HARNESS RACING VICTORIA 2013 ANNUAL REPORT

HARNESS RACING VICTORIA

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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 2012/13 financial year.

Financials

The financial performance of the HRV Group saw a consolidated result of a net profit of $2 million. This is a significant turnaround from a net loss of $6.6 million in the previous year.

Revenue for the year grew by 4.9% from $73.0m to $76.6m. Expenditure reduced from $79.6 million to $74.6 million.

The turnaround in the financial result in 2012/13 can be attributed to a number of factors:

i) A growth in wagering revenue
ii) The settlement of the Sportsbet Federal Court proceeding
iii) A restructure of the business, significantly reducing costs.

The Board's commitment to managing a sustainable business continues, with the 2013/14 budget conservatively forecasting profits at a similar level in 2013/14, including a proposed $2.5m increase in stakemoney for the year.

Federal Court Action

As reported in last year's Annual Report, HRV was involved in a Federal Court Action (Sportsbet v HRV), in respect of racefields fees payable to HRV for wagering on HRV's product.

I am pleased to report that the matter was settled on a confidential basis during the financial year, prior to HRV's appeal against the original decision being heard by the Full Bench of the Federal Court. The settlement was to the satisfaction of the HRV Board. It is also pleasing to note that all wagering service providers approved by HRV are now making a financial contribution for the benefit of the industry in accordance with HRV's Racefield Fee Policy.

Recap of the Racing Year

i) Racing Calendar

During the year HRV conducted 453 race meetings at 26 tracks. This was a reduction of 44 meetings, down from 497 conducted in the previous financial year. The reduction in meetings was part of the cost restructure referred to above, however the cost saving associated with conducting less meetings, did not impact on revenue as additional races were scheduled in the Friday night and Saturday night timeslots. In 2012/13 racing returned to Gunbower, St. Arnaud and Wedderburn, having returned in the previous year to Wangaratta, Boort and Ouyen.

ii) Feature Races

Once again, HRV conducted several quality events with the inaugural Great Southern Star a highlight.

- The Pryde's Easifeed Great Southern Star (GSS) was held in March 2013 for the first time, in conjunction with the Breed For Speed trotting series. It was an exceptional night, with the heats and Final, combined worth $350,000, being run on the same night. In a true staying test, New Zealander Vulcan won his heat and the Final, a credit to perennial Kiwi raiders trainer Tim Butt and driver Anthony Butt. The Board has announced the GSS will increase to $400,000 in March 2014.
- The 2012 Breeders Crown was sponsored for the first time by American Stud Blue Chip Farms, which was a great endorsement for Australian breeding and racing. Once again, this was a fantastic race day with nine Group 1 races and stakemoney of $1.5m. The rivalry between Australia and New Zealand was once again to the fore. Victorian trained horses to win glory were Glenferrie Shuffle (2yo fillies), Blitzthemcalder (2yo trotters), Elegant Image (4yo trotters) and Caribbean Blaster (4yo entires & geldings). On Super Sunday, Australian trained horses reaped $830,000 in stakes, shading the Kiwis who took home $670,000. Victorian Andy Gath was the most successful trainer with two winners. The Breeders Crown Series overall distributed $2.4m in stakes.
- The $400,000 AG Hunter Cup, sponsored by Del Re National Food Group was again one of the best attended events for the year. For the fifth time the Cup was won by the trainer/driver Butt Brothers, Tim and Anthony with Mah Sish from New Zealand.
- The $400,000 SEW-Eurodrive Victoria Cup was won in sensational fashion by Breeders Crown champion Caribbean Blaster for trainer Andy Gath, with wife Kate in the sulky.
- The $200,000 VHRSC Victoria Derby was won by New Zealand three-year-old Ohoka Punter for trainer/driver Tony Herlihy.
- On the same night, Mister Zion became the first horse to win a Group 1 race as a pacer and a trotter when he won the Australasian Trotting Championship for trainer/driver Geoff Webster.
- For the first time, the Group 1 Finals for the Empire Stallions Vicbred Super Series were held over two nights in early July 2013. Although in the new financial year, the lead up races and semi-finals were held in the 2012/13 year. The new format was well received by the industry.

iii) Industry Awards

At the completion of the 2012/13 season, the Victorian Premierships and other major Awards went to:

- Metropolitan Driver - Greg Sugars
- Metropolitan Trainer - Glenn Douglas
- Victorian State Driver - Chris Alford
- Victorian State Trainer - Glenn Douglas
- Victorian Trotter of the Year - Blitzthemcalder
- Victorian Horse of the Year - Smoken Up
- Victorian Club of the Year - Bendigo HRC
- Gordon Rothacker Medal - Neville Welsh

iv) Industry Milestones

During the year there were several milestones recognised by

HRV:

- Gavin Lang drove his 5,000th winner, the first person to achieve the milestone in the Southern Hemisphere. He did it when he drove Takeiteasyonme to victory at Warragul (his birthplace 53 years earlier) on August 13, 2012;
- Greg Sugars drove his 1,500th winner at Maryborough behind Master Pip on June 13, 2013;
- Glenn Douglas trained his 1,500th winner, Jukebox Music, at Melton on January 4, 2013;
- Nathan Jack drove his 1,000th winner, El Paco, at Melton on December 14, 2012.

v) Vicbred Platinum

The HRV Board was grateful for the State Government's support for the Vicbred program, with the announcement of the new Vicbred Platinum series. The $3.4m scheme over four years, jointly funded by HRV and the State Government has proven immensely popular with breeders, owners and trainers in Victoria. The Country Series and the Platinum Mares Races attracted full fields and quality racing. Vicbred Platinum will deliver benefits to the Victorian industry over a long period of time.

Strategic Plan 2011-2015

HRV has now completed two years of its Strategic Plan. The Board has assessed the status of the actions in the Plan up to the end of the financial year.

Many of the actions in the Key Focus Areas have been achieved. In particular the KPI's around trotting are well on track with the establishment of the international Great Southern Star, the successful conduct of the inaugural all trotters yearling sale, and the new Need for Speed Group 1 futurity, the development of a Monte circuit and the increase from 17% to 21% of stakes directly attributed to trotting.

Enhancements to Vicbred are on track with the Plan and several other initiatives such as attracting a fair fee for our product from wagering operators is on target.

Nevertheless the Board will be meeting later this calendar year to update and refresh the existing Strategic Plan and this will be presented to yourself and the industry.

Size and Scope Study

During the year, the harness racing industry commissioned a study by professional firm IER into the size and scope of the industry nationally and by State.

The research found that the Victorian harness racing industry contributes $422m annually to the State's economy and that just under 4,000 full time equivalent jobs are created as a result of harness racing in Victoria.

Victoria's contribution to the economy is the highest of any State representing 35% of the national total.

Awards

i) HRV's major sponsor, owner and friend to the industry Rob Merola from SEW-Eurodrive was awarded Harness Racing Australia's highest honour during the year. The JP Stratton Award recognises individuals who have served the harness racing industry with distinction, shown leadership and demonstrated a high level of achievement. Rob is a worthy recipient.

ii) HRV's metropolitan venue at Tabcorp Park received two awards during the year:

- At the Melton Business Awards, Tabcorp Park was judged the Best Hospitality and Tourism Business; and
- The Choice Hotels group at their annual awards recognised Tabcorp Park with their Gold Award in the Quality Hotel category.

New Infrastructure

During 2012/13 HRV launched several projects which will have a positive bearing on the future of the sport of harness racing. We are very fortunate in Victoria to have racing facilities of a standard which is the envy of all other States, having invested heavily in infrastructure for over a decade, lately with the financial support of the Victorian Government via the Regional Racing Infrastructure Fund (RRIF) and the Victorian Racing Industry Fund (VRIF):

- In October 2012, the new track at Swan Hill was opened with the running of the 2012 Nyah Pacing Cup. This was an excellent night for harness racing with a massive crowd in attendance. It was the culmination of a $3.5m project, jointly funded by the Victorian Government and HRV. The Swan Hill track and venue will prove to be an asset for the industry for a long time;
- Just prior to the opening of Swan Hill, you were in attendance at the launch of the very impressive Cranbourne Training Complex. Another project jointly funded by the Victorian Government, HRV and the Cranbourne Harness Racing Club, the complex will be an asset to the industry in the south east and fits well within HRV's plan to develop similar facilities at strategic locations around the State;
- Finally, once again with the assistance of Victorian Government funding, a $620,000 upgrade of the Ballarat track was opened in March 2013, bringing Bray Raceway up to modern standards with regard to horse welfare and fairness of racing.

HRV in the Community

HRV was once again prominent this year in charity and community projects:

- Tabcorp Park was the venue for the local area Relay For Life charity event, where many of our staff participated in the 24 hour event. Over $80,000 was raised at Tabcorp Park for the Cancer Council;
- The annual Breed for Speed and Lyn McPherson Memorial charity race night (held in conjunction with the Great Southern Star) raised in excess of $70,000 toward the Women's Cancer Foundation – Ovarian Cancer Institute;
- HRV once again participated in Neurofibromatosis (NF) Awareness month in May in support of champion driver Chris Alford, whose daughter suffers from the disease. Tens of thousands of dollars were raised during the month, during which Chris wore the Children's Tumour Foundation colours on all his drives;
- In December 2012, as Chairman I presented a cheque for $50,000 to the City of Melton to be distributed to local community groups. A total of 12 groups received funds based on an application process, including the Melton Sudanese Community, Eynesbury Fire Brigade and Melton South Community Centre.

Board Appointments

During the year you made four new appointments to the HRV Board. We have welcomed Ian Delmenico, Elizabeth Clarke, Ken Latchford and Wendy Greiner to the Board since my last report.

I would like to record my thanks in particular to retiring Board members Kate Roffey and Stephen Nash. Kate and Stephen both served on the Board for a period of six years. During that time, HRV has developed its own home at Tabcorp Park Melton, which is a project that secures the future of the sport in this State, so their term will be seen as an important time in the history of HRV. Paul Horvath served one term of three years on the Board and Richard Brice also made a contribution during his brief time.

The Year Ahead

Having met the challenge of restoring HRV's bottom line to a positive position, the Board is budgeting for a similar result in 2013/14.

The Board has also been able to budget for a $2.5m rise in stakes during 2013/14, which has been well received by the industry. The stakes increases are being phased in two stages during the year. On an annualised basis the stakes rise represents a $4m increase.

The Board is also very conscious of the fact that the $29.1m loan for Tabcorp Park matures on 30 June 2014. Importantly the Board has received assurances for the Department of Treasury and Finance (DTF) that the loan will be rolled over from that date by Treasury Corporation Victoria (TCV), therefore not posing a going concern risk to HRV.

The HRV Board will continue to manage the business prudently to ensure returns to stakeholders can continue to be maximised, following a period of significant investment in capital which has limited stakes rises in recent times.

Appreciation

Despite many 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 which commenced a new license period in August 2012. Tabcorp and the racing industry are now in a 50/50 Joint Venture arrangement which secures funding for the next 10 years;
- 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 City 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, I would like to congratulate you on your elevation to Premier of Victoria and in doing so thank you for the role you play as Minister for Racing. I also thank your staff and the Office of Racing for the support provided to harness racing in Victoria.

Ken Latta PSM

Chairman

HISTORICAL FINANCIAL PERFORMANCE SUMMARY

		2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
HRV Racing Operations							
Wagering	Income	57,107	52,281	54,094	53,835	52,594	48,583
Capital Grants RRIF	Income	925	2,968	1,958	1,408	213	1,159
Stake Money	HRV Contributions	(32,467)	(33,445)	(32,982)	(32,572)	(32,487)	(32,289)
	Country Club Contributions	(1,167)	(1,071)	(1,007)	(1,128)	(1,092)	(1,084)
		(33,634)	**(34,516)**	**(33,989)**	**(33,700)**	**(33,579)**	**(33,373)**
Metropolitan Racing	Income	203	306	275	495	449	953
	Expenses	(2,462)	(2,703)	(2,841)	(3,093)	(3,470)	(3,695)
		(2,259)	**(2,397)**	**(2,566)**	**(2,597)**	**(3,021)**	**(2,742)**
Country Clubs	Income	1,619	1,633	1,575	1,725	1,584	1,505
	Expenses	(8,016)	(7,857)	(8,135)	(8,185)	(8,319)	(8,050)
		(6,397)	**(6,224)**	**(6,560)**	**(6,460)**	**(6,735)**	**(6,545)**
Futurities	Income	2,201	2,722	2,914	2,295	2,893	2,615
Racing	Income	2,084	1,918	2,149	1,583	1,475	1,277
	Expenses	(4,703)	(4,955)	(5,193)	(5,027)	(4,943)	(4,471)
		(2,619)	**(3,037)**	**(3,044)**	**(3,444)**	**(3,467)**	**(3,194)**
Commercial Operations	Income	1,442	1,634	1,747	1,848	1,365	2,225
	Expenses	(3,454)	(4,373)	(4,087)	(4,331)	(3,362)	(4,163)
		(2,012)	**(2,739)**	**(2,340)**	**(2,483)**	**(1,997)**	**(1,939)**
Product Development	Income	0	0	0	0	0	552
	Expenses	(562)	(678)	(493)	(502)	(556)	(304)
		(562)	**(678)**	**(493)**	**(502)**	**(556)**	**249**
Development Fund	Expenses	(2,950)	(4,861)	(1,318)	(1,528)	(2,034)	(2,017)
Administration	Income	1,174	2,504	3,468	2,304	3,389	2,803
	Expenses	(8,745)	(12,633)	(11,776)	(10,174)	(9,398)	(5,746)
		(7,571)	**(10,129)**	**(8,308)**	**(7,869)**	**(6,008)**	**(2,944)**
Non Racing Operations							
RISE IT Operations	Income	1,246	1,288	1,187	1,187	1,300	930
	Expenses	(1,150)	(1,275)	(1,189)	(1,258)	(1,243)	(1,024)
		96	**13**	**(2)**	**(71)**	**57**	**(94)**
Tabcorp Park	Income	11,298	8,629	8,251	8,032	1,798	0
	Expenses	(11,617)	(8,663)	(8,497)	(8,599)	(2,562)	0
		(319)	**(35)**	**(245)**	**(567)**	**(765)**	**0**
Eliminations	Income	(2,653)	(2,852)	(2,933)	(2,854)	(851)	(205)
	Expenses	2,653	2,852	2,933	2,854	851	205
	Sub-Total	**0**	**0**	**0**	**0**	**0**	**0**
TOTALS	Total Income	76,646	73,031	74,685	71,859	66,209	62,398
	Total Expenses	(74,640)	(79,662)	(74,585)	(73,543)	(68,615)	(62,639)
Profit/(Loss)		**2,006**	**(6,631)**	**100**	**(1,684)**	**(2,406)**	**(240)**

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 2013.

K Latta PSM
Chairman
30 August 2013

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 Financial Officer, Chief Executive Officer - 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 - Appointed 15/5/2007 and Resigned 31/5/2013
Kate Roffey - Appointed 2/10/2007 and Resigned 30/6/2013
Neale Wheat
Paul Horvath - Appointed 8/9/2009 and Resigned 7/9/2012
Geoffrey Kay
Elizabeth Clarke - Appointed 18/9/2012
Ian Delmenico - Appointed 18/9/2012
Ken Latchford - Appointed 1/6/2013

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.

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

Chief Executive Officer - Tabcorp Park - Shane Gloury
Shane heads up the Tabcorp Park operation and is responsible for the hospitality and non-racing operations at Tabcorp Park in Melton.

Chief Financial Officer - Damien Madden
Damien is responsible for all financial matters relating to the Harness Racing Victoria and associated entities.

Audit Committee

The Audit Committee consists of the following members:
John Stewart - Chairman- Independent resigned 26 October 2012.
David Logan - Appointed 27 July 2012 and accepted Chairman of Audit Committee 26 October 2012.
John Wilkinson - Appointed 26th October 2012.
Neale Wheat - Board Member

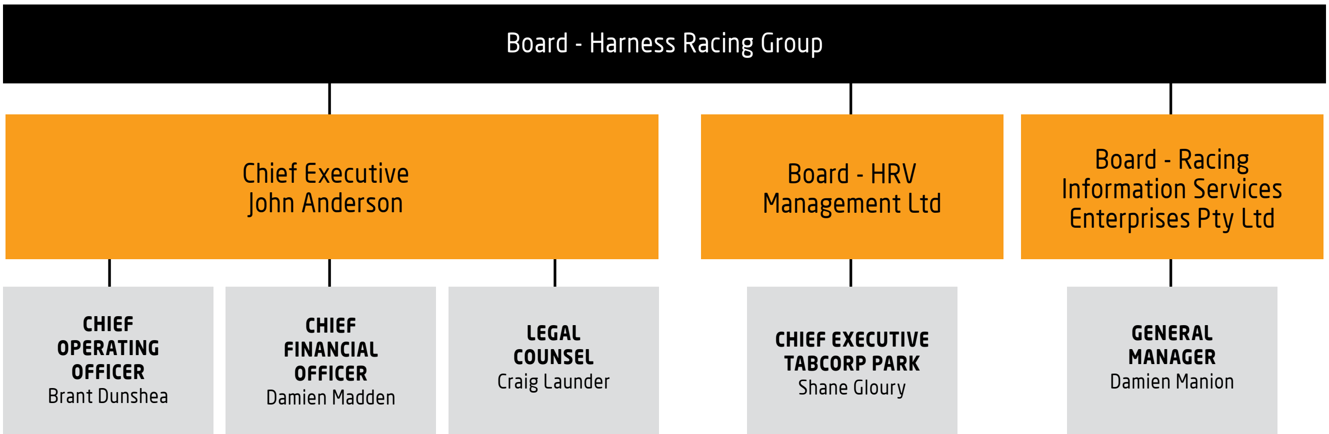
The main responsibilities of the Audit Committee are to:

- 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 his year was placed on reinforcing effective team behaviors with the assistance of external facilitators. All employees are encouraged to extend their professional skills with individual development needs identified as part of the performance management process. Employees also have access to study assistance designed to support ongoing professional development.

HRV has commenced a strategy of ongoing industry skill development for race day officials and has introduced an accredited training program for track attendants. This program supplements existing skill development initiatives for track maintenance personnel and Stewards. During the year, HRV launched a pilot training program, 'Business skills for Trainers', that focuses strengthening small business management skills amongst our Trainers. Club administrators participated in social media training aimed at up skilling knowledge and expertise across the Club network in relation to the use of technology and new media to promote individual Clubs and Club events.

HRV continues to assist Tabcorp Park by continuing with the development of their human resources policies and procedures with a particular focus over the year 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 2013 a profit result of $2.0 million was recorded. This result compares favourably to the prior year loss of $6.6 million. The improved result was primarily attributable to increased revenue from Tabcorp, reduced Development Fund Expenditure and control of other expenses throughout the year.

During 2012/13, HRV resolved a legal dispute regarding Racefields Fees with Sportsbet. The case vindicated the position of HRV to levy this fee and the parties agreed to a settlement. This resulted in the reversal of the full provision of $1,592,944. In 2012/13 revenue grew by $3.6 million from $73.0 million in 2011/12 to $76.6 million. The improved revenue position was due to higher Tabcorp Income, growth in Race Fields Income of $2.0 million which offsets the reduction in Grant Income $1.9 million that coincided with the lower expenditure in Development Fund activity. Sponsorship and Registration revenues increased marginally on last year.

Harness Racing Victoria (HRV) being a participant of pre-16th August 2012 Joint Venture Agreement between the Victorian Racing Industry and Tabcorp (Old JV Manager) derived a majority of its income from the Tabcorp Gaming and Racing activities. This income was distributed by the Victorian Racing Industry through to Racing Victoria Ltd, Greyhound Racing Victoria and HRV. The Victorian Gaming business operated by Tabcorp had an obligation under the Gambling Regulation

STAFF PROFILE BY POSITION - FULL TIME	MALE		FEMALE		TOTAL FULL TIME	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Executive	8	8	0	0	8	8
Professionals	17	15	3	2	19	17
Paraprofessionals	20	17	3	2	23	19
Clerical Workers	3	4	7	5	10	9
Broadcasters & Country Clubs	9	9	0	0	9	9
TOTAL	**57**	**53**	**12**	**9**	**69**	**62**

In addition, the HRV Board employed 7 part time staff at 30 June 2013 and 19 casual staff were also utilised during the year.

HRV STAFFING TRENDS - FULL TIME				
2013	**2012**	**2011**	**2010**	**2009**
69	62	71	71	70

Act 2003 in relation to the payment of the Health Benefit Levy ('HBL'). Tabcorp received a letter from the State Treasurer on 6 May 2013 which imposed a levy of $42.1 million (full year charge) for 2012-13 citing that the Treasurer did not believe he had discretion in respect of the application of the formula. On 24 June 2013 the Supreme Court decided the Treasurer did have discretion under the Act. The judgement rendered the initial levy notification void and puts the matter back with the Government to make a new determination in respect of the levy. To date, Tabcorp have not received a new determination. The Government is appealing the Court judgement, with the appeal likely to be heard in 2013/14. This agreement will result in any charges from the HBL being passed from the Old JV Manager to HRV. HRV reviewed the decision and the Directors have taken a charge to profit of $1,254,414 to reflect HRV's share of the HBL.

As a result of the poor trading position of 2011/12, HRV consolidated the Racing Calendar with 155 less races that resulted in a lower amount of Stake money based on volume being distributed in 2012/13. The total distribution for 2012/13 was $33.6 million which was $0.9 million lower than the prior year. Other expenses from operations of $41 million in 2012/13 were $4.1 million lower than last year. Most of the decrease in other expenses in 2012/13 is attributable to decreases in Development Fund Expenditure (Capital Development Projects at Harness Venues). Development Fund Expenditure totalled $2.8 million in 2012/13 compared to $4.7 million in the prior year. The Development Fund Expenditure decrease reflects the end of the rebuild and renewal cycle in Harness Racing Infrastructure that has occurred over the last three years. Through this period, major infrastructure projects have been completed which has well placed HRV facilities for the future of the industry.

Cash Assets at 30 June 2013 of $2.5 million were higher than last year whilst Total Assets of $70.5 million have declined marginally on the $71.1 million recorded at the equivalent period last year. Current Liabilities have increased from $17.7 million at 30 June 2012 to $38.6 million at 30 June 2013. This is due to the CBA Loan of $29.1 million maturing on 30 June 2014. HRV has received from the Treasurer, an in-principle approval to refinancing the maturing CBA loan through the Treasury Corporation of Victoria (TCV) pursuant to the 2008 Centralisation of Debt Policy. Following discussions with the Department of Treasury and Finance and TCV, it has been agreed that the existing CBA loan would not be refinanced prior to the 30 June 2014 as this would result in significant break costs. The final approval will be sought closer to the maturity date and the final terms and conditions of the loan will be finalised at that time.

Overall total liabilities over the year decreased from $52.1 million to $49.5 million.

Future Outlook

The HRV Board committed to getting the organisation in 2012/13 back into a profitable position. A significant number of expenditure cuts were been made and expected growth in wagering income plus the new gaming arrangements which commenced August 2012 achieved this result.

The Consolidated Group Profit Projection is $1.5 million and a cash surplus of $3.6 million for 2013/14. Within the next financial year, HRV through the consolidation of its operating result will increase stake money payments by $2.5 million commencing in 1st October 2013. The full year planned stake money distribution is forecasted to be $36.0 million

The result of the Tabcorp Park venue has been below expectations. Significant management changes in April 2013 have been made and the improvement strategy has started. The Board expects that 2013/14 year will be a period of consolidation for Tabcorp Park as the operation focuses on training and service delivery and as such do not expect a significant improvement in profitability of the venue in the next financial period but will be the platform for accelerated improvement for future periods. Since the management changes, the results are encouraging.

Subsequent Events

Tabcorp Heads of Agreement

The Heads of Agreement entered into with Tabcorp in September 2012 has been finalised. Tabcorp agreed to a deferred settlement term on a Race Fields settlement liability of $5.4m owed by HRV to Tabcorp. At 30 June 2013, this amount of $5,488,817 has been recognised by HRV as a current liability in the Balance Sheet. As part of the Heads of Agreement signed, HRV will only be required to repay $842,432 of this liability in the 2013/14 year with the remaining $4,646,385 repayable over the following three years. A commercially binding agreement is expected to be signed in September 2013.

Approval of overdraft facility

The Department of Treasury and Finance and the ANZ Bank have both approved an overdraft facility for HRV in 2013/14 subsequent to balance date. A $2,000,000 overdraft facility has been approved for HRV for the period from 24 July 2012 through until 30 June 2014.

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 2012/13, 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.

FIVE YEAR FINANCIAL SUMMARY

	2013	2012	2011	2010	2009
	$'000	$'000	$'000	$'000	$'000
Tabcorp Revenue	48,255	46,962	47,319	49,988	48,652
Other Revenue	28,391	26,065	27,387	21,928	17,553
Total Revenue	**76,646**	**73,027**	**74,706**	**71,916**	**66,205**
Stake Money Expense	(33,634)	(34,516)	(33,988)	(33,699)	(33,579)
Other Expenses	(41,006)	(45,142)	(40,618)	(39,901)	(35,032)
Net Profit/(Loss)	**2,006**	**(6,631)**	**100**	**(1,684)**	**(2,406)**
Cash Assets	2,489	1,675	1,722	1,623	2,271
Total Assets	70,508	71,096	71,457	63,700	59,718
Current Liabilities	(38,599)	(17,701)	(10,331)	(14,222)	(13,797)
Total Liabilities	(49,536)	(52,130)	(45,860)	(50,165)	(44,499)

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 63% 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.

Protected Disclosures

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

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

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

	Number	Type
The number and types of disclosures made to the public body during the year	Nil	
The number of disclosures referred to the Ombudsman for determination as to whether they are public interest disclosures	Nil	
The number and types of disclosed matters referred to the public body by the Ombudsman for investigation	Nil	
The number and types of disclosures referred by the public body to the Ombudsman for investigation	Nil	
The number and types of investigations taken over from the public body by the Ombudsman	Nil	
The number of requests made by a 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.

There were no contracts commenced to which VIPP applied:

There were two contracts completed 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). These projects were completed in 2012/13,

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.

Consultancies

During the year, HRV had 5 consultancies that cost in excess of $10,000 excluding GST.

Consultant	Purpose of consultancy	Total approved project fee	Expenditure 2012/13 (excluding gst)	Future expenditure (excluding gst)
Tonkin & Taylor Pty Ltd	Environmental assessment of Melton land	40,000	6,375	30,000
ERA	Expense Reduction	50,000	14,000	21,318
HLB Mann Judd	Control Procedures	40,000	10,500	29,500
Pitcher Partners	Banking Tender	30,000	13,000	14,000
Initiative Marketing	Re-branding & re-positioning program	50,000	20,000	

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, Damien Madden 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.

Damien Madden
Chief Finance and Accounting Officer
Harness Racing Victoria
September 2013

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 2012/13 on 31 July 2012, 20 November 2012 and 16 April 2013 (combined meeting) with the following organisations.

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)

Minutes of each of the meetings are recorded and provided to each of the Groups for formal approval.

At each meeting, HRV provides a power-point presentation of the current financial performance of HRV and other matters of importance to the industry, such as programming, strategic plan updates and national insurances.

Operational matters are discussed between representatives of each of the consultation bodies with Board Members and management of HRV and minuted with action issues appended to the minutes.

At the April 2013 Consultation Meeting which involved all groups in a combined meeting, HRV sought feedback on the areas where any stake money increase sought to be applied for the 2013/14 season. Feedback from this meeting was central to the announcement of increases for the 2013/14 season.

HRV also consulted widely as part of a review of the Vicbred and Breeders Crown Futurity schemes. Industry feedback again formed the basis of outcomes released by HRV.

HRV also sought feedback with the industry bodies on the proposed rebranding of the “Trots” and the associated “Hot To Trot” campaign. The campaign was rolled out following positive industry feedback.

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

	2013	2012	2011	2010	2009	2008	2007
Meetings (TAB)	452	497	506	504	509	498	505
Meetings (Non-TAB)	1	1	1	2	3	3	4
Races	3,814	3,969	4,069	4,084	4,122	4,088	4,375
Horses raced	4,099	4,340	4,418	4,440	4,458	4,442	4,672
Nominations	53,344	57,663	57,995	57,973	55,512	57,787	58,392
Starters	36,843	38,811	39,099	39,241	38,633	38,827	40,295
Drivers	815	854	872	897	887	878	847
Trainers	1,300	1,368	1,405	1,460	1,478	1,497	1,443
Stablehands	1,271	1,342	1,674	1,741	1,751	1,672	952
Sires	81	88	133	103	114	108	113
Foals	2,359	2,538	2,916	2,985	2,916	2,713	3,018
Namings	1,508	1,572	1,556	1,665	1,689	2,169	2,308
Services	3,559	3,872	4,320	4,943	5,190	4,879	4,473

FINANCIAL STATEMENTS

COMPREHENSIVE OPERATING STATEMENTS

For The Financial Year Ended 30 June 2013

	Notes	Consolidated Entity		Parent Entity	
		2013 $'000	2012 $'000	2013 $'000	2012 $'000
INCOME FROM TRANSACTIONS					
Tabcorp income		48,255	46,962	48,255	46,962
Other income		28,391	26,065	18,500	19,000
Total Income from Transactions	2	**76,646**	**73,027**	**66,755**	**65,962**
EXPENSES FROM TRANSACTIONS					
Stakemoney expense		(33,634)	(34,516)	(33,634)	(34,516)
Employee benefits		(11,210)	(11,311)	(7,171)	(7,471)
Depreciation and amortisation expense		(2,400)	(2,589)	(2,160)	(2,509)
Finance costs		(2,622)	(2,231)	(2,539)	(2,195)
Other operating expenses		(26,241)	(27,240)	(20,490)	(24,113)
Total Expenses from Transactions	2	**(76,107)**	**(77,887)**	**(65,994)**	**(70,804)**
Net Result from Transactions (Net Operating Balance)		**539**	**(4,860)**	**761**	**(4,842)**
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT					
Bad and Doubtful Debt Expense		(27)	(182)	(24)	(179)
Impairment on Racefield Fees Recovered		1,494	(1,593)	1,494	(1,593)
Gain/(Loss) on sale of property, plant and equipment	2(a)	-	4	-	4
Total Other Economic Flows Included in Net Result		**1,467**	**(1,771)**	**1,470**	**(1,768)**
Net Result		**2,006**	**(6,631)**	**2,231**	**(6,610)**
COMPREHENSIVE RESULT		**2,006**	**(6,631)**	**2,231**	**(6,610)**

The accompanying notes form part of these financial statements

BALANCE SHEETS

As At 30 June 2013

	Notes	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	Parent Entity 2013 $'000	Parent Entity 2012 $'000
CURRENT ASSETS					
Cash and cash equivalents	25(a)	2,489	1,675	1,484	879
Receivables	4	5,162	4,408	4,952	4,128
Other financial assets	5	30	20	30	20
Inventories	7	79	70	-	-
Other assets	6	256	218	213	173
Total Current Assets		**8,016**	**6,391**	**6,679**	**5,200**
NON-CURRENT ASSETS					
Property, plant and equipment	8	59,408	61,375	59,202	61,273
Receivables	4	-	-	1,505	1,244
Other financial assets	5	67	97	1,224	747
Investments	9	1,082	1,082	1,950	1,950
Intangible assets	10	1,935	2,151	-	-
Total Non-Current Assets		**62,492**	**64,705**	**63,881**	**65,214**
TOTAL ASSETS		**70,508**	**71,096**	**70,560**	**70,414**
CURRENT LIABILITIES					
Payables	11	3,714	12,871	3,572	13,177
Provisions	12	1,817	1,681	1,528	1,408
Interest Bearing Liabilities	13	29,942	-	29,942	-
Non Interest Bearing Liabilities	14	366	860	-	-
Prepaid Income	15	386	469	365	409
Other Liabilities	16	2,374	1,820	2,371	1,807
Total Current Liabilities		**38,599**	**17,701**	**37,778**	**16,801**
NON-CURRENT LIABILITIES					
Payables	11	-	-	-	-
Interest Bearing Liabilities	13	4,646	29,100	4,646	29,100
Non interest bearing liabilities	14	1,125	1,543	-	-
Prepaid income	15	2,808	1,159	2,808	1,159
Provisions	12	265	242	233	198
Other liabilities	16	2,093	2,385	2,093	2,385
Total Non-Current Liabilities		**10,937**	**34,429**	**9,780**	**32,842**
TOTAL LIABILITIES		**49,536**	**52,130**	**47,558**	**49,643**
NET ASSETS		**20,972**	**18,966**	**23,002**	**20,771**
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	(3,535)	(5,541)	(1,505)	(3,736)
TOTAL EQUITY		**20,972**	**18,966**	**23,002**	**20,771**

The accompanying notes form part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 30 June 2013

Consolidated Entity	Notes	Revaluation surplus	Accumulated surplus/(losses)	Contributed capital	Total
		$'000	$'000	$'000	$'000
	Notes	18	19	17	
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**
Net result for the year		-	2,006	-	2,006
Other comprehensive income for the year		-	-	-	-
Balance at 30 June 2013		**15,333**	**(3,535)**	**9,174**	**20,972**

Parent Entity	Notes	Revaluation surplus	Accumulated surplus/(losses)	Contributed capital	Total
		$'000	$'000	$'000	$'000
	Notes	18	19	17	
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**
Net result for the year		-	2,231	-	2,231
Other comprehensive income for the year		-	-	-	-
Balance at 30 June 2013		**15,333**	**(1,505)**	**9,174**	**23,002**

The accompanying notes form part of these financial statements

CASH FLOW STATEMENTS

For The Financial Year Ended 30 June 2013

	Notes	Consolidated Entity		Parent Entity	
		2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash flows from operating activities					
Receipts from operations (incl GST)		82,793	73,310	71,363	64,958
Payments to suppliers, employees & industry (incl GST)		(78,429)	(70,940)	(67,742)	(62,843)
Interest received		58	111	93	141
Interest paid		(2,607)	(2,195)	(2,539)	(2,195)
Net cash from/(used in) operating activities	25(b)	**1,815**	**286**	**1,175**	**61**
Cash flows from investing activities					
Payments for property, plant and equipment		(260)	(378)	(89)	(342)
Proceeds from the sale of property, plant and equipment		-	-	-	11
Loans granted		-	11	(507)	-
Net cash from/(used in) investing activities		**(260)**	**(367)**	**(596)**	**(331)**
Cash flows from financing activities					
Proceeds from loan repayments		26	34	26	34
Proceeds from Interest Bearing Liabilities		-	-	-	-
Proceeds from Non Interest Bearing Liabilities		(260)	-	-	-
Repayment of Non Interest Bearing Liabilities		(507)	-	-	-
Net cash provided by/(used in) financing activities		**(741)**	**34**	**26**	**34**
Net Increase/(decrease) in cash and cash equivalents held		**814**	**(47)**	**605**	**(236)**
Cash and cash equivalents at the beginning of the financial year		1,675	1,722	879	1,115
Cash and cash equivalents at the end of the financial year	25(a)	**2,489**	**1,675**	**1,484**	**879**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 30 June 2013

Note 1. Summary of significant accounting policies

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

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

Its principal address and registered office is:

Harness Racing Victoria
400 Epsom Road
Flemington VIC 3031

(b) 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 4 September 2013.

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 2013 and the comparative information presented for the year ended 30 June 2012.

(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 2013. 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 arising 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 final series is conducted when they are brought to account in the comprehensive operating statement as revenue. Fees and contributions received prior to 30 June 2013, for futurity series to be conducted in 2013/2014 are brought to account as a Current Liability. Fees and contributions received for series to be run after 30 June 2014 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 Cash Equivalents
Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

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

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

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

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

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

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

Investments are classified in the following categories:
- financial assets at fair value through profit or loss,
- loans and receivables, and
- available-for-sale financial assets.

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

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

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

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

Details in relation to investments are disclosed in Note 9.

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

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 2013, for futurity series to be conducted in 2013/2014 are brought to account as a Current Liability. Fees and contributions received for series to be run after 30 June 2014 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 impaired in this financial period.

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

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

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

(t) AASBs Issued that are Not Yet Effective
Certain new AASBs have been published that are not mandatory for the 30 June 2013 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 2013, 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 2013. 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.

(v) Going Concern
Notwithstanding the deficiency in working capital (current assets less current liabilities) of $30,583,000 (2012 - $11,310,000) and current year net profit of $2,006,000 (2012 - $6,631,000 loss), the accounts are prepared on a going concern basis. The directors believe the going concern basis is appropriate based on the following factors:
The budgeted income market share from Tabcorp Wagering is confirmed and therefore this has reduced the risk to the income flow for the next financial years. Budgeted cost savings have been forecast and are expected to be delivered in 2013/14 and this will help to improve the working capital position of HRV during the 2013/14 year.
Additionally while increases in Stake-money levels have been factored into the HRV Budget for 2013/14, 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.
Current Liabilities have increased from $17.7 million at 30 June 2012 to $38.6 million at 30 June 2013. This is due to the CBA Loan of $29.1 million maturing on 30 June 2014. HRV has received from the Treasurer, an in-principle approval to refinancing from the CBA to Treasury Corporation Victoria (TCV) pursuant to the 2008 Centralisation of Debt Policy.
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 2013

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 2015	Subject to AASB's further modifications to AASB 9, together with the anticipated changes resulting from the staged projects on impairments and hedge accounting, details of impacts will be assessed.
AASB 10 Consolidated Financial Statements	This Standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities.	1 Jan 2014	No significant impact is expected from these consequential amendments on entity reporting
AASB 11 Joint Arrangements	This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.	1 Jan 2014	No significant impact is expected from these consequential amendments on entity reporting
AASB 12 Disclosure of Interests in Other Entities	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 Separate Financial Statements and AASB 131 Interests in Joint Ventures.	1 Jan 2014	No significant impact is expected from these consequential amendments on entity reporting
AASB 127 Separate Financial Statements	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 Jan 2014	No significant impact is expected from these consequential amendments on entity reporting.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact
AASB 128 Investments in Associates and Joint Ventures	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 Jan 2014	No significant impact is expected from these consequential amendments on entity reporting.
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 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.

2. Income and Expenses from Transactions

	Consolidated Entity		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
The Comprehensive Operating Statement consists of the following income and expense items:				
INCOME				
Tabcorp Income	**48,255**	**46,962**	**48,255**	**46,962**
Other Income				
Racefield fees	6,655	4,978	6,655	4,978
Registered bookmakers fees	32	38	32	38
Gaming commission	5,509	2,411	-	-
Food & beverages	3,563	3,494	-	-
Accommodation	650	727	-	-
Other venue revenue	454	686	-	-
Sponsorship, advertising & events	1,448	1,289	1,470	1,315
RISE IT charges	828	806	-	-
Grants	1,134	3,013	1,025	3,013
Registration & licencing fees	1,869	1,726	1,869	1,726
Raceday fees	498	584	498	584
Fines & appeals	213	189	213	189
Country Club contributions to stakemoney	1,167	1,071	1,167	1,071
Futurities Income				
- Vicbred Revenue	164	809	164	809
- Breeders Crown	1,577	1,486	1,577	1,486
- Race series subsidies	482	428	482	428
Sky vision fees	606	341	606	341
Property income	686	702	1,812	1,795
Industry programs	196	360	196	360
Management & service fee	441	539	525	574
Interest	58	112	93	142
Other income	161	276	116	151
Total Other Income	**28,391**	**26,065**	**18,500**	**19,000**
TOTAL INCOME FROM TRANSACTIONS	**76,646**	**73,027**	**66,755**	**65,962**

Note 2 Income and Expenses from Transactions (Continued)

	Consolidated Entity		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
EXPENSES				
Stakemoney Expense				
Metropolitan stakes	10,786	11,267	10,786	11,267
Country stakes	18,196	18,805	18,196	18,805
Drivers fees	1,176	1,261	1,176	1,261
Vicbred win bonuses	2,633	2,384	2,633	2,384
Vicbred breeder bonuses	843	799	843	799
Total Stakemoney Expense	**33,634**	**34,516**	**33,634**	**34,516**
Employee Benefits				
Post employee benefits				
Defined contribution superannuation expense	757	755	439	451
Defined benefits superannuation expense	42	39	42	39
Salaries, wages and long service leave	10,411	10,517	6,690	6,981
Employee Benefits	**11,210**	**11,311**	**7,171**	**7,471**
Depreciation and Amortisation Expense (Refer Note 8)	**2,400**	**2,589**	**2,160**	**2,509**
Finance Costs	**2,622**	**2,231**	**2,539**	**2,195**
Other Operating Expenses				
Country Club funding	5,634	5,297	5,640	5,319
Marketing & sponsorship expenses	1,599	1,769	1,365	1,648
Vision & Audio	2,596	2,985	2,596	2,985
Property costs	2,676	3,295	1,229	1,855
Development fund (Refer Note 20)	2,821	4,737	2,821	4,737
Gaming Costs	2,422	-	-	-
Cost of goods sold	1,195	1,245	-	-
Fields & form comments	917	1,360	917	1,360
Swabs	433	409	433	409
Timing & photo finish	25	15	25	15
Registration	648	645	648	645
Integrity & licensing	160	145	160	145
Communication costs	147	140	96	93
Computer costs	342	367	373	378
Registered bookmaker costs	4	23	4	23
Training facilities	46	40	46	40
Insurance	954	937	891	884
Consulting/legal fees	490	447	455	423
Other expenses	3,132	3,384	2,791	3,154
Total Other Expenses	**26,241**	**27,240**	**20,490**	**24,113**
TOTAL EXPENSES FROM TRANSACTIONS	**76,107**	**77,887**	**65,994**	**70,804**

	Consolidated Entity		Parent Entity	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000

2(a). Profit/(Loss) on Sale of Assets

	Consolidated 2013 $'000	Consolidated 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Gross Proceeds		11		11
Less Incidental cost of disposal	-	-	-	-
Carrying amount of assets disposed		(7)		(7)
Profit/(Loss) on sale of assets	**-**	**4**	**-**	**4**

3. Remuneration of Auditors

	Consolidated 2013 $'000	Consolidated 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Victorian Auditor General's Office - Audit of the Financial Report	55	65	27	37
Pitcher Partners - Internal Audit Services	30	62	30	62
Other Audit Services	2	1	-	-
Total Remuneration of Auditors	**87**	**128**	**57**	**99**

4. Receivables

	Consolidated 2013 $'000	Consolidated 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Current				
Contractual				
Trade receivables (i)	1,983	2,058	1,832	1,880
Provisions for doubtful debts (a)	(153)	(267)	(153)	(267)
	1,830	**1,791**	**1,679**	**1,613**
Accrued income	1,401	2,644	1,356	2,570
Provisions for impairment	-	(1,593)	-	(1,593)
	1,401	**1,051**	**1,356**	**977**
Tabcorp distribution receivable	1,575	1,196	1,575	1,196
Intercompany receivables	-	-	126	88
Sundry debtors	75	73	-	-
Statutory				
Goods and Services Tax (GST) recoverable	281	297	216	254
	1,931	**1,566**	**1,917**	**1,538**
Total Current Receivables	**5,162**	**4,408**	**4,952**	**4,128**
Non Current				
Contractual				
Intercompany receivables	-	-	1,505	1,244
Total Non-Current Receivables	**-**	**-**	**1,505**	**1,244**
Total Receivables	**5,162**	**4,408**	**6,457**	**5,372**

(a) the average credit period on sale of goods and services is 30 days. Generally, interest is not charged on outstanding receivables. A provision has been made for estimated irrecoverable amounts from the sales of goods and services. This has been determined by reference to an individual account by account assessment. The $15,000 increase in provision was recognised in the operating result for the current financial year

4. Receivables Continued...

	Consolidated Entity		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
(a) Movement in the Provision for doubtful debts				
Balance at the beginning of the year	(267)	(101)	(267)	(98)
Amounts recovered during the year	38	11	38	11
(Increase) in allowance recognised in the net result	(71)	(189)	(71)	(190)
Reversal of provision for receivables written off during the year as uncollectible	147	12	147	10
Balance at end of the year	**(153)**	**(267)**	**(153)**	**(267)**
(b) Movement in the Provision for impairment				
Balance at the beginning of the year	(1,593)	-	(1,593)	-
(Increase/decrease) in allowance recognised in the net result	1,593	(1,593)	1,593	(1,593)
Balance at end of the year	**-**	**(1,593)**	**-**	**(1,593)**

(c) Ageing analysis of contractual receivables
Please refer to table 27.2a, 27.2c and 27.2d in Note 27 for the aging analysis of receivables

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

5. Other Financial Assets

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	Parent Entity 2013 $'000	Parent Entity 2012 $'000
Current				
Loan - Geelong Harness Racing Club Inc	22	12	22	12
Loan - Shepparton Harness Racing Club Inc	8	8	8	8
Loan - HRV Management Ltd ATF Melton Entertainment Trust	-	-	-	-
Total Other Current Financial Assets	**30**	**20**	**30**	**20**
Non-Current				
Loan - Geelong Harness Racing Club Inc	67	89	67	89
Loan - Shepparton Harness Racing Club Inc	-	8	-	8
Loan - HRV Management Ltd ATF Melton Entertainment Trust*	-	-	1,157	650
Total Other Non-Current Financial Assets	**67**	**97**	**1,224**	**747**
Total Other Financial Assets	**97**	**117**	**1,254**	**767**

*HRV Provided HRV Management AFT Melton with a Working Capital Facility of $700,000, drawn to $650,000 plus $506,856 for the repayment of a Tabcorp Australia Holdings Loan

(a) Ageing analysis of other financial assets
Please refer to table 27.2 (a) 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 2013 $'000	Consolidated Entity 2012 $'000	Parent Entity 2013 $'000	Parent Entity 2012 $'000
Prepayments	256	218	213	173
Total Other Current Assets	**256**	**218**	**213**	**173**

7. Inventories

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	Parent Entity 2013 $'000	Parent Entity 2012 $'000
Food at cost	20	16	-	-
Beverages at cost	59	54	-	-
Total Inventories	**79**	**70**	**-**	**-**

8. Property, Plant and Equipment

Consolidated Entity			$'000			
2012/13 Year	Freehold Land	Buildings	Building Improvements	Plant and Equipment	Melton Track	Total
Gross Carrying Amount Balance as at 30 June 2012	**17,350**	**39,928**	**1,282**	**9,432**	**3,336**	**71,328**
Reclassification of opening balances	-	-	-	-	-	-
Additions	-	19	-	233	8	260
Balance as at 30 June 2013	**17,350**	**39,947**	**1,282**	**9,665**	**3,344**	**71,588**
Accumulated Depreciation						
Balance as at 30 June 2012	-	**(1,016)**	**(957)**	**(7,534)**	**(446)**	**(9,953)**
Depreciation expense	-	(1,001)	(186)	(905)	(135)	(2,227)
Balance as at 30 June 2013	**-**	**(2,017)**	**(1,143)**	**(8,439)**	**(581)**	**(12,180)**
Net Book Value						
As at 30 June 2012	17,350	38,912	325	1,898	2,890	61,375
As at 30 June 2013	**17,350**	**37,930**	**139**	**1,226**	**2,763**	**59,408**
2011/12 Year						
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 2011	**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**

8. Property, Plant and Equipment (Continued)

Parent Entity $'000

2012/13 Year	Freehold Land	Buildings	Building Improvements	Plant and Equipment	Melton Track	Total
Gross Carrying Amount Balance as at 30 June 2012	**17,350**	**39,928**	**1,282**	**6,881**	**3,336**	**68,777**
Additions	-	19	-	62	8	89
Balance as at 30 June 2013	**17,350**	**39,947**	**1,282**	**6,943**	**3,344**	**68,866**
Accumulated Depreciation						
Balance as at 30 June 2012	**-**	**(1,016)**	**(957)**	**(5,085)**	**(446)**	**(7,504)**
Depreciation expense	-	(1,001)	(186)	(838)	(135)	(2,160)
Balance as at 30 June 2013	**-**	**(2,017)**	**(1,143)**	**(5,923)**	**(581)**	**(9,664)**
Net Book Value						
As at 30 June 2012	17,350	38,912	325	1,796	2,890	61,273
As at 30 June 2013	**17,350**	**37,930**	**139**	**1,020**	**2,763**	**59,202**
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**
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**

Note 8 Property, Plant and Equipment (Continued)

	Consolidated Entity		Parent Entity	
	2013	2012	2013	2012
Aggregate Depreciation and Amortisation allocated during the year was as follows:	$'000	$'000	$'000	$'000
Buildings	1,001	1,000	1,001	1,000
Building Improvements	186	183	186	183
Plant and Equipment	905	1,272	838	1,192
Melton Complex	135	134	135	134
Gaming Entitlements Amortization	173			
	2,400	**2,589**	**2,160**	**2,509**
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.

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**

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

Radio 3UZ Unit Trust as an unlisted trust are not and the units in the trust 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 HRV 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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Goodwill	132	132	-	-
Gaming Machine Entitlements	1,976	2,019	-	-
Accumulated Amortisation	(173)		-	-
Total Intangible Assets	**1,935**	**2,151**	**-**	**-**
Opening balance	**2,151**	**247**	**-**	**-**
Additions		1,904	-	-
Result of disposal of Entitlements	(42)	-	-	-
Amortisation	(173)	-	-	-
Closing Balance	**1,936**	**2,151**	**-**	**-**

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

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

(c) Key assumptions used	2013	2012
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 6% has been used to discount the future payments back to their present value. Directors have concluded that no impairment is required.

11. Payables

Contractual - Unsecured				
Trade Creditors	1,885	3,634	1,536	3,417
Intercompany payables	-	-	726	895
Development Fund accruals	192	209	192	209
Sundry creditors and accruals	1,637	9,028	1,118	8,656
Total Payables	**3,714**	**12,871**	**3,572**	**13,177**

(a) Maturity analysis of contractual payables
Please refer to table 27.3 in Note 27 for the aging analysis of 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 payables

12. Provisions

	Consolidated Entity		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current				
Employee Benefits (a)	1,519	1,423	1,291	1,193
Provisions related to employee benefit on-costs (a)	232	218	198	182
Statewide Sulky Fund (i)	39	33	39	33
Bonus Points Liability (i)	27	7	-	-
Total Current Provision	**1,817**	**1,681**	**1,528**	**1,408**
Non-Current				
Employee Benefits (a)	230	210	202	172
Provisions related to employee benefit on-costs (a)	35	32	31	26
Total Non-Current Provision	**265**	**242**	**233**	**198**
Total Provisions	**2,082**	**1,923**	**1,761**	**1,606**
(a) Employee benefits and related on-costs				
Current				
Annual Leave Entitlements	613	576	498	465
Long Service Leave Entitlements	907	848	795	728
On-costs	233	217	198	182
	1,753	**1,641**	**1,491**	**1,375**
Current employee benefits that:				
Are expected to be utilised within 12 months after the end of the reporting period	586	550	488	453
Are expected to be utilised more than 12 months after the end of the reporting period	935	873	805	740
	1,521	**1,423**	**1,293**	**1,193**
On-costs that:				
Are expected to be utilised within 12 months after the end of the reporting period	90	84	75	69
Are expected to be utilised more than 12 months after the end of the reporting period	142	134	123	113
	232	**218**	**198**	**182**
Non-Current				
Long service leave entitlements	228	210	202	172
On-costs	35	32	29	26
	263	**242**	**231**	**198**
Total Employee benefits and related on-costs	**2,016**	**1,883**	**1,722**	**1,573**

Note 12 Provisions (Continued)

(b) Movement in provisions

Consolidated Entity	Employee Benefits 2013 $'000	On-costs 2013 $'000	Statewide Sulky Fund 2013 $'000	Bonus Points Liability 2013 $'000	Total 2013 $'000
Opening balance	**1,634**	**249**	**33**	**7**	**1,923**
Additional provisions recognised	221	34	37	54	346
Reductions arising from payments/other sacrifices of future economic benefits	(155)	(24)	(31)	(34)	(244)
Unwind of discount and effect of changes in the discount rate	49	7	-	-	56
Closing balance	**1,749**	**267**	**39**	**27**	**2,082**
Current	1,519	232	39	27	1,817
Non-Current	230	35	-	-	265
	1,749	**267**	**39**	**27**	**2,082**

Parent Entity	Employee Benefits 2013 $'000	On-costs 2013 $'000	Statewide Sulky Fund 2013 $'000	Total 2013 $'000
Opening balance	**1,364**	**209**	**33**	**1,606**
Additional provisions recognised	166	25	37	228
Reductions arising from payments/other sacrifices of future economic benefits	(79)	(12)	(31)	(122)
Unwind of discount and effect of changes in the discount rate	42	6	-	48
Closing balance	**1,493**	**228**	**39**	**1,761**
Current	1,291	198	39	1,528
Non-Current	202	31	-	233
	1,493	**229**	**39**	**1,761**

13. Interest Bearing Liabilities

	Consolidated Entity		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current				
Tabcorp Funding Support Agreement	842		842	
Secured - CBA Overdraft	-	-	-	-
Secured - CBA Loan Facility	**29,100**	**-**	**29,100**	**-**
	29,942	**-**	**29,942**	**-**
Non-Current				
Tabcorp Funding Support Agreement	4,646		4,646	
Secured - CBA Long-term loan	-	29,100	-	29,100
	4,646	**29,100**	**4,646**	**29,100**
Total Interest Bearing Liabilities	**34,588**	**29,100**	**34,588**	**29,100**

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

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

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

(d) Facilities				
HRV has access to the following financing facilities:				
Secured	29,100	29,100	29,100	29,100
Unsecured overdraft facility	1,961	2,000	1,961	2,000
Financial guarantee	169	169	169	169
Business card limit	89	89	39	39
Total Facilities Amount	**31,319**	**31,358**	**31,269**	**31,308**
Amount of Facility Unused	2,219	2,083	2,169	2,033

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).

(e) Tabcorp Funding Support Agreement
The Heads of Agreement entered into with Tabcorp in September 2012 has been finalised pending Tabcorp Board Approval. Tabcorp has agreed to a deferred settlement term on a Racefields Settlement Liability of $5.5m owed by HRV to Tabcorp. At 30 June 2013, this amount of $5,488,817 has been recognised by HRV as a liability in the Balance Sheet. As part of the Heads of Agreement signed, HRV will be required to repay $842,432 of this liability in the 2013/14 year with the remaining $4,646,385 repayable over the following three years. A commercially binding agreement is expected to be signed in September 2013.

14. Non Interest Bearing Liabilities

Current				
Tabcorp interest free loan	-	499	-	-
Gaming machine entitlements	366	361	-	-
	366	**860**	**-**	**-**
Non-Current				
Tabcorp interest free loan	-	-	-	-
Gaming machine entitlements	1,125	1,543	-	-
	1,125	**1,543**	**-**	**-**
Total Non Interest Bearing Liabilities	**1,491**	**2,403**	**-**	**-**

(a) Maturity analysis of non interest bearing liabilities Please refer to table 27.3 in Note 27 for the ageing analysis of non-interest bearing liabilities.
(b) Nature and extent of risk arising from non interest bearing liabilities Please refer to Note 27(e) for the nature and extent of risks arising from non-interest bearing liabilities.
(c) Defaults and breaches During the current and prior year, there were no defaults and breaches of any of the loans.

15. Prepaid Income

	Consolidated Entity		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current				
Tabcorp Melton sponsorship	351	351	351	351
Tabcorp Harness Racing sponsorship agreement		34		34
Other revenue invoiced in advance	35	84	14	24
	386	**469**	**365**	**409**
Non-Current				
Tabcorp Melton Sponsorship	2,808	1,159	2,808	1,159
	2,808	**1,159**	**2,808**	**1,159**
Total Prepaid Income	**3,194**	**1,628**	**3,173**	**1,568**

16. Other Liabilities

Current				
Vicbred fees received in advance	809	164	809	164
Breeders Crown fees received in advance	1,514	1,582	1,514	1,582
Other	51	74	48	61
	2,374	**1,820**	**2,371**	**1,807**
Non-Current				
Vicbred fees received in advance	196	213	196	213
Breeders Crown fees received in advance	1,849	2,161	1,849	2,161
Other	48	11	48	11
	2,093	**2,385**	**2,093**	**2,385**
Total Other Liabilities	**4,467**	**4,205**	**4,464**	**4,192**

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	15,333	15,333	15,333
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	(5,541)	1,090	(3,736)	2,874
Net result	2,006	(6,631)	2,231	(6,610)
Accumulated Surplus / (Losses) at the end of the financial year	**(3,535)**	**(5,541)**	**(1,505)**	**(3,736)**

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 2013 expenditure on the following projects was incurred. No comparative for 2012 is shown due to the nature of the program. Each year the projects receiving funding change, therefore making any comparative not applicable.

		2013 $'000
Ballarat	Track Upgrade	452
Bendigo	Maximum Demand Tariff 2012/13	37
Cranbourne	Training Centre	163
	Horse Treadmill	40
Geelong	Maximum Demand Tariff 2012/13	61
Horsham	OHS Float Carpark Gate	8
Kilmore	Track Drainage	18
Kyabram	Track Resurface	2
Shepparton	Viewing Deck	49
Stawell	Fencing	2
Swan Hill	Maximum Demand Tariff 2012/13	25
	Track & Lighting	1,120
HRV	6 Country Club Re-openings	183
	Bendigo HR Training Centre - Tabcorp Park	106
	Development Fund Expenses	134
	Countdown Clocks	33
	Raising the Standards	88
	RASL Rearch & Equipment	96
	Track Maintenance Program	155
	Track Maintenance Supervisor	51
Total Development Fund Expenses		**2,821**

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 Minister for Racing is The Hon. Dr Denis Napthine, MP. 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)
Geoffrey Kay
Kate Roffey (Resigned 30th June 2013)
Ken Latchford (Appointed 1st June 2013)
Elizabeth Clarke (Appointed 18th September 2012)
Paul Horvath (Resigned 7th September 2012)
Stephen Nash (Resigned 31st May 2013)
Neale Wheat
Ian Delmenico (Appointed 18th September 2012)

Accountable Officer:

John Anderson - Chief Executive

The following persons were directors of the subsidiaries:

John Anderson (Appointed 27th March 2013)
Ian Delmenico (Appointed 18th September 2012)
Craig Gardner (Appointed 25th August 2011)
Shane Gloury (Resigned 12th April 2013)
Paul Horvath (Resigned 7th September 2012)
Geoffrey Kay
Elizabeth Clarke (Appointed 18th September 2012)
Ken Latta PSM
Dougall McBurnie
Stephen Nash (Resigned 31st May 2013)
Kate Roffey (Resigned 30th June 2013)
Cesare Tizi
Neale Wheat
Ken Latchford (Appointed 1st June 2013)

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	**2013**	**2012**	**2013**	**2012**
Income Band	**No.**	**No.**	**No.**	**No.**
$0 - $9,999	2	1	2	1
$10,000 - $19,999	6	5	6	5
$40,000 - $49,999	1	1	1	1
$260,000 - $269,999	1	1	1	1
Total Numbers	**10**	**8**	**10**	**8**
	$'000	**$'000**	**$'000**	**$'000**
Total Remuneration Received or due and receivable by all responsible persons was:	435	429	435	416

Note 21 Responsible Persons (Continued)

Consolidated Entity	Total Remuneration		Base Remuneration	
	2013	2012	2013	2012
Income Range	**No.**	**No.**	**No.**	**No.**
$0 - $9,999	4	4	4	4
$10,000 - $19,999	5	5	5	5
$20,000 - $29,999	1	1	1	1
$30,000 - $39,999	-	1	-	1
$40,000 - $49,999	1	-	1	-
$260,000 - $269,999	1	1	1	1
Total Numbers	**12**	**12**	**12**	**12**
	$'000	**$'000**	**$'000**	**$'000**
Total Remuneration Received or due and receivable by all responsible persons was:	465	465	465	452

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.

Parent Entity	Total Remuneration		Base Remuneration	
	2013	2012	2013	2012
Income Range	**No.**	**No.**	**No.**	**No.**
$120,000 - $129,999	1	1	1	1
$130,000 - $139,999	-	1	-	1
$150,000 - $159,999	3	2	4	2
$160,000 - $169,999	1	-	-	1
$170,000 - $179,999	-	1	-	-
Total number of executives	**5**	**5**	**5**	**5**
	$'000	**$'000**	**$'000**	**$'000**
Total Remuneration for the reporting period of executive officers included above amount to:	761	751	756	738

Note 22 Executive Officers Remuneration (Continued)

	Total Remuneration		Base Remuneration	
Consolidated Entity	**2013**	**2012**	**2013**	**2012**
Income Range	**No.**	**No.**	**No.**	**No.**
$120,000 - $129,999	1	1	1	1
$130,000 - $139,999	1	1	1	1
$140,000 - $149,999	1	1	1	1
$150,000 - $159,999	3	2	4	2
$160,000 - $169,999	1	-	-	1
$170,000 - $179,999	-	1	-	-
Total number of executives	**7**	**6**	**7**	**6**
	$'000	**$'000**	**$'000**	**$'000**
Total Remuneration for the reporting period of executive officers included above amount to:	1,035	894	1,030	881

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	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Transactions:				
RISE IT & Other Charges to HRV	-	-	258	299
Rental Charges	-	-	1,126	1,093
Goods and Services received from Melton Entertainment Trust			382	414
Management Charges/Expense Recoveries from/to Subsidiaries	-	-	777	1,002
Finance Charges on loans	-	-	44	44
Balances:				
Other Financial Assets	-	-	1,157	650
Receivables	-	-	1,632	1,332
Payables	-	-	770	968
Other Current Liabilities	-	-	-	-

23. Related Party Transactions (Continued)

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) Brant Dunshea (Chief Operating Officer) is a director of Racing Products Victoria Pty. Ltd. This company is an industry body and is not personal or family related.

(iv) A new joint venture agreement was completed and implemented on the 16 August 2012 with Tabcorp Holdings.

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

Through Racing Products Victoria Pty Ltd, the codes supply racing information to the joint venture pursuant to the Racing Program Agreement and 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 full paid.

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

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

(a) Funds

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

(b) Contributions

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

	Consolidated Entity		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
(c) Contributions made during the financial year:				
State Superannuation Fund	42	39	42	39
Victorian Superannuation Fund	313	334	268	281
Host Plus Superannuation Fund	205	188	19	21
Various Other Funds as nominated by the employee	239	233	152	149
Total Contributions	799	794	481	490

25. Cash Flow Statement

	Consolidated Entity		Parent Entity	
	2013	2012	2013	2012
(a) Reconciliation of cash and cash equivalents	$'000	$'000	$'000	$'000
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	2,146	1,387	1,480	876
Cash assets on hand	343	288	4	3
Closing cash and cash equivalents balance	**2,489**	**1,675**	**1,484**	**879**

(b) Reconciliation of the net result for the year to the net cash from operating activities

	Consolidated Entity 2013	Consolidated Entity 2012	Parent Entity 2013	Parent Entity 2012
Net Result for the Year	2,006	(6,631)	2,231	(6,610)
Add/(deduct) non cash items:				
Depreciation /amortisation of non-current assets	2,400	2,589	2,160	2,509
Revaluation of non-current assets	-	-	-	-
Carrying amount of property, plant and equipment sold	-	(7)	-	(7)
Other non cash items	(1,577)	1,810	(1,476)	1,771
Change in assets and liabilities:				
(Increase)/Decrease in receivables	1,440	(1,452)	385	(2,241)
Decrease in other current assets	(47)	41	(40)	34
Increase/(Decrease) in accounts payable & other liabilities	(2,566)	3,987	(2,241)	4,680
Increase/(Decrease) in provisions	159	(51)	156	(75)
Net cash provided by operating activities	**1,815**	**286**	**1,175**	**61**

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

(d) Non Cash Items
Sundry Creditor payable to TABCorp for NSW Racefield Fees in 2012 was converted to an Interest Bearing Liability under the terms of a Heads of Agreement totalling $5,488,817 (2012 - Nil) [refer note 13(e)

26. Leases

	Consolidated Entity		Parent Entity	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
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	792	770	792	770
Longer than 1 year and not longer than 5 years	3,555	3,598	3,555	3,598
Longer than 5 years	2,096	2,486	2,096	2,486
	6,443	**6,854**	**6,443**	**6,854**

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 with annual increase of 3% per annum) and expired in March 2013.

Disclosure as Lessor

Non-cancellable operating leases				
Not longer than one year	-	-	-	743
	-	**-**	**-**	**743**

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

	Category	Consolidated Entity		Parent Entity	
		2013	2012	2013	2012
Financial assets		*Carrying amount ($ thousand)*			
Cash and cash equivalents	N/A	2,489	1,675	1,484	879
Receivables (a)	Loans and receivables (at amortised cost)	4,881	4,111	6,207	5,118
Other financial assets - loans	Loans and receivables (at amortised cost)	97	117	1,254	767
Investments (c)	Available for sale	1,082	1,082	1,950	1,950
Financial liabilities					
Payables (b)	Financial liabilities measured at amortised cost	3,721	12,871	3,570	13,177
Interest bearing liabilities	Financial liabilities measured at amortised cost	34,588	29,100	34,588	29,100
Non Interest bearing liabilities	Financial liabilities measured at amortised cost	1,491	2,403	-	-

Note:

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

(c) Credit risk

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

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

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

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

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

Note 27 Financial instruments (Continued)

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

		($ thousand)			
		Financial institutions	*Credit Rating of Financial Institution*	*Other*	*Total*
2013	**Note**				
Contractual financial assets					
Current Assets:					
Cash and cash equivalents	25a	2,146	A-1+	343	2,489
Receivables	4	-	-	4,881	4,881
Other financial assets - loans	5	-	-	97	97
Investments	9	-	-	1,082	1,082
Total contractual financial assets		**2,146**	**-**	**6,403**	**8,549**
2012					
Current Assets:					
Cash and cash equivalents	25a	1,387	A-1+	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**

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

		($ thousand)			
		Financial institutions	*Credit Rating of Financial Institution*	*Other*	*Total*
2013	**Note**				
Contractual financial assets					
Current Assets:					
Cash and cash equivalents	25a	1,480	A-1+	4	1,484
Receivables	4	-		6,241	6,241
Other financial assets - loans	5	-		1,254	1,254
Investments	9	-		1,950	1,950
Total contractual financial assets		**1,480**		**9,449**	**10,929**
2012					
Current Assets:					
Cash and cash equivalents	25a	875	A-1+	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**

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
2013	%		Fixed interest rate	Variable interest rate	Non-interest bearing		31-60 Days	61-90 Days	91-120 Days	>121 Days	
Cash and cash equivalents	1.7%	2,489	-	2,146	343	2,489	-	-	-	-	-
Receivables:											
Trade debtors	-	1,830	-	-	1,830	767	137	113	813	-	-
Tabcorp distribution	-	1,575	-	-	1,575	1,575	-	-	-	-	-
Accrued income	-	1,401	-	-	1,401	1,401	-	-	-	-	-
Other receivables	-	75	-	-	75	75	-	-	-	-	-
Other financial assets:											
Loans	0.1%	97	8	-	89	97	-	-	-	-	-
Investements:											
Investment in 3UZ	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**8,549**	**8**	**2,146**	**6,395**	**7,486**	**137**	**113**	**813**	**-**	**-**
2012											
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**	**-**

Note 27 Financial instruments (Continued)

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

($ thousand)

2013	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	1.9%	1,484	-	1,480	4	1,484	-	-	-	-	-
Receivables:											
Trade Debtors	-	1,679	-	-	1,679	656	117	111	795	-	-
Tabcorp Distribution	-	1,575	-	-	1,575	1,575	-	-	-	-	-
Accrued Income	-	1,356	-	-	1,356	1,356	-	-	-	-	-
Intercompany Debtors	-	1,631	-	-	1,631	17	5	3	2	1,604	-
Other financial assets:											
Loans	6.0%	1,254	658	-	596	1,254	-	-	-	-	-
Investments:											
Investment in subsidiaries	-	868	-	-	868	868	-	-	-	-	-
Investment in 3UZ	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**10,929**	**658**	**1,480**	**8,791**	**8,292**	**122**	**114**	**797**	**1,604**	-
2012											
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**	**-**

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)			
2013	%		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	-	1,885	-		1,885	1,885	1,732	138	15	-
Other payables	-	1,827	-	-	1,827	1,827	1,827	-	-	-
Interest bearing liabilities:										
Tabcorp Funding Support Agreement	6.00%	5,488		5,488		5,488		842		4,646
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	-	-	-	-	-	-	-	-	-	-
Gaming machine entitlements	-	1,491	-	-	1,491	1,491	-	89	276	1,126
Total		**39,791**	**19,667**	**14,921**	**5,203**	**39,791**	**32,659**	**1,069**	**291**	**5,772**
2012										
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	-	-	-	-
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**	**2,906**	**389**	**30,643**

Note:

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

Note 27 Financial instruments (Continued)

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

($ thousand)

	Weighted average effective interest rate		Interest rate exposure				Maturity dates (a)			
2013	%	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing	Nominal amount	Less than 1 month	1-3 Months	3 months - 1 year	1-5 years
Payables:										
Trade creditors	-	1,536	-		1,536	1,536	1,407	114	15	-
Intercompany payables	-	726	-	-	726	726	91	135	500	-
Other payables	-	1,310	-	-	1,310	1,310	1,310	-	-	-
Interest bearing liabilities:										
Tabcorp Funding Support Agreement	6.00%	5,488		5,488		5,488		842		4,647
Secured - CBA overdraw	15.99%	-	-	-	-	-	-	-	-	-
Secured - CBA loan facility*	7.66%	29,100	19,667	9,433	-	29,100	29,100	-	-	-
		38,160	**19,667**	**14,921**	**3,572**	**38,160**	**31,908**	**1,091**	**515**	**4,647**
2012										
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**

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.

(c) 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*
2013									
Contractual financial assets:									
Cash and cash equivalents (a)	2,489	5	5	(5)	(5)	(21)	(21)	21	21
Receivables	4,881	-	-	-	-	-	-	-	-
Other financial assets	97	-	-	-	-	-	-	-	-
Investments	1,082	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	3,712	-	-	-	-	-	-	-	-
Interest bearing liabilities	34,588	-	-	-	-	149	149	(149)	(149)
Non interest bearing liabilities	1,491	-	-	-	-	-	-	-	-
Total impact		**5**	**5**	**(5)**	**(5)**	**128**	**128**	**(128)**	**(128)**
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)**

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*
2013									
Contractual financial assets:									
Cash and cash equivalents	1,484	5	5	(5)	(5)	(15)	(15)	15	15
Receivables	6,241	-	-	-	-	-	-	-	-
Other financial assets	1,254	-	-	-	-	-	-	-	-
Investments	1,950	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	3,570	-	-	-	-	-	-	-	-
Interest bearing liabilities	34,588	-	-	-	-	149	149	(149)	(149)
Total increase/(decrease)		**5**	**5**	**(5)**	**(5)**	**134**	**134**	**(134)**	**(134)**
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)**

Note:

(a) Cash and cash equivalents includes AUD$100,759 in cash held in a New Zealand bank account (NZD$118,8862 @NZD/AUD 0.8477 at 30 June 2013).

(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

	2013 $'000				2012 $'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 Asset

Health Benefit Levy

The Victorian Racing Codes (VRI) represented through Vic Racing Pty Ltd, receives 25% of profits from the Joint Venture with TABCORP from the pre-16 August 2012 Joint Venture Agreement ("Old JV"). The majority of profits earned within the joint venture where from gaming activities. In May 2013 the Victorian Government through the State Treasurer applied a Health Benefit Levy on TABCORP's gaming business for an amount of $42.1 million (full year charge) for Financial Year 2012-13. TABCORP believed that the levy should have been applied on a pro rata basis as the TABCORP gaming business ceased to operate gaming machines on 15 August 2012.TABCORP successfully appealed the Government's determination of the levy in the Supreme Court of Victoria on 24 June 2013. The Government has subsequently appealed the decision and given this, HRV has accrued its share of $1.254m as a reduction in joint venture profits. If TABCORP is ultimately successful in its defence, and the Government determines not to apply its discretion, HRV will not be liable for the whole or part of $1.254 million. (2012: Nil).

Contingent Liabilities

Letter of Comfort - Melton Entertainment Trust:

On 30 August 2013, 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 2014. 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:

HRV will provide 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.

29. Commitments for Expenditure

	Consolidated Entity		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Other Expenditure Commitments				
Moonee Valley (Make Good and Early Exit Fee)				
Payable:				
Not longer than one year	-	660	-	660
	-	**660**	**-**	**660**
Tabcorp Gaming Solutions Service Agreement [(a)]				
Payable:				
Not longer than one year	1,053	897	-	-
Longer than 1 year and not longer than 5 years	4,541	4,409	-	-
Longer than 5 years	5,280	6,464	-	-
	10,874	**11,770**	**-**	**-**
Total Other Expenditure Commitments (inclusive of GST)	**10,874**	**12,430**	**-**	**660**
Total Commitments for Expenditure (inclusive of GST)	**10,874**	**12,430**	**-**	**660**
Less GST recoverable from the Australian Taxation Office	(1,088)	(1,130)	(99)	(60)
Total Capital Expenditure Commitments (exclusive of GST)	**9,786**	**11,300**	**(99)**	**600**

(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

Tabcorp Heads of Agreement

HRV and Tabcorp have agreed to a deferred settlement term on a Racefields Settlement Liability of $5,200,654 owed by HRV to Tabcorp. At 30 June 2013, this amount of $5,488,817. It is expected that this agreement will be commercially binding on the parties in September 2013.

Approval of overdraft facility

The Department of Treasury and Finance and the ANZ Bank have both approved an overdraft facility for HRV in 2013/14 subsequent to balance date. A $2,000,000 overdraft facility has been approved for HRV for the period from 24 July 2013 through until 30 June 2014.

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 2013 and financial position of Harness Racing Victoria at 30 June 2013.

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 4 September 2013.

Ken Latta PSM
CHAIRMAN

Neale Wheat, CA
BOARD MEMBER

John Anderson B.Ec CA Dip Ed.
CHIEF EXECUTIVE

Damien Madden FCPA
CHIEF FINANCIAL OFFICER

Melbourne, 4 September 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board Members, Harness Racing Victoria

The Financial Report

The accompanying financial report for the year ended 30 June 2013 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 determine is necessary to enable the preparation and fair presentation 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 2013 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 2013 included both in the 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
12 September 2013

for John Doyle
Auditor-General

Mission

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

Goals and Objectives

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

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