	452	420

22. Executive Officers Remuneration

The number of executive officers, other than ministers and Responsible Persons, and their total remuneration during the reporting period exceeding $100,000 are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

	Total Remuneration		Base Remuneration	
Parent Entity	**2012**	**2011**	**2012**	**2011**
Income Range	**No.**	**No.**	**No.**	**No.**
$120,000 - $129,999	1	-	1	-
$130,000 - $139,999	1	-	1	-
$140,000 - $149,999	-	2	-	2
$150,000 - $159,999	2	3	2	3
$160,000 - $169,999	-	-	1	-
$170,000 - $179,999	1	-	-	-
Total number of executives	**5**	**5**	**5**	**5**
Total annualised employee equivalent	**4.9**	**5.0**	**4.9**	**5.0**
	$'000	**$'000**	**$'000**	**$'000**
Total Remuneration for the reporting period of executive officers included above amount to:	751	756	738	756

Note 22 Executive Officers Remuneration (Continued)

	Total Remuneration		Base Remuneration	
Consolidated Entity	**2012**	**2011**	**2012**	**2011**
Income Range	**No.**	**No.**	**No.**	**No.**
$120,000 - $129,999	1	-	1	-
$130,000 - $139,999	1	1	1	1
$140,000 - $149,999	1	2	1	2
$150,000 - $159,999	2	3	2	3
$160,000 - $169,999	-	-	1	-
$170,000 - $179,999	1	-	-	-
Total number of executives	**6**	**6**	**6**	**6**
Total annualised employee equivalent	**5.9**	**6.0**	**5.9**	**6.0**
	$'000	**$'000**	**$'000**	**$'000**
Total Remuneration for the reporting period of executive officers included above amount to:	894	895	881	895

23. Related Party Transactions

(a) Parent Entity
The Parent entity within the Group is Harness Racing Victoria

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

	Consolidated Entity		Parent Entity	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Transactions:				
RISE IT & other charges to HRV	-	-	299	266
Rental charges	-	-	1,093	1,061
Goods and services received from Melton Entertainment Trust	-	-	414	436
Management charges/expense recoveries from/to subsidiaries	-	-	1,002	1,127
Finance charges on loans	-	-	44	44
Balances:				
Other Financial Assets	-	-	650	650
Receivables	-	-	1,332	901
Payables	-	-	968	753

Note 23 Related Party Transactions (Continued)

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad and doubtful debts due from related parties.

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

(c) Key Management Personnel information

Refer to Notes 21 and Note 22 for further information.

(d) Other related parties transactions

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

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

(iii) Shane Gloury (Chief Commercial Officer) is a director of Racing Products Victoria Pty. Ltd. This company is an industry body and is not personal or family related.

(iv) On 15 March 1994, the Victorian Racing Industry entered into a Memorandum of Understanding to create an unincorporated joint venture with Tabcorp Holdings Limited. The unincorporated joint venture conducts the businesses of Wagering, Gaming, approved betting compositions and Keno, 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 25% of the joint venture profit and must contribute 25% 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 Product Supply Agreement, in return for fees.

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

24. Superannuation Arrangements

All schemes are controlled by outside parties. HRV has no outstanding loans from any of the named schemes and all contributions are 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 1/1/95 - State Superannuation Fund (New Scheme) – Defined Benefit Scheme
- Permanent employees after 1/1/95 - VicSuper Pty Ltd or choice of funds – Defined Contribution Scheme

(b) Contributions

State Superannuation Fund contributions are based on the schemes' policies and are dependent upon the election of the staff member. Employer contributions range from 7.4% to 10.3%. The Victorian Superannuation Fund contributions are based on the Commonwealth Government Superannuation Guarantee and Board directives.

Note 24 Superannuation Arrangements (Continued)

	Consolidated Entity		Parent Entity	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
(c) Contributions made during the financial year:				
State Superannuation Fund				
Employee	19	24	19	24
Employer	39	46	39	46
Victorian Superannuation Fund				
Employee	81	92	81	92
Employer	334	315	281	270
Host Plus Superannuation Fund				
Employee	1	-	-	-
Employer	188	169	21	-
Various Other Funds as nominated by the employee				
Employee	111	59	103	50
Employer	233	275	149	185
Total Contributions				
Employee	212	175	203	166
Employer	794	805	490	501

25. Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

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:

Deposits at call	1,387	1,466	876	1,111
Cash assets on hand	288	256	3	4
Closing cash and cash equivalents balance	**1,675**	**1,722**	**879**	**1,115**

Note 25 Cash Flow Statement (Continued)

	Consolidated Entity		Parent Entity	
	2012	2011	2012	2011
(b) Reconciliation of the net result for the year to the net cash from operating activities	$'000	$'000	$'000	$'000
Net Result for the Year	(6,631)	100	(6,610)	348
Add/(deduct) non cash items:				
Depreciation /amortisation of non-current assets	2,589	2,487	2,509	2,407
Revaluation of non-current assets	-	101	-	101
Carrying amount of property, plant and equipment sold	(7)	21	(7)	21
Other non cash items	1,810	46	1,771	16
Change in assets and liabilities:				
(Increase)/Decrease in receivables	(1,452)	5,113	(2,241)	3,832
Decrease in other current assets	41	444	34	462
Increase/(Decrease) in accounts payable & other liabilities	3,987	(5,570)	4,680	(4,292)
Increase/(Decrease) in provisions	(51)	305	(75)	241
Net cash provided by operating activities	**286**	**3,047**	**61**	**3,136**

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

26. Leases

Disclosure as Lessee - Operating Leases

Operating leases relate to the following items:

- a lease for the ground floor at 740 Mount Alexander Road, Moonee Ponds (to 30 June 2022).
- a motor vehicle fleet with lease terms ranging between 1 and 5 years.
- office equipment with lease terms ranging between 1 and 5 years.

Non-cancellable operating leases				
Not longer than one year	770	779	770	779
Longer than 1 year and not longer than 5 years	3,598	3,059	3,598	3,059
Longer than 5 years	2,748	2,486	2,748	2,486
	7,116	**6,324**	**7,116**	**6,324**

Sub-leasing:

On 3 July 2007 HRV entered into an agreement with the Victorian Harness Racing Sports Club to receive annual lease payments of $448,500 (for 6 years expiring 2 July 2013 with annual increases of 3.5% per annum).

Disclosure as a Lessor - Operating Leases

Operating lease relates to the Melton Racetrack and Entertainment Complex owned by HRV, which is leased to the Melton Entertainment Trust. The lease term is for a period of 4 years expiring in March 2013 with annual increases of 3% per annum. In addition there are three further options to extend this lease term each for five years duration.

Disclosure as Lessor

Non-cancellable operating leases				
Not longer than one year	-	-	743	1,093
Longer than 1 year and not longer than 5 years	-	-	-	743
	-	**-**	**743**	**1,836**

27. Financial instruments

(a) Significant accounting policies

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

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

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

(b) Table 27.1: Categorisation of financial instruments

			Consolidated Entity		Parent Entity	
	Note	Category	2012	2011	2012	2011
Financial assets			*Carrying amount ($ thousand)*			
Cash and cash equivalents	25a	N/A	1,675	1,722	879	1,115
Receivables (a)	4	Loans and receivables (at amortised cost)	4,111	4,075	5,118	4,701
Other financial assets - loans	5	Loans and receivables (at amortised cost)	117	150	767	800
Investments (c)	9	Available for sale	1,082	1,082	1,950	1,950
Financial liabilities						
Payables (b)	11	Financial liabilities measured at amortised cost	12,871	8,203	13,177	8,239
Interest bearing liabilities	13	Financial liabilities measured at amortised cost	29,100	29,100	29,100	29,100
Non Interest bearing liabilities	14	Financial liabilities measured at amortised cost	2,403	464	-	-

Note:

(a) The amount of receivables disclosed here exclude statutory amounts (e.g. GST input tax credit recoverable).
(b) The amount of payables disclosed here exclude statutory amounts (e.g. GST payables).
(c) Investments in subsidiaries are recorded cost, less impairment.

(c) Credit risk

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

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

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

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

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

Note 27 Financial instruments (Continued)

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

		($ thousand)		
		Financial institutions	*Other*	*Total*
2012	**Note**			
Contractual financial assets				
Current Assets:				
Cash and cash equivalents	25a	1,387	288	1,675
Receivables	4	-	4,111	4,111
Other financial assets - loans	5	-	117	117
Investments	9	-	1,082	1,082
Total contractual financial assets		**1,387**	**5,598**	**6,985**
2011				
Current Assets:				
Cash and cash equivalents	25a	1,466	256	1,722
Receivables	4	-	4,075	4,075
Other financial assets - loans	5	-	150	150
Investments	9	-	1,082	1,082
Total contractual financial assets		**1,466**	**5,563**	**7,029**

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

		($ thousand)		
		Financial institutions	*Other*	*Total*
2012	**Note**			
Contractual financial assets				
Current Assets:				
Cash and cash equivalents	25a	875	4	879
Receivables	4	-	5,118	5,118
Other financial assets - loans	5	-	767	767
Investments	9	-	1,950	1,950
Total contractual financial assets		**875**	**7,839**	**8,714**
2011				
Current Assets:				
Cash and cash equivalents	25a	1,112	3	1,115
Receivables	4	-	4,701	4,701
Other financial assets - loans	5	-	800	800
Investments	9	-	1,950	1,950
Total contractual financial assets		**1,112**	**7,454**	**8,566**

Note 27 Financial instruments (Continued)

Contractual financial assets that are either past due or impaired

A provision for impairment has been raised against Accrued Racefields Fees income from Sportsbet. Refer Note 30 for further details. 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. The following table discloses the ageing only of financial assets that are past due but not impaired:

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

($ thousand)

	Weighted average effective interest rate	Carrying amount	Interest rate exposure			Not past due and not impaired	Past due but not impaired				Impaired financial assets
2012	%		Fixed interest rate	Variable interest rate	Non-interest bearing		31-60 Days	61-90 Days	91-120 Days	>121 Days	
Cash and cash equivalents	1.6%	1,675	-	1,387	288	1,675	-	-	-	-	-
Receivables:											
Trade debtors	-	1,791	-	-	1,791	1,006	560	127	86	12	-
Tabcorp distribution	-	1,196	-	-	1,196	1,196	-	-	-	-	-
Accrued income	-	1,051	-	-	1,051	1,051	-	-	-	-	-
Other receivables	-	73	-	-	73	73	-	-	-	-	-
Other financial assets:											
Loans	0.1%	117	16	-	101	117	-	-	-	-	-
Investements:											
Investment in 3UZ	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**6,985**	**16**	**1,387**	**5,582**	**6,200**	**560**	**127**	**86**	**12**	**-**
2011											
Cash and cash equivalents	2.8%	1,722		1,466	256	1,722					
Receivables:											
Trade debtors	-	1,489	-	-	1,489	952	131	16	5	385	-
Tabcorp distribution	-	374	-	-	374	374	-	-	-	-	-
Accrued income	-	2,173	-	-	2,173	2,173	-	-	-	-	-
Other receivables	-	39	-	-	39	39	-	-	-	-	-
Other financial assets:											
Loans	0.1%	150	23	-	127	150	-	-	-	-	-
Investements:											
Investment in 3UZ	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**7,029**	**23**	**1,466**	**5,540**	**6,492**	**131**	**16**	**5**	**385**	**-**

Note 27 Financial instruments (Continued)

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

($ thousand)

2012	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	
Cash and cash equivalents	1.8%	879	-	876	3	879	-	-	-	-	-
Receivables:											
Trade Debtors	-	1,613	-	-	1,613	920	517	126	39	11	-
Tabcorp Distribution	-	1,196	-	-	1,196	1,196	-	-	-	-	-
Accrued Income	-	977	-	-	977	977	-	-	-	-	-
Intercompany Debtors	-	1,332	-	-	1,332	15	2	3	3	1,309	-
Other financial assets:											
Loans	5.9%	767	666	-	101	767	-	-	-	-	-
Investments:											
Investment in subsidiaries	-	868	-	-	868	868	-	-	-	-	-
Investment in 3UZ	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**8,714**	**666**	**876**	**7,172**	**6,704**	**519**	**129**	**42**	**1,320**	-
2011											
Cash and cash equivalents	3.2%	1,115	-	1,111	4	1,115	-	-	-	-	-
Receivables:											
Trade Debtors	-	1,311	-	-	1,311	891	59	8	3	350	-
Tabcorp Distribution	-	374	-	-	374	374	-	-	-	-	-
Accrued Income	-	2,066	-	-	2,066	2,066	-	-	-	-	-
Intercompany Debtors	-	950	-	-	950	207	207	131	130	275	-
Other financial assets:											
Loans	5.7%	800	673	-	127	800	-	-	-	-	-
Investments:											
Investment in subsidiaries	-	868	-	-	868	868	-	-	-	-	-
Investment in 3UZ	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**8,566**	**673**	**1,111**	**6,782**	**7,403**	**266**	**139**	**133**	**625**	**-**

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

(d) Liquidity risk

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

The Group has reduced its exposure to liquidity risk in 2012/13 by budgeting for cost savings to be delivered, the waiver and deferral of payables to Tabcorp under a Heads of Agreement signed subsequent to year end, the extension of an overdraft facility and new gaming arrangements which commenced in August 2012 which will result in the Group retaining an increased percentage of gaming profits from Tabcorp Park. If necessary, the Group also has the capacity to reduce expenditure in the form of stake-money to manage its liquidity. On this basis the directors believe that the Group will be able to manage its liquidity risk and meet its debts as and when they fall due.

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

Note 27 Financial instruments (Continued)

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

($ thousand)

	Weighted average effective interest rate	Carrying amount	Interest rate exposure			Nominal Amount	Maturity dates [a]			
2012	%		Fixed interest rate	Variable interest rate	Non-interest bearing		Less than 1 month	1-3 Months	3 months - 1 year	1-5 years
Payables:										
Trade creditors	-	3,634	-	-	3,634	3,634	2,700	818	116	-
Other payables	-	9,237	-	-	9,237	9,237	7,237	2,000	-	-
Interest bearing liabilities:										
Secured - CBA overdraw	15.99%	-	-	-	-	-	-	-	-	-
Secured - CBA loan facility*	7.66%	29,100	19,667	9,433	-	29,100	-	-	-	29,100
Non Interest bearing liabilities:										
Unsecured - interest free loan	-	499	-	-	499	499	-	499	-	-
Gaming machine entitlements	-	1,904	-	-	1,904	1,904	-	88	273	1,543
Total		**44,374**	**19,667**	**9,433**	**15,274**	**44,374**	**9,937**	**3,405**	**389**	**30,643**
2011										
Payables:										
Trade creditors	-	2,026	-	-	2,026	2,026	1,973	21	32	-
Other payables	-	6,177	-	-	6,177	6,177	4,177	-	-	2,000
Interest bearing liabilities:										
Secured - CBA overdraw	15.99%	-	-	-	-	-	-	-	-	-
Secured - CBA loan facility	8.13%	29,100	19,957	9,143	-	29,100	-	-	-	29,100
Non Interest bearing liabilities:										
Unsecured - Interest Free Loan	-	464	-	-	464	464	-	-	-	464
Total		**37,767**	**19,957**	**9,143**	**8,667**	**37,767**	**6,150**	**21**	**32**	**31,564**

Note:

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

Note 27 Financial instruments (Continued)

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

($ thousand)

2012	Weighted average effective interest rate %	Carrying amount	Interest rate exposure: Fixed interest rate	Variable interest rate	Non-interest bearing	Nominal Amount	Maturity dates (a): Less than 1 month	1-3 Months	3 months - 1 year	1-5 years
Payables:										
Trade creditors	-	3,417	-	-	3,417	3,417	2,525	814	78	-
Intercompany payables	-	895	-	-	895	895	137	251	505	2
Other payables	-	8,865	-	-	8,865	8,865	6,865	2,000	-	-
Interest bearing liabilities:										
Secured - CBA overdraw	15.99%	-	-	-	-	-	-	-	-	-
Secured - CBA loan facility*	7.66%	29,100	19,667	9,433	-	29,100	-	-	-	29,100
		42,277	**19,667**	**9,433**	**13,177**	**42,277**	**9,527**	**3,065**	**583**	**29,102**
2011										
Payables:										
Trade creditors	-	1,751	-	-	1,751	1,751	1,749	-	2	-
Intercompany payables	-	690	-	-	690	690	159	112	419	-
Other payables	-	5,798	-	-	5,798	5,798	3,798	-	-	2,000
Interest bearing liabilities:										
Secured - CBA overdraw	15.99%	-	-	-	-	-	-	-	-	-
Secured - CBA loan facility	8.13%	29,100	19,957	9,143	-	29,100	-	-	-	29,100
		37,339	**19,957**	**9,143**	**8,239**	**37,339**	**5,706**	**112**	**421**	**31,100**

Note:

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

* HRV entered into a callable swap agreement with CBA during the year whereby $9.285m of the floating portion of the loan facility has been fixed at 3.60%. CBA have the right to terminate the swap after each 6 month interval. If the Swap is terminated, HRV will be unhedged for the remaining term of the facility and will be reverted back to the variable interest rate. Unless terminated by CBA this agreement extends to 30 June 2014.

(e) Market risk

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

Foreign currency risk

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

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

Interest rate risk

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

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to cash flow interest rate risk arises primarily through the Group's interest bearing liabilities. Minimisation of this risk is achieved by entering into a combination of fixed rate and capped variable interest bearing financial instruments. Derivative transactions are also entered into by the Group, principally callable swaps, the purpose being to manage interest rate risk arising from the Group's sources of finance. It has entered into a callable swap agreement to hedge underlying debt obligations and allow floating rate borrowings to be swapped to fixed rate borrowings.

Note 27 Financial instruments (Continued)

Equity price risk

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

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

Sensitivity disclosure analysis

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

* A parallel shift of +1 per cent and -1 per cent in market interest rates (AUD) from year-end rates;

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

Table 27.4a: The Group market risk exposure

		($ thousand)							
		Foreign exchange risk				Interest rate risk			
		-5%		5%		-1% (100 basis points)		1% (100 basis points)	
	Carrying amount	*Net Result*	*Equity*	*Net Result*	*Equity*	*Net Result*	*Equity*	*Net Result*	*Equity*
2012									
Contractual financial assets:									
Cash and cash equivalents (a)	1,675	7	7	(7)	(7)	(14)	(14)	14	14
Receivables	4,111	-	-	-	-	-	-	-	-
Other financial assets	117	-	-	-	-	-	-	-	-
Investments	1,082	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	12,871	-	-	-	-	-	-	-	-
Interest bearing liabilities	29,100	-	-	-	-	94	94	(94)	(94)
Non interest bearing liabilities	2,403	-	-	-	-	-	-	-	-
Total impact		**7**	**7**	**(7)**	**(7)**	**80**	**80**	**(80)**	**(80)**
2011									
Contractual financial assets:									
Cash and cash equivalents (a)	1,722	4	4	(4)	(4)	(14)	(14)	14	14
Receivables	4,075	-	-	-	-	-	-	-	-
Other financial assets	150	-	-	-	-	-	-	-	-
Investments	1,082	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	8,203	-	-	-	-	-	-	-	-
Interest bearing liabilities	29,100	-	-	-	-	91	91	(91)	(91)
Non Interest bearing liabilities	464	-	-	-	-	-	-	-	-
Total impact		**4**	**4**	**(4)**	**(4)**	**77**	**77**	**(77)**	**(77)**

Note 27 Financial instruments (Continued)

Table 27.4b: The Parent market risk exposure

		($ thousand)							
		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*
2012									
Contractual financial assets:									
Cash and cash equivalents	879	7	7	(7)	(7)	(8)	(8)	8	8
Receivables	5,118	-	-	-	-	-	-	-	-
Other financial assets	767	-	-	-	-	-	-	-	-
Investments	1,950	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	13,177	-	-	-	-	-	-	-	-
Interest bearing liabilities	29,100	-	-	-	-	94	94	(94)	(94)
Total increase/(decrease)		**7**	**7**	**(7)**	**(7)**	**86**	**86**	**(86)**	**(86)**
2011									
Contractual financial assets:									
Cash and cash equivalents	1,115	4	4	(4)	(4)	(11)	(11)	11	11
Receivables	4,701	-	-	-	-	-	-	-	-
Other financial assets	800	-	-	-	-	-	-	-	-
Investments	1,950	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	8,239	-	-	-	-	-	-	-	-
Interest bearing liabilities	29,100	-	-	-	-	91	91	(91)	(91)
Total increase/(decrease)		**4**	**4**	**(4)**	**(4)**	**80**	**80**	**(80)**	**(80)**

Note:

(a) Cash and cash equivalents includes AUD$135,945 in cash held in a New Zealand bank account (NZD$173,665 @NZD/AUD 0.7828 at 30 June 2012).

(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.

Note 27 Financial instruments (Continued)

Fair value estimates recognised in respect of financial instruments in the balance sheet are all estimated and categorised as Level 1, with the exception of the investments in 3UZ. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

Table 27.5a: The Group

	2012 $'000				2011 $'000			
Financial assets:	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Other financial assets - units in Radio 3UZ Unit Trust	-	1,082	-	1,082	-	1,082	-	1,082
	-	**1,082**	**-**	**1,082**	**-**	**1,082**	**-**	**1,082**

Table 27.5b: The Parent entity

Financial assets:	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Other financial assets - units in Radio 3UZ Unit Trust	-	1,082	-	1,082	-	1,082	-	1,082
	-	**1,082**	**-**	**1,082**	**-**	**1,082**	**-**	**1,082**

Transfer between categories

There were no transfers between Level 1, 2 and 3 during the year.

28. Contingent Assets and Liabilities

Contingent Liabilities

Racefields Fees:

Harness Racing Victoria (HRV) has been directly involved in legal proceedings as respondent to a claim by Sportsbet Pty Ltd (Sportsbet) filed with the Federal Court of Australia on 15 May 2009 effectively challenging HRV's right to charge a Racefields Fee.

A decision was handed down by the Federal Court in this matter subsequent to year end on Tuesday 21 August 2012. Refer to Note 30 for further details. The Federal Court held that the Racefields Fee charged by HRV to Sportsbet was incorrectly levied on the basis that it was discriminatory to Sportsbet. HRV has resolved to lodge an appeal against this decision, and this appeal is likely to be heard by the Full Court of the Federal Court within the next 12 months.

In the event that the appeal is unsuccessful, HRV may be ordered to pay legal costs to Sportsbet which if any cannot be quantified at the current point in time.

Subsequent to the decision being handed down by the Federal Court, HRV has received a letter of demand from another corporate bookmaker seeking a full refund of all Racefield fees paid to HRV since 2009. It is possible that other wagering service providers could take similar action.

HRV is of the view that any claim or potential claim by other wagering service providers should be limited under the Limitations of Actions Act and that only fees paid for 12 months prior to an action commencing can be claimed in such an action. There may also be other grounds under which such claims may be limited.

Developments arising from this case are likely to be determined only at such point in time as the Sportsbet Appeal is finalised. HRV cannot quantify the likely impact of these developments, if any, as there is still significant uncertainty around this matter.

HRV believes that its maximum potential liability in the worst case scenario will be limited to refunding Racefield fees to challenging wagering service providers for a period of 12 months prior to the commencement of such an action. For the year ended 30 June 2012, HRV received a total of $4.2m in Racefield fees from wagering service providers other than Sportsbet.

Letter of Comfort - Melton Entertainment Trust:

On 27 July 2012, 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 2013. As at balance date HRV is comfortable that the performance of the Trust will be sufficient for it to meet its external obligations in its own right.

Bank Guarantee:

On 1 August 2012, HRV provided a bank guarantee to United MP Pty Ltd. The bank guarantee for $168,854 relates to an operating lease of the ground floor at 740 Mount Alexander Road and covers rental for a three month period. The guarantee expires on 31 July 2013.

Contingent Assets

Racefields Fees:

Should HRV be successful in appealing the Sportsbet decision, there is a total of $1,713,211 in Racefields Fees up until 30 June 2012 that will be owing to HRV by Sports-bet. There is also the possibility of HRV recovering legal fees incurred in defending this matter should HRV be successful on appeal. Refer to Note 30 for further details.

29. Commitments for Expenditure

	Consolidated Entity		Parent Entity	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Other Expenditure Commitments				
Moonee Valley (Make Good and Early Exit Fee)				
Payable:				
Not longer than one year	660	550	660	550
Longer than 1 year and not longer than 5 years	-	660	-	660
	660	**1,210**	**660**	**1,210**
Tabcorp Gaming Solutions Service Agreement (a)				
Payable:				
Not longer than one year	897	-	-	-
Longer than 1 year and not longer than 5 years	4,409	5,306	-	-
Longer than 5 years	6,465	6,464	-	-
	11,771	**11,770**	**-**	**-**
Development Fund (Swan Hill Track and Lighting project)				
Payable:				
Not longer than one year	1,092	-	1,092	-
	1,092	**-**	**1,092**	**-**
Total Other Expenditure Commitments (inclusive of GST)	**13,523**	**12,980**	**1,752**	**1,210**
Total Commitments for Expenditure (inclusive of GST)	**13,523**	**12,980**	**1,752**	**1,210**
Less GST recoverable from the Australian Taxation Office	(1,229)	(1,180)	(159)	(110)
Total Capital Expenditure Commitments (exclusive of GST)	**12,294**	**11,800**	**1,593**	**1,100**

(a) On commencement of the new gaming arrangements in 2012, the infrastructure, services and functions currently supplied by Tabcorp become the responsibility of the gaming venues. The ten year agreement entered into is an all encompassing offering covering a range of services for a daily fee per machine.

Freehold Land

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

30. Subsequent Events

Federal Court Decision in Sportsbet case

Harness Racing Victoria (HRV) has been directly involved in legal proceedings as respondent to a claim by Sportsbet Pty Ltd (Sportsbet) filed with the Federal Court of Australia on 15 May 2009 effectively challenging HRV's right to charge Sportsbet a Racefields fee.

This matter was heard by the Federal Court in 2011 and a decision handed down by that Court on Tuesday 21 August 2012. The Court determined that Victorian Racefields Legislation was valid and that HRV was entitled to charge wagering service providers a fee based on turnover. However, the Court held that the Racefields Fee charged to Sportsbet was incorrectly levied on the basis that it was discriminatory to Sportsbet.

The Board of Harness Racing Victoria has resolved to appeal this decision to the Full Court of the Federal Court of Australia and, believes that it has reasonable prospects of overturning this decision on appeal. An Appeal is likely to be heard within the next 12 months.

On the basis that HRV believes that it is entitled to charge a fee and notwithstanding the legal proceedings, HRV had previously accrued and recognised as revenue $1,713,211 in fees that it expected to receive from Sportsbet up until 30 June 2012.

While HRV believes that it has reasonable prospects of overturning the decision on appeal, HRV has decided to adopt a very conservative approach in these financial statements and raise an impairment provision against the full amount of these accrued Racefields fees as a result of the decision of the Federal Court (notwithstanding the Court confirming that HRV is entitled to charge a fee). This has the effect of increasing the loss result for the year ended 30 June 2012 by $1,713,211. Should HRV be successful on appeal, the provision for impairment loss will be subsequently reversed and legal costs incurred may be recovered by HRV.

Subsequent to the decision being handed down by the Federal Court, HRV has received a letter of demand from another corporate bookmaker seeking a full refund of all Racefield fees paid to HRV since 2009. It is possible that other wagering service providers could take similar action.

HRV is of the view that any claim or potential claim by other wagering service providers should be limited under the Limitations of Actions Act and that only fees paid for 12 months prior to an action commencing can be claimed in such an action. There may also be other grounds under which such claims may be limited.

HRV remains of the view as supported by the Federal Court decision that it is entitled to charge a Racefields fee and will resist any challenge from any wagering service provider seeking a refund of any fees previously paid.

Developments arising from this case are likely to be determined only at such point in time as the Sportsbet Appeal is finalised. HRV cannot quantify the likely impact of these developments, if any, as there is still significant uncertainty around this matter.

HRV believes that its maximum potential liability in the worst case scenario will be limited to refunding Racefield fees to challenging wagering service providers for a period of 12 months prior to the commencement of such an action. For the year ended 30 June 2012, HRV received a total of $4.2m in Racefield fees from wagering service providers other than Sportsbet.

Tabcorp Heads of Agreement

Subsequent to year end, HRV have signed a Heads of Agreement with Tabcorp for the waiver of a $2,000,000 naming rights sponsorship liability which was originally due and payable by HRV in August 2012 upon expiration of Tabcorp's Gaming Licence in Victoria. This amount of $2,000,000 has been brought to account by HRV as a Current Liability in the Balance Sheet at 30 June 2012. The agreement to waive this amount by Tabcorp subsequent to year end effectively means that HRV will not have to repay this amount.

Furthermore as part of the Heads of Agreement entered into with Tabcorp subsequent to year end, Tabcorp have agreed to a deferred settlement term on a racefields settlement liability of $4,900,000 owed by HRV to Tabcorp. At 30 June 2012, this amount of $4,900,000 has been recognised by HRV as a current liability in the Balance Sheet. As part of the Heads of Agreement signed subsequent to year end however, HRV will only be required to repay $500,000 of this liability in the 2012/13 year with the remaining $4,400,000 repayable over the following three years. This effectively transfers $4,400,000 in current liabilities at 30 June 2012 into non-current liabilities post balance date.

Approval of overdraft facility

The Department of Treasury and Finance and the ANZ Bank have both approved an overdraft facility for HRV in 2012/13 subsequent to balance date. A $4,000,000 overdraft facility has been approved for HRV for the period from 9 July 2012 through until 31 October 2012 and a $2,000,000 overdraft facility has been approved from 1 November 2012 through until 30 June 2013.

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
Racing Information Services Enterprises 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 and controls directorship of the company.

b) Control exists as HRV is the sole beneficiary of the trust.

ACCOUNTABLE OFFICER'S AND CHIEF FINANCE AND ACCOUNTING OFFICER'S DECLARATION

We certify that the attached financial statements for Harness Racing Victoria have been prepared in accordance with Standing Direction 4.2 of 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 notes forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2012 and financial position of Harness Racing Victoria at 30 June 2012.

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 September 2012.

Ken Latta PSM
CHAIRMAN

Neale Wheat, CA
BOARD MEMBER

John Anderson B.Ec CA Dip Ed.
CHIEF EXECUTIVE

Shane Gloury
CHIEF FINANCIAL OFFICER

Melbourne, September 28, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of Harness Racing Victoria

The Financial Report

The accompanying financial report for the year ended 30 June 2012 of Harness Racing Victoria which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance and accounting officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of Harness Racing Victoria are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Harness Racing Victoria as at 30 June 2012 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Harness Racing Victoria for the year ended 30 June 2012 included both in Harness Racing Victoria's annual report and on the website. The Board Members of Harness Racing Victoria are responsible for the integrity of Harness Racing Victoria's website. I have not been engaged to report on the integrity of Harness Racing Victoria's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
1 October 2012

for D D R Pearson
Auditor-General

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