Harness Racing Victoria

ANNUAL REPORT

2014

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.

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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 2013/14 financial year.

Financials

The financial performance of the HRV Group saw a consolidated result of a net profit of $1.3m.

Revenue for the year grew by 4.4% from $76.6 million to $80.1 million. Expenditure increased from $76.1 million to $78.8 million noting that the prior year included non-recurring recovery of Racefield's Impairment of $1.4 million.

The significant areas which impacted on the financial result in 2013/14 were:

- An increase of $2.0 million in net wagering revenue due increase in Racefields Fees;
- An increase in stakes of $2.7 million;
- Continued containment of industry costs.

The Board's commitment to managing a sustainable business continues, with the 2014/15 budget conservatively forecasting profits at a similar level in 2013/14. The key features of the budget are:

- Additional stakes of $1.7 million;
- Reduced interest cost due to refinance of loans through Treasury Corporation Victoria (TCV) ($1.3 million);
- Continued shift of wagering preference away from pari-mutuel to lower margin products leading to no growth in wagering revenue.

Recap of the Racing Year

Feature Races

Once again, HRV conducted several quality events, such as:

The $400,000 AG Hunter Cup, sponsored by Del Re National Food Group was again one of the best attended events for the year. New Zealander Christen Me edged out Caribbean Blaster, Victoria's reigning Horse of the Year by a short half head.

The $400,000 SEW-Eurodrive Victoria Cup was won in sensational fashion by For A Reason from NSW once again from Caribbean Blaster, Christen Me with Miracle Mile winner Beautide fourth in a great race.

The 2013 Breeders Crown sponsored American Stud Blue Chip Farms, was another great endorsement for Australian breeding and racing. Once again, this was a fantastic race day with nine Group 1 races and stakemoney of $1.5 million. The rivalry between Australia and New Zealand was once again to the fore. Victorian trained horses to win glory were Im Stately (2yo trotters), Rosalie Bay (4yo trotters), Whereibylong (2yo fillies). On Super Sunday, Victorian trained horses reaped $605,000 in stakes, shading NSW ($435,000) and New Zealand ($360,000). Victorian Andy Gath was the most successful trainer with two winners. The Breeders Crown Series overall distributed $2.35 million in stakes.

The Pryde's Easifeed Great Southern Star (GSS) was held in March 2014, in conjunction with the Breed For Speed trotting series. It was an exceptional night, with the heats and Final, combined worth $400,000, being run on the same night. In a true staying test, NSW star Keystone Del won his heat and the Final, a credit to trainer Nicole Molande

The $200,000 VHRSC Victoria Derby was won by New Zealand 3yo Our Maxim. Barry Purdon trained the quinella with Our Sky Major running second.

For the second time, the Group 1 Finals for the Empire Stallions Vicbred Super Series were held over two nights in early July 2014. Although in the new financial year, the lead up races and semi-finals were held in the 2013/14 year. With 12 Group 1 finals taking place on July 4/5. It was two spectacular nights of racing with six Group 1 trotting races beamed into France by Sky Racing and turning over in excess of $1 million by French punters.

Industry Awards

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

Metropolitan Driver - Gavin Lang
Metropolitan Trainer - Lance Justice
Victorian State Driver - Chris Alford
Victorian State Trainer - Shayne Cramp
Victorian Trotter of the Year - Im Stately
Victorian Horse of the Year - Caribbean Blaster
Victorian Club of the Year - Ballarat
Gordon Rothacker Medal - Graeme Lang

Industry Milestones

During the year there were several milestones recognised by HRV:

- Chris Alford drove his 5,000th winner, the second person to achieve the milestone in the Southern Hemisphere after Gavin Lang achieved the feat in 2012. Chris did it when he drove Macho Comacho to victory on Kilmore Cup Day in October 2013;
- Daryl Douglas drove his 4,500th winner in March 2014 behind Hayabusa Flyer at Mildura;
- Community Radio Harness Review celebrated its 20th Anniversary on air with host Len Baker.

Vicbred Platinum

The HRV Board was again grateful for the State Government's support for the Vicbred program, with the confirmation of the new Vicbred Platinum series. The $3.4 million 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 the addition of the Platinum 'Home Grown' series was an added bonus for Victorian breeders and owners. Vicbred Platinum will deliver benefits to the Victorian industry over a long period of time.

Size and Scope Study

During the year, the Victorian Racing Industry commissioned a study by professional firm IER into the size and scope of the entire industry in Victoria.

The research found that the Victorian harness racing industry contributes $422 million 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.

Outside the metropolitan area the regions to make the highest contribution to the economy were the Goulburn Valley ($58 million) and Loddon ($50 million).

The report found that 19,000 people were actively involved in our sport as employees, participants or volunteers.

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 $85,000 toward the Women's Cancer Foundation – Ovarian Cancer Institute;
- For the first time, the female drivers were proud to wear 'teal' pants in all races during March 2014 to raise awareness of Ovarian Cancer. The exercise was so successful it will be expanded in 2015 and form a great lead up to Great Southern Star night.
- 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 2013, I presented a cheque for $50,000 to the City of Melton to be distributed to local community groups. Three schools were major beneficiaries of the local grants as well as 11 other community groups;
- Two long serving harness racing administrators were rewarded during the year by the Department of Justice. Les Chapman (Maryborough) and George Crane (Hamilton) received Corrections Victoria Awards for "recognition of excellence and commitment for supervising prisoners performing community work".

Debt Refinancing

The Board refinanced its debt through Treasury Corporation Victoria on 30 June 2014. The revised funding arrangements are well within HRV's cash flow forecasts.

Melton Development

The Board also continues to work with the EPA and the Melton City Council to work towards a positive outcome regarding the landfill site at Melton which will then lead to development opportunities for the land owned by HRV adjacent to Tabcorp Park and the landfill (107ha in total).

The Outlook

The HRV Board will continue to manage the business prudently to ensure returns to stakeholders can continue to be maximised.

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 wagering partner;
- 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 thank you for the role you play as Minister for Racing which you do so well despite the time commitments involved in also being Premier of the State. I also thank your staff and the Office of Racing for the support provided to harness racing in Victoria.

Ken Latta PSM

Chairman


Chris Alford


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HISTORICAL FINANCIAL PERFORMANCE SUMMARY

		2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
HRV Racing Operations							
Wagering	Income	57,949	57,107	52,281	54,094	53,835	52,594
Capital Grants RRIF	Income	570	925	2,968	1,958	1,408	213
Stake Money	HRV Contributions	(35,182)	(32,467)	(33,445)	(32,982)	(32,572)	(32,487)
	Country Club Contributions	(1,159)	(1,167)	(1,071)	(1,007)	(1,128)	(1,092)
		(36,341)	**(33,634)**	**(34,516)**	**(33,989)**	**(33,700)**	**(33,579)**
Metropolitan Racing	Income	185	203	306	275	495	449
	Expenses	(1,960)	(2,462)	(2,703)	(2,841)	(3,093)	(3,470)
		(1,775)	**(2,259)**	**(2,397)**	**(2,566)**	**(2,597)**	**(3,021)**
Country Clubs	Income	1,606	1,619	1,633	1,575	1,725	1,584
	Expenses	(8,204)	(8,016)	(7,857)	(8,135)	(8,185)	(8,319)
		(6,598)	**(6,397)**	**(6,224)**	**(6,560)**	**(6,460)**	**(6,735)**
Futurities	Income	3,270	2,201	2,722	2,914	2,295	2,893
Racing	Income	2,096	2,084	1,918	2,149	1,583	1,475
	Expenses	(5,006)	(4,703)	(4,955)	(5,193)	(5,027)	(4,943)
		(2,910)	**(2,619)**	**(3,037)**	**(3,044)**	**(3,444)**	**(3,467)**
Commercial Operations	Income	1,407	1,442	1,634	1,747	1,848	1,365
	Expenses	(3,587)	(3,454)	(4,373)	(4,087)	(4,331)	(3,362)
		(2,180)	**(2,012)**	**(2,740)**	**(2,340)**	**(2,483)**	**(1,997)**
Product Development	Income	0	0	0	0	0	0
	Expenses	(648)	(562)	(678)	(493)	(502)	(556)
		(648)	**(562)**	**(678)**	**(493)**	**(502)**	**(556)**
Development Fund	Expenses	(1,849)	(2,950)	(4,861)	(1,318)	(1,528)	(2,034)
Administration	Income	2,852	2,764	2,504	3,468	2,304	3,389
	Expenses	(10,212)	(10,335)	(12,633)	(11,776)	(10,174)	(9,398)
		(7,360)	**(7,571)**	**(10,129)**	**(8,308)**	**(7,869)**	**(6,008)**
Non Racing Operations							
RISE IT Operations	Income	1,303	1,246	1,288	1,187	1,187	1,300
	Expenses	(1,285)	(1,150)	(1,275)	(1,189)	(1,258)	(1,243)
		18	**96**	**13**	**(2)**	**(71)**	**57**
Tabcorp Park	Income	11,595	11,298	8,629	8,251	8,032	1,798
	Expenses	(12,434)	(11,617)	(8,663)	(8,497)	(8,599)	(2,562)
		(839)	**(319)**	**(35)**	**(245)**	**(567)**	**(765)**
Eliminations	Income	(2,744)	(2,653)	(2,852)	(2,653)	(2,854)	(851)
	Expenses	2,744	2,653	2,852	2,650	2,854	851
	Sub-Total	**0**	**0**	**0**	**(3)**	**0**	**0**
TOTALS	Total Income	80,089	78,236	73,031	74,965	71,859	66,209
	Total Expenses	(78,782)	(76,230)	(79,662)	(74,868)	(73,543)	(68,615)
Profit/(Loss)		**1,307**	**2,006**	**(6,631)**	**97**	**(1,684)**	**(2,406)**


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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 2014.

K Latta PSM
Chairman
19 Sep 2014

Objectives, Functions and Activities

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

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

Organisational Structure and Corporate Governance Arrangements

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

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

Members of Harness Racing Victoria Board
Ken Latta PSM (Board Chairman)
Elizabeth Clarke
Wendy Greiner (Appointed 1st July 13)
Geoffrey Kay
Neale Wheat
Ken Latchford
Ian Delmenico

Chief Executive - John Anderson
John is a qualified Chartered Accountant with a Bachelor of Economics. He manages all facets of the Harness Racing Victoria's strategy, operations, integrity and finance. He is also a Director of HRV Management Ltd, the corporate nominee for the Melton Entertainment Trust. He represents the Harness Racing Industry within the Victorian Racing Industry (as a Director of the corporate entity VicRacing) which is the Joint Venture partner with Tabcorp, the principal funding source for the industry. He is also a Director of 3UZ Pty Ltd, known as RSN, of which Harness Racing Victoria is an 18% shareholder.

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

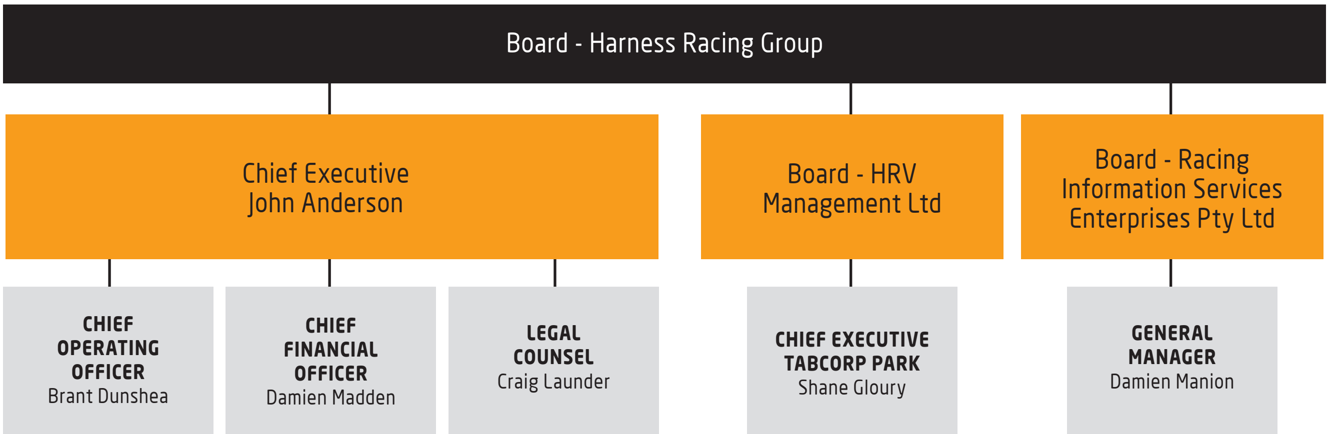
The Audit Committee consists of the following members:
David Logan (Chairman)
John Wilkinson (Independent Committee Member)
Neale Wheat (HRV Board Member)

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

Other HRV Committees

Finance and 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.

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

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 staff have the knowledge and skills required in the contemporary work environment. Particular focus this year was placed on developing the leadership capability of senior management with the rollout of the 'Building the Best Leaders' program. All employees are encouraged to extend their professional skills with individual development needs identified as part of the performance management process.

HRV also continued with the strategy of ongoing skill development for Club personnel with the introduction and roll out of an accredited training program for track attendants that centred on enhancing knowledge of safe work practices and horse handling skills. Achieving greater engagement with social media was also a priority with Country Clubs participating in social media workshops designed to improve knowledge of social media channels and how to use social media to promote and market Club events.

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

Employment and Conduct Principles

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

Occupational Health and Safety

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

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

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

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

Subsequent Events

There are no subsequent events.

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 2013/14, there was no requests received by HRV.

Compliance with Building Act 1993

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

National Competition Policy

The principle of competitive neutrality aims to ensure that Government businesses do not enjoy any net competitive advantage simply by virtue of their public sector ownership. Harness Racing Victoria is not a tax funded general Government service and does not adopt any pricing principles utilising a net competitive advantage. Approximately 58% 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.

STAFF PROFILE BY POSITION - FULL TIME	MALE		FEMALE		TOTAL FULL TIME	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Executive	9	8		0	9	8
Professionals	15	15	4	4	19	19
Paraprofessionals	20	20	3	3	23	23
Clerical Workers	2	3	8	7	10	10
Broadcasters & Country Clubs	6	9	0	0	6	9
TOTAL	**52**	**55**	**15**	**14**	**67**	**69**

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				
2014	**2013**	**2012**	**2011**	**2010**
67	69	61	71	71

Protected Disclosures Act 2012

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

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

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

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

Financial Review of Operations and Financial Conditions

For the financial year ended 30 June 2014 a profit result of $1.307 million was recorded. The result was impacted by a reduction in JV Income and the planned increase in Stake money to the Industry participants. This was offset by additional income in WSP Race-field Fees. The Board reduced Development Fund Expenditure and committed to a control of all other expenses on a like for like basis in 2013-14. (In 2013, Other Expenses includes the recovery of the Racefield Fees Case which has deflated the Other Expenses by $1.49m.)

Cash Assets at 30 June 2014 of $4.1 million were higher than last year. In August of 2014, HRV will pay $1.266m to the Victorian State Government being its share of the Health Benefit Levy. Total Assets of $69.7 million have marginally decreased on the $70.5 million recorded at the equivalent period last year. Current Liabilities have decreased from $38.6 million at 30 June 2013 to $21.4 million at 30 June 2014. HRV completed it refinancing under approval from Treasury through Treasury Corporation of Victoria (TCV). As part of the refinancing, HRV consolidated its borrowing and fully paid out it Funding Support Agreement with Tabcorp of $5.488m.

Overall total liabilities over the year decreased from $49.5 million to $47.4 million.

Future Outlook

The HRV Board committed to maintaining a net surplus position in the future years while maintaining its core Stakemoney funding and reducing long term debt.

The Consolidated Group Profit Projection is $1.0 million and a Cash Surplus of $2.6 million is planned for 2014/15. The forthcoming year will see a number of challenges for HRV. The major issue for HRV in 2014/15 is the channel shifting of revenue from traditional Tote to Fixed Odds Wagering. This will result in lower income from the Joint Venture and be offset by higher Racefields Income due to Turnover and Fee changes. In the 2012-13 Stakemoney increased by $2.7m. The drag through of that decision in 2012-13 will see additional stakes of $1.7m available for the industry. Next year Stake money allocation is planned at $37.3m.

The Strategic Plan aligns the organization to assist our participants in offering cost effective systems through the industry under it Statement of Expectation. HRV has committed to;

- Development of Online Systems for Futurity Schemes and for Licensing and Registrations
- Implementation of a Shared Service Function for the Harness Racing Clubs through Victoria.

FIVE YEAR FINANCIAL SUMMARY					
	2014	**2013**	**2012**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Tabcorp Revenue	47,107	48,255	46,962	47,319	49,988
Other Revenue	32,979	28,391	26,065	27,387	21,928
Total Revenue	**80,086**	**76,646**	**73,027**	**74,706**	**71,916**
Stake Money Expense	(36,351)	(33,634)	(34,516)	(33,988)	(33,699)
Other Expenses	(42,428)	(41,006)	(45,142)	(40,618)	(39,901)
Net Profit/(Loss)	**1,307**	**2,006**	**(6,631)**	**100**	**(1,684)**
Cash Assets	4,103	2,489	1,675	1,722	1,623
Total Assets	69,692	70,508	71,096	71,457	63,700
Current Liabilities	(21,380)	(38,599)	(17,701)	(10,331)	(14,222)
Total Liabilities	(47,413)	(49,536)	(52,130)	(45,860)	(50,165)

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 no contracts *completed* to which VIPP applied:

Consultancies

During the year, HRV had 4 consultancies that cost in excess of $10,000 excluding GST. The total expenditure incurred during 2013-14 in relation to these consultancies is $200,560 (excluding GST). Details of individual consultancies are outlined below..

Consultant	Purpose of consultancy	Total approved project fee	Expenditure 2013/14 (excluding gst)	Future expenditure (excluding gst)
Tonkin & Taylor Pty Ltd	Environmental assessment of Melton Land	88,026	88,026	-
Coffey Environment Australia	Environmental assessment of Melton Land	37,757	37,757	-
ERA	Expense Reduction	59,777	59,777	-
Brendan Ford Management	Sponsorship Review	15,000	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
19th September 2014

Reporting on Consultation

Harness Racing Victoria (HRV) 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 2013/14 in July 2013, December 2013 and April 2014 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 presentation of the current financial performance of HRV and other matters of importance to the industry, such as programming, strategic planning, national insurances and internal reviews.

Operational matters are discussed between representatives of each of the consultation bodies with Board members and management of HRV and minutes are prepared with action items for follow up.

During the year, HRV implemented several actions as a result of the consultation meetings, including:

- Finalisation of the Review of Vicbred Scheme;
- Finalisation of the Review of Breeders Crown;
- Distribution of stakemoney increases, including payment down to last place.

Reviews currently in progress arising from consultation meetings are:

- Club meeting fee payment structure;
- Racing calendar review for 2015/16 season;
- Fees and charges to the industry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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

	2014	2013	2012	2011	2010
Meetings (TAB)	455	452	497	506	504
Meetings (Non-TAB)	1	1	1	1	2
Races	3,820	3,814	3,969	4,069	4,084
Horses raced	4,039	4,099	4,340	4,418	4,440
Nominations	51,531	53,344	57,663	57,995	57,973
Starters	35,698	36,843	38,811	39,099	39,241
Drivers	762	815	854	872	897
Trainers	1,247	1,300	1,368	1,405	1,460
Stablehands	1,219	1,271	1,342	1,674	1,741
Sires	79	81	88	133	103
Foals *(a)	2,215	2,359	2,538	2,916	2,985
Namings	1,466	1,508	1,572	1,556	1,665
Services	3,269	3,559	3,872	4,320	4,943

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

FINANCIAL STATEMENTS

COMPREHENSIVE OPERATING STATEMENTS

For The Financial Year Ended 30 June 2014

	Notes	Consolidated Entity		Parent Entity	
		2014	2013	2014	2013
		$'000	$'000	$'000	$'000
CONTINUING OPERATIONS					
INCOME FROM TRANSACTIONS					
Tabcorp income		47,107	48,255	47,107	48,255
Other income		32,979	28,391	22,824	18,500
Total Income from Transactions	2	**80,086**	**76,646**	**69,931**	**66,755**
EXPENSES FROM TRANSACTIONS					
Stakemoney expense		(36,351)	(33,634)	(36,351)	(33,634)
Employee benefits		(11,876)	(11,210)	(7,669)	(7,171)
Depreciation and amortisation expense		(2,194)	(2,400)	(1,890)	(2,160)
Finance costs		(2,550)	(2,622)	(2,468)	(2,539)
Other operating expenses		(25,807)	(26,241)	(19,438)	(20,490)
Total Expenses from Transactions	2	**(78,778)**	**(76,107)**	**(67,816)**	**(65,994)**
Net Result from Transactions (Net Operating Balance)		**1,308**	**539**	**2,115**	**761**
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT					
Bad and Doubtful Debt Expense		(4)	(27)	9	(24)
Impairment on Racefield Fees Recovered		-	1,494	-	1,494
Gain/(Loss) on sale of property, plant and equipment	2(a)	3	-	3	-
Revaluation decrement of property, plant and equipment	8	-	-	-	-
Total Other Economic Flows Included in Net Result		**(1)**	**1,467**	**12**	**1,470**
Net Result		**1,307**	**2,006**	**2,127**	**2,231**
OTHER ECONOMIC FLOWS - OTHER NON-OWNER CHANGES IN EQUITY					
Changes in asset revaluation reserve	18	-	-	-	-
Transfer from asset revaluation reserve to accumulated surplus/(deficit)	18,19	-	-	-	-
Total Other Economic Flows - Other Non-Owner Changes in Equity		-	-	-	-
Comprehensive Result - Total Change in Net Worth	19	**1,307**	**2,006**	**2,127**	**2,231**

BALANCE SHEETS

As At 30 June 2013

	Notes	Consolidated Entity 2014 $'000	Consolidated Entity 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
CURRENT ASSETS					
Cash and cash equivalents	25(a)	4,103	2,489	3,137	1,484
Receivables	4	4,313	5,162	4,071	4,952
Other financial assets	5	13	30	13	30
Inventories	7	93	79	-	-
Other assets	6	546	256	469	213
Total Current Assets		**9,068**	**8,016**	**7,690**	**6,679**
NON-CURRENT ASSETS					
Property, plant and equipment	8	57,736	59,408	57,531	59,202
Receivables	4	-	-	2,537	1,505
Other financial assets	5	68	67	1,225	1,224
Investments	9	1,082	1,082	1,429	1,950
Other Assets	6	-	-	-	-
Intangible assets	10	1,738	1,935	-	-
Total Non-Current Assets		**60,624**	**62,492**	**62,722**	**63,881**
TOTAL ASSETS		**69,692**	**70,508**	**70,412**	**70,560**
CURRENT LIABILITIES					
Payables	11	4,361	3,714	3,815	3,572
Provisions	12	2,084	1,817	1,758	1,528
Interest Bearing Liabilities	13	11,500	29,942	11,500	29,942
Non Interest Bearing Liabilities	14	388	366	-	-
Prepaid Income	15	815	386	723	365
Other Liabilities	16	2,232	2,374	2,231	2,371
Total Current Liabilities		**21,380**	**38,599**	**20,027**	**37,778**
NON-CURRENT LIABILITIES					
Payables	11	-	-	-	-
Interest Bearing Liabilities	13	20,500	4,646	20,500	4,646
Non interest bearing liabilities	14	738	1,125	-	-
Prepaid income	15	2,457	2,808	2,457	2,808
Provisions	12	343	265	304	233
Other liabilities	16	1,995	2,093	1,995	2,093
Total Non-Current Liabilities		**26,033**	**10,937**	**25,256**	**9,780**
TOTAL LIABILITIES		**47,413**	**49,536**	**45,283**	**47,558**
NET ASSETS		**22,279**	**20,972**	**25,129**	**23,002**
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	(2,228)	(3,535)	622	(1,505)
TOTAL EQUITY		**22,279**	**20,972**	**25,129**	**23,002**

The accompanying notes form part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 30 June 2014

Consolidated Entity	Notes	Revaluation surplus	Accumulated surplus/(losses)	Contributed capital	Total
		$'000	$'000	$'000	$'000
	Notes	18	19	17	
Balance at 1 July 2012		**15,333**	**(5,541)**	**9,174**	**18,966**
Net result for the year		-	2,006	-	2,006
Balance at 30 June 2013		**15,333**	**(3,535)**	**9,174**	**20,972**
Net result for the year		-	1,307	-	1,307
Balance at 30 June 2014		**15,333**	**(2,228)**	**9,174**	**22,279**

Parent Entity	Notes	Revaluation surplus	Accumulated surplus/(losses)	Contributed capital	Total
		$'000	$'000	$'000	$'000
	Notes	18	19	17	
Balance at 1 July 2012		**15,333**	**(3,736)**	**9,174**	**20,771**
Net result for the year		-	2,231	-	2,231
Balance at 30 June 2013		**15,333**	**(1,505)**	**9,174**	**23,002**
Net result for the year		-	2,127	-	2,127
Balance at 30 June 2014		**15,333**	**622**	**9,174**	**25,129**

The accompanying notes form part of these financial statements


CHALLENGER

CASH FLOW STATEMENTS

For The Financial Year Ended 30 June 2014

	Notes	Consolidated Entity 2014 $'000	Consolidated Entity 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
Cash flows from operating activities					
Receipts from operations (incl GST)		87,978	82,793	75,637	71,363
Payments to suppliers, employees & industry (incl GST)		(80,598)	(83,917)	(69,330)	(73,230)
Interest received		49	58	86	93
Interest paid		(2,550)	(2,607)	(2,468)	(2,539)
Net cash from/(used in) operating activities	25(b)	**4,879**	**(3,673)**	**3,925**	**(4,313)**
Cash flows from investing activities					
Payments for property, plant and equipment		(327)	(260)	(222)	(89)
Proceeds from the sale of property, plant and equipment		-	-	-	-
Loans granted		-	-	-	(507)
Net cash from/(used in) investing activities		**(327)**	**(260)**	**(222)**	**(596)**
Cash flows from financing activities					
Proceeds from loan repayments		17	26	18	26
Proceeds from Interest Bearing Liabilities		-	-	-	-
Proceeds from Return of Capital of Investments		-	-	521	-
Repayment of Gaming Machine Entitlements		(366)	(260)	-	-
Proceeds/(Repayment) of Interest Bearing Liabilities		(2,589)	5,488	(2,589)	5,488
Repayment of Non Interest Bearing Liabilities		-	(507)	-	-
Net cash from/(used in) financing activities		**(2,938)**	**4,747**	**(2,050)**	**5,514**
Net Increase/(decrease) in cash and cash equivalents held		**1,614**	**814**	**1,653**	**605**
Cash and cash equivalents at the beginning of the financial year		2,489	1,675	1,484	879
Cash and cash equivalents at the end of the financial year	25(a)	**4,103**	**2,489**	**3,137**	**1,484**

The accompanying notes form part of these financial statements

Note 1. Summary of significant accounting policies

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

(a) Reporting Entity Information

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

Its principal address and registered office is:

Harness Racing Victoria
400 Epsom Road
Flemington VIC 3031

(b) Changes in accounting policies

Subsequent to the 2012-13 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

(b) i. AASB 13
Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted.

HRV has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and adjusted where applicable. In light of AASB 13, the Trust has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

However, AASB 13 has predominantly impacted the disclosures of HRV. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

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

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

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

In addition, HRV determines whether transfers have occurred between levels in the hierarchy by re assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(b) ii. AASB 119
Employee Benefits

In 2013-14, HRV has applied AASB 119 Employee benefits and the related consequential amendments for the first time.

The revised standard also changes the definition of short term employee benefits. Previously all unconditional benefits of employees were treated as short term liabilities to be settled as within twelve months after the end of the reporting period in which the employees render the related service. However, short term employee benefits are now defined as benefits expected to be settled wholly either within twelve months after the end of the reporting period or settled wholly after 12 months after the end of the reporting period. As a result, accrued annual leave and long service leave balances which were previously classified by the HRV as short term employee benefits no longer meet this definition and are now segregated to reflect the benefit to be wholly settled within 12 months and after 12 months.

The change has not materially affect the restated of the provision of HRV.

(c) Objectives and Funding

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

(d) Basis of Accounting Preparation and Measurement

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

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

The financial statements were formally authorised for issue by the Harness Racing Victoria Board on 19th September 2014.

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Harness Racing Victoria's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1(s).

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 2014 and the comparative information presented for the year ended 30 June 2013.

(e) Basis of Consolidation

Controlled Entities

The consolidated financial statements comprise the financial statements of the Parent entity and its subsidiaries (refer to

Note 31) as at 30 June 2014. Subsidiaries are all those entities over which the Parent entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent entity controls another entity.

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

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

(f) Scope and Presentation of Financial Statements

Comprehensive Operating Statement

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

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

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

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

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

Balance Sheet

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

Statement of Changes in Equity

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

Cash Flow Statement

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

Rounding of Amounts

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

(g) Events After Reporting Date

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

(h) Goods and Services Tax (GST)

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

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

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

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

(i) Income from Transactions

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

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 2014, for futurity series to be conducted in 2014/2015 are brought to account as a Current Liability. Fees and contributions received for series to be run after 30 June 2015 have been recorded as a Non-Current Liability.
- Gaming commission income is recognised when the right to receive the income has been established, generally on a daily basis based on the share of entitlement of gaming expenditure by customers.
- Hotel room rental income is recognised on each night of guest stay.
- Function income is recognised when it is earned (generally when the event is hosted).
- Food, beverage and sale of goods income are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of sale.
- Grants from third parties (other than contribution by owners) are recognised as income in the reporting period in which they are received or become receivable.
- Amounts received but not earned at year end are recognised as a liability in the balance sheet.

(j) Expenses from Transactions

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

Grants and Other Payments

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

Stakemoney Payments

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

Employee Benefits

Employee 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 another economic flow, except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.

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

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

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

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

(k) Financial Instruments

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

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

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables

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

Loans and receivables category includes cash and deposits (refer to Note 1(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.

(l) Assets

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

Cash and Cash Equivalents

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

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

Receivables

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

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

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

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

Investments and Other Financial Assets

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

Investments are classified in the following categories:

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

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

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

Investment in Radio 3UZ Unit Trust

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

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

Details in relation to investments are disclosed in Note 9.

Loans and Receivables

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

De-recognition of financial assets

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

- the right to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and

either:

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

Impairment of Financial Assets

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

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

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

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

Property, Plant and Equipment

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

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

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

Revaluations of Non-Current Physical Assets

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

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

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

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

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

Intangible Assets

Goodwill arising from business combinations

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

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

Gaming machine entitlements

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

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

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.

(m) Liabilities

Payables

Payables consist of:

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

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

In 2013-14, Harness Racing Victoria has applied AASB 119 Employee benefits and the related consequential amendments for the first time.

The revised standard also changes the definition of short term employee benefits. These were previously benefits that were expected to be wholly settled within twelve months after the end of the reporting period in which the employees render the related service, however, short term employee benefits are now defined as benefits expected to be wholly settled within twelve months after the end of the reporting period in which the employees render the related service.

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

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

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

(ii) Long service leave

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

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

The components of this current LSL liability are measured at:

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

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

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

(iii) Employee benefits on-costs

Employee benefits on-costs such as payroll tax, workers 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 2014, 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.

(n) Leases

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

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

(i) The Group as a lessee

Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from use of the leased asset. The leased asset is not recognised in the balance sheet. The Group is not a party to any finance leases.

(ii) The Group as a lessor

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

(o) Commitments

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

(p) Contingent Assets and Liabilities

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

(q) Country Club Contributions to Stakemoney

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

(r) Foreign Currency Translation and Balances

Functional and presentation currency

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

Parent entity's functional and presentation currency.

Transaction and balances

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

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

(s) Income Tax

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

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

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

(t) Critical Accounting Estimates and Assumptions

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

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

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

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The financial report is presented in Australian dollars (Harness Racing Victoria's presentation currency), which is also its functional currency.

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 and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment, (refer to Note 8) and;
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 12).

Consistent with AASB 13 Fair Value Measurement, the Harness Racing Victoria determines the policies and procedures for both recurring fair value measurements such, furniture, fittings and equipment, computer and computer equipment and financial instruments, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

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

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

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

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

Impairment of Non-Financial Assets Other than Goodwill

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

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

Impairment of Goodwill

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

Estimation of Useful Lives of Assets

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

Valuation of investment in Radio 3UZ Unit Trust

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

(u) AASBs Issued that are Not Yet Effective

Certain new AASBs have been published that are not mandatory for the 30 June 2014 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 2014, 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 2014. Standards and Interpretations that are not applicable to the Group have been omitted. The Group has not early adopted these standards.

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 2017	The preliminary assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and 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. The AASB has issued an Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.	1 Jan 2014 (not-for-profit entities)	Ongoing work is being done to monitor and assess the impact of this standard.
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 (not-for-profit entities)	Ongoing work is being done to monitor and assess the impact of this standard.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact
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 (not-for-profit entities)	The new standard is likely to require additional disclosures and ongoing work is being done to determine the extent of additional disclosure required.
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 (not-for-profit entities)	Current assessment indicates that there is limited impact on Victorian Public Sector entities. Ongoing work is being done to monitor and assess the impact of this standard.
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 (not-for-profit entities)	Current assessment indicates that there is limited impact on Victorian Public Sector entities. Ongoing work is being done to monitor and assess the impact of this standard.
AASB 1055 Budgetary Reporting	AASB 1055 extends the scope of budgetary reporting that is currently applicable for the whole of government and general government sector (GGS) to NFP entities within the GGS, provided that these entities present separate budget to the parliament.	1 July 2014	[This Standard is not applicable as no budget disclosure is required.
AASB 1056 Superannuation Entities	AASB 1056 replaces AAS 25 Financial Reporting by Superannuation Plans. The standard was developed in light of changes in recent years, developments in the superannuation industry and Australia's adoption of IFRS.	1 July 2016	The standard was issued in June 2014. While preliminary assessment has not identified any material impact arising from AASB 1056, further work to assess the impact of this standard will be undertaken.

(v) Equity

Contributions by owners

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

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

(w) Going Concern

Notwithstanding the deficiency in working capital (current assets less current liabilities) of $12.312m. (2013 - $30.583m) the accounts are prepared on a going concern basis. The Board believe the going concern basis is appropriate based on the following factors:

It should be noted that in refinance of the CBA Loan, HRV structured its facilities to maximise Cashflow. The total $32m refinanced is split $22m Fixed for 2 years (Principal and Interest) and $10m Variable At Call. Both components are included in the Multi- Option Facility Agreement with TCV. This multi-option facility is not secured. HRV notes that both elements when negotiated have the same term. At the end of 2015 the roll-over of the Variable at Call element will be extended.

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 year.

Additionally while increases in Stake-money levels have been factored into the HRV Budget for 2014/15, 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 reduced from $38.6 million at 30 June 2013 to $21.38 million at 30 June 2014. This is due to the refinancing of the CBA Loan of $29.1 million which matured on 30 June 2014 to Treasury Corporation Victoria (TCV) pursuant to the 2008 Centralisation of Debt Policy.

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


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Note 2. Income and Expenses from Transactions

	Consolidated Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
The Comprehensive Operating Statement consists of the following income and expense items:				
INCOME				
Tabcorp Income	**47,107**	**48,255**	**47,107**	**48,255**
Other Income				
Racefield fees	9,743	6,655	9,743	6,655
Registered bookmakers fees	21	32	21	32
Gaming commission	5,963	5,509	-	-
Food & beverages	3,482	3,563	-	-
Accommodation	922	650	-	-
Other venue revenue	354	454	-	-
Sponsorship, advertising & events	1,402	1,448	1,434	1,470
RISE IT charges	892	828	-	-
Grants	673	1,134	673	1,025
Registration & licencing fees	1,883	1,869	1,883	1,869
Raceday fees	485	498	485	498
Fines & appeals	213	213	213	213
Country Club contributions to stakemoney	1,168	1,167	1,168	1,167
Futurities Income				
- Vicbred Revenue	808	164	808	164
- Breeders Crown	1,595	1,577	1,595	1,577
- Race series subsidies	950	482	950	482
Sky vision fees	1,048	606	1,048	606
Property income	707	686	1,866	1,812
Industry programs	153	196	153	196
Management & service fee	263	441	530	525
Interest	49	58	86	93
Other income	205	161	168	116
Total Other Income	**32,979**	**28,391**	**22,824**	**18,500**
TOTAL INCOME FROM TRANSACTIONS	**80,086**	**76,646**	**69,931**	**66,755**

Note 2. Income and Expenses from Transactions (Continued)

	Consolidated Entity		Parent Entity	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
EXPENSES				
Stakemoney Expense				
Metropolitan stakes	11,699	10,786	11,699	10,786
Country stakes	20,397	18,196	20,397	18,196
Drivers fees	708	1,176	708	1,176
Vicbred win bonuses	2,741	2,633	2,741	2,633
Vicbred breeder bonuses	806	843	806	843
Total Stakemoney Expense	**36,351**	**33,634**	**36,351**	**33,634**
Employee Benefits				
Post employee benefits				
Defined contribution superannuation expense	832	757	506	439
Defined benefits superannuation expense	42	42	42	42
Salaries, wages and long service leave	11,002	10,411	7,121	6,690
Employee Benefits	**11,876**	**11,210**	**7,669**	**7,171**
Depreciation and Amortisation Expense (Refer Note 8)	**2,194**	**2,400**	**1,890**	**2,160**
Finance Costs	**2,550**	**2,622**	**2,468**	**2,539**
Other Operating Expenses				
Country Club funding	5,817	5,634	5,821	5,640
Marketing & sponsorship expenses	1,833	1,599	1,521	1,365
Vision & Audio	2,742	2,596	2,742	2,596
Property costs	2,946	2,676	1,505	1,229
Development fund (Refer Note 20)	1,723	2,821	1,723	2,821
Gaming Costs	2,790	2,422	-	-
Cost of goods sold	1,302	1,195	-	-
Fields & form comments	734	917	734	917
Swabs	433	433	433	433
Timing & photo finish	37	25	37	25
Registration	629	648	629	648
Integrity & licensing	184	160	184	160
Communication costs	203	147	108	96
Computer costs	308	342	373	373
Registered bookmaker costs	2	4	2	4
Training facilities	40	46	40	46
Insurance	744	954	704	891
Consulting/legal fees	550	490	453	455
Other expenses	2,790	3,132	2,429	2,791
Total Other Expenses	**25,807**	**26,241**	**19,438**	**20,490**
TOTAL EXPENSES FROM TRANSACTIONS	**78,778**	**76,107**	**67,816**	**65,994**

	Consolidated Entity		Parent Entity	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000

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

	2014	2013	2014	2013
Gross Proceeds	-	-	-	-
Less Incidental cost of disposal	-	-	-	-
Carrying amount of assets disposed	3	-	3	-
Profit/(Loss) on sale of assets	**3**	**-**	**3**	**-**

Note 3. Remuneration of Auditors

	2014	2013	2014	2013
Victorian Auditor General's Office - Audit of the Financial Report	54	55	29	27
Pitcher Partners - Internal Audit Services	35	30	35	30
Other Audit Services	14	2	8	-
Total Remuneration of Auditors	**103**	**87**	**72**	**57**

Note 4. Receivables

	2014	2013	2014	2013
Current				
Contractual				
Trade receivables	1,051	1,983	900	1,832
Provisions for doubtful debts (a)	(156)	(153)	(144)	(153)
	895	**1,830**	**756**	**1,679**
Accrued income	1,373	1,401	1,343	1,356
Provisions for impairment	-	-	-	-
	1,373	**1,401**	**1,343**	**1,356**
Tabcorp distribution receivable	1,662	1,575	1,662	1,575
Intercompany receivables	-	-	1	126
Sundry debtors	13	75	-	-
Statutory				
Goods and Services Tax (GST) recoverable	371	281	309	216
	2,046	**1,931**	**1,972**	**1,917**
Total Current Receivables	**4,314**	**5,162**	**4,071**	**4,952**
Non Current				
Contractual				
Intercompany receivables	-	-	2,537	1,505
Total Non-Current Receivables	**-**	**-**	**2,537**	**1,505**
Total Receivables	**4,314**	**5,162**	**6,608**	**6,457**

(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 $56,000 increase in provision was recognised in the operating result for the current financial year

Note 4. Receivables Continued...

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
(a) Movement in the Provision for doubtful debts				
Balance at the beginning of the year	(153)	(267)	(153)	(267)
Amounts recovered during the year	53	38	53	38
(Increase) in allowance recognised in the net result	(56)	(71)	(44)	(71)
Reversal of provision for receivables written off during the year as uncollectible	-	147	-	147
Balance at end of the year	**(156)**	**(153)**	**(144)**	**(153)**
(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
Balance at end of the year	**-**	**-**	**-**	**-**

(c) Ageing analysis of contractual receivables
Please refer to table 27.2c 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

Note 5. Other Financial Assets

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
Current				
Loan - Geelong Harness Racing Club Inc	13	22	13	22
Loan - Shepparton Harness Racing Club Inc	-	8	-	8
Total Other Current Financial Assets	**13**	**30**	**13**	**30**
Non-Current				
Loan - Geelong Harness Racing Club Inc	68	67	68	67
Loan - HRV Management Ltd ATF Melton Entertainment Trust	-	-	1,157	1,157
Total Other Non-Current Financial Assets	**68**	**67**	**1,225**	**1,224**
Total Other Financial Assets	**81**	**97**	**1,238**	**1,254**

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

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

Note 6. Other Assets Current

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
Prepayments	546	256	469	213
Total Other Current Assets	**546**	**256**	**469**	**213**

Note 7. Inventories

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
Food at cost	22	20	-	-
Beverages at cost	71	59	-	-
Total Inventories	**93**	**79**	**-**	**-**

Note 8. Property, Plant and Equipment

Consolidated Entity

2013/14 Year	Freehold Land	Buildings	Building Improvements	Plant and Equipment	Melton Track	Total
Gross Carrying Amount Balance as at 1 July 2013	**17,350**	**39,947**	**1,282**	**9,665**	**3,344**	**71,588**
Additions	-	65	-	262	-	327
Disposals/writeoffs	-	-	-	(10)	-	(10)
Revaluation increments	-	-	-	-	-	-
Revaluation decrements	-	-	-	-	-	-
Balance as at 30 June 2014	**17,350**	**40,012**	**1,282**	**9,917**	**3,344**	**71,905**
Accumulated Depreciation						
Balance as at 1 July 2013	-	**(2,017)**	**(1,143)**	**(8,439)**	**(581)**	**(12,180)**
Disposals/writeoffs	-	-	-	8	-	8
Depreciation expense	-	(1,056)	(81)	(728)	(132)	(1,997)
Revaluation increments	-	-	-	-	-	-
Balance as at 30 June 2014	**-**	**(3,073)**	**(1,224)**	**(9,159)**	**(713)**	**(14,169)**
Net Book Value						
As at 30 June 2013	17,350	37,930	139	1,226	2,763	59,408
As at 30 June 2014	**17,350**	**36,939**	**58**	**758**	**2,631**	**57,736**
2012/13 Year						
Gross Carrying Amount Balance as at 1 July 2012	**17,350**	**39,928**	**1,282**	**9,432**	**3,336**	**71,328**
Additions	-	19	-	233	8	260
Disposals/writeoffs	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-
Revaluation decrements	-	-	-	-	-	-
Balance as at 30 June 2013	**17,350**	**39,947**	**1,282**	**9,665**	**3,344**	**71,588**
Accumulated Depreciation						
Balance as at 1 July 2012	-	**(1,016)**	**(957)**	**(7,534)**	**(446)**	**(9,953)**
Disposals/writeoffs	-	-	-	-	-	-
Depreciation expense	-	(1,001)	(186)	(905)	(135)	(2,227)
Revaluation increment	-	-	-	-	-	-
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**

Note 8. Property, Plant and Equipment (Continued)

Parent Entity

2013/14 Year	Freehold Land	Buildings	Building Improvements	Plant and Equipment	Melton Track	Total
Gross Carrying Amount Balance as at 1 July 2013	**17,350**	**39,947**	**1,282**	**6,943**	**3,344**	**68,866**
Additions	-	65	-	157	-	222
Disposals/writeoffs	-	-	-	(10)	-	(10)
Revaluation increments	-	-	-	-	-	-
Revaluation decrements	-	-	-	-	-	-
Balance as at 30 June 2014	**17,350**	**40,012**	**1,282**	**7,090**	**3,344**	**69,078**
Accumulated Depreciation						
Balance as at 1 July 2013	**-**	**(2,017)**	**(1,143)**	**(5,923)**	**(581)**	**(9,664)**
Disposals/writeoffs	-	-	-	8	-	8
Depreciation expense	-	(1,056)	(81)	(621)	(132)	(1,890)
Revaluation increments	-	-	-	-	-	-
Balance as at 30 June 2014	**-**	**(3,073)**	**(1,224)**	**(6,536)**	**(713)**	**(11,546)**
Net Book Value						
As at 30 June 2013	17,350	37,930	139	1,020	2,763	59,202
As at 30 June 2014	**17,350**	**36,939**	**58**	**554**	**2,631**	**57,532**
2012/13 Year						
Gross Carrying Amount Balance as at 1 July 2012	**17,350**	**39,928**	**1,282**	**6,881**	**3,336**	**68,777**
Additions	-	19	-	62	8	89
Disposals/writeoffs	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-
Revaluation decrements	-	-	-	-	-	-
Balance as at 30 June 2013	**17,350**	**39,947**	**1,282**	**6,943**	**3,344**	**68,866**
Accumulated Depreciation						
Balance as at 1 July 2012	**-**	**(1,016)**	**(957)**	**(5,085)**	**(446)**	**(7,504)**
Disposals/writeoffs	-	-	-	-	-	-
Depreciation expense	-	(1,001)	(186)	(838)	(135)	(2,160)
Revaluation increments	-	-	-	-	-	-
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**

Note 8. Property, Plant and Equipment (Continued)

	Consolidated Entity		Parent Entity	
	2014	2013	2014	2013
Aggregate Depreciation and Amortisation allocated during the year was as follows:	$'000	$'000	$'000	$'000
Buildings at Fair Value	1,056	1,001	1,056	1,001
Building Improvements at Fair Value	81	186	81	186
Plant and Equipment at Fair Value	728	905	621	838
Melton Complex at Fair Value	132	135	132	135
Gaming Entitlements Amortization	198	173		
	2,195	**2,400**	**1,890**	**2,160**
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**

Note 8. Property, Plant and Equipment (Continued)

Fair Value

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

The key features of the standard are the following:

- The principle of Highest and best use from perspective of market participants;
- Use of principal or most advantageous market;
- The use of an exit price as the fair value;
- The use of physical asset is physically possible, legally permissible and financially feasible;
- The use of a three level hierarchy - quoted price, observable inputs and unobservable inputs;
- Applies when another standard requires or permits fair value measurement or disclosure;
- The application is based on materiality;
- Expanded disclosures requirements (basis, valuation techniques applied etc); and
- First year comparative disclosures are not required.

Consolidated Fair Value measurement hierarchy of Assets as at 30 June 2014

	Carrying amount as at 30 June 2014	Fair Value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
Land at Fair Value				
Non Specialised Land				
Specialised Land	17,350		17,350	
Total Land at Fair Value	**17,350**	-	**17,350**	-
Buildings at Fair Value				
Non Specialised Land				
Specialised Land	37,930			37,930
Total Buildings at Fair Value	**37,930**	-	-	**37,930**
Building Improvements at Fair Value				
Non Specialised Plant and Equipment				
Specialised Plant and Equipment	139			139
Total Building Improvements at Fair Value	**139**	-	-	**139**
Plant, Equipment at Fair Value				
Non Specialised Plant and Equipment				
Specialised Plant and Equipment	1,226			1,226
Total Plant and Equipment at Fair Value	**1,226**	-	-	**1,226**
Melton Track Fair Value				
Non Specialised Plant and Equipment				
Specialised Plant and Equipment	2,763			2,763
Total Melton Track at Fair Value	**2,763**	-	-	**2,763**

In 2011, HRV were required to obtain a valuation for the parcels of land being 28 - 52 Ferris Rd Melton and Lot 1 and 2 at 2 -134 Abey Road Melton. The valuation was conducted by Bertacco Ferrier Pty Ltd on behalf of the Valuer-General Victoria. For financial reporting purpose these valuations were with reference to Australian Accounting Standards Board (AASB) 116 Property Plant and Equipment; Australian accounting Standards Board (AASB) 136 Impairment of Assets; Victorian Government Policy FRD 103D Non-Current Physical Assets issued by the Department Of Treasury and Finance in March 2009.

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

The valuation complies with the current standard as:

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

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

Note 8. Property, Plant and Equipment (Continued)

Asset class	Valuation technique	Significant unobservable inputs	Range (weighted average)	Observable / Unobservable inputs	Sensitivity of fair value measurement to changes in significant unobservable inputs
Specialised Buildings	Depreciated Replacement cost.	Direct Cost per square metre	$3500 - $4000 per square metre **($3811 per square metre)**	The valuation process necessarily involves the use of unobservable inputs given relevant observable inputs are not available. The assets are classified as Level 3 fair value.	A significant increase or decrease in estimated direct cost per square metre of the asset would result in a significant higher or lower valuation
		Useful Life of Specialised Buildings	37 - 40 years		A significant increase or decrease in estimated useful life of the asset would result in a significant higher or lower valuation
Buildings improvements	Depreciated Replacement cost.	Direct Cost per square metre	$1500 - $1000 per square metre **($1,048 per square metre)**	Estimation based on assumption that depreciated cost would be a close approximation of fair value	A significant increase or decrease in estimated direct cost per square metre of the asset would result in a significant higher or lower valuation
Plant and Equipment - Computers	Depreciated replacement cost	Cost per Unit	Weighted Average $500 - $50,000 per unit **($13,877per unit)**	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation
Plant and Equipment - Equipment	Depreciated replacement cost	Cost per Unit	Weighted Average $500- $500,000 per unit **($148,419 per unit)**	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation
Plant and Equipment - Furniture & Fitting	Depreciated replacement cost	Cost per Unit	Weighted Average $100- $35,000 per unit **($218,147 per unit)**	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation
Plant and Equipment - Vehicles	Depreciated replacement cost	Cost per Unit	Weighted Average $1,000- $500,000 per unit **($202,371 per unit)**	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation
Plant and Equipment - Software	Depreciated replacement cost	Cost per Unit	Weighted Average $1,000- $1,800,000 per unit **($1,083,217 per unit)**	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation
Plant and Equipment - Timing Equipment	Depreciated replacement cost	Cost per Unit	Weighted Average $1,000 - $240,000 per unit **($163,122 per unit)**	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation
Melton Track	Depreciated Replacement cost	Cost per Metre	$3500 - $2000 per Metre **($3205 per metre)**	The valuation process necessarily involves the use of unobservable inputs given relevant observable inputs are not available.The assets are classified as Level 3 fair value.	A significant increase or decrease in estimated cost per metre of the asset would result in a significant higher or lower valuation

Note 9. Investments

	Consolidated Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
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 instead of fair value in accordance with AASB 139 Financial Instruments: Recognition and Measurement as at 1 July 2005 because the fair value of this investment cannot be measured reliably. The Group's investment in Radio 3UZ Unit Trust consists of an 18% unitholding in this trust, which fully owns all of the issued shares in 3UZ PtyLtd. 3UZ Pty Ltd operates a commercial radio station Sport 927 and a network of regional relay stations.

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

Note 10. Intangible Assets

Goodwill	132	132	-	-
Gaming Machine Entitlements	1,976	1,976	-	-
Accumulated Amortisation	(370)	(173)	-	-
Total Intangible Assets	**1,738**	**1,935**	**-**	**-**
Opening balance	**1,936**	**2,151**	**-**	**-**
Result of disposal of Entitlements	-	(42)	-	-
Amortisation	(198)	(173)	-	-
Impairment losses	-	-	-	-
Closing Balance	**1,738**	**1,936**	**-**	**-**

(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	2014	2013
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. The Board have concluded that no impairment is required.

Note 11. Payables

	Consolidated Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Contractual - Unsecured				
Trade Creditors	2,751	1,885	2,291	1,536
Intercompany payables	-	-	280	726
Development Fund accruals	220	192	220	192
Sundry creditors and accruals	1,390	1,637	1,024	1,118
Total Current Payables	**4,361**	**3,714**	**3,815**	**3,572**
Total Payables	**4,361**	**3,714**	**3,815**	**3,572**

(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

Note 12. Provisions

Current				
Unconditional and expected to wholly settle within 12 months	449	612	355	498
Unconditional and expected to wholly settle after 12 months	224	-	206	-
Long Service Leave				
Unconditional and expected to wholly settle within 12 months	-	-	-	-
Unconditional and expected to whollysettle after 12 months	1,034	907	903	795
Provisions related to employee benefit on-costs				
Unconditional and expected to wholly settle within 12 months	251	232	213	196
Unconditional and expected to wholly settle after 12 months	35	-	35	-
Statewide Sulky Fund	46	39	46	39
Bonus Points Liability	45	27	-	-
Total Current Provision	**2,084**	**1,817**	**1,758**	**1,528**
Non-Current				
Employee Benefits	293	230	260	202
Provisions related to employee benefit on-costs	50	35	44	31
Total Non Current Provision	**343**	**265**	**304**	**233**
Total Provisions	**2,427**	**2,082**	**2,062**	**1,761**

Note 12. Provisions (Continued)

(b) Movement in provisions

Consolidated Entity	Employee Benefits 2014 $'000	On-costs 2014 $'000	Statewide Sulky Fund 2014 $'000	Bonus Points Liability 2014 $'000	Total 2014 $'000
Opening balance	**1,749**	**267**	**39**	**27**	**2,082**
Additional provisions recognised	519	88	36	52	695
Reductions arising from payments/other sacrifices of future economic benefits	(261)	(18)	(29)	(34)	(342)
Unwind of discount and effect of changes in the discount rate	(7)	(1)	-	-	(8)
Closing balance	**2,000**	**336**	**46**	**45**	**2,427**
Current	1,707	286	46	45	2,084
Non-Current	293	50	-	-	343
	2,000	**336**	**46**	**45**	**2,427**

Parent Entity	Employee Benefits 2014 $'000	On-costs 2014 $'000	Statewide Sulky Fund 2014 $'000	Bonus Points Liability 2014 $'000	Total 2014 $'000
Opening balance	**1,495**	**227**	**39**	**-**	**1,761**
Additional provisions recognised	383	50	36	-	469
Reductions arising from payments/other sacrifices of future economic benefits	(147)	(26)	(29)	-	(202)
Unwind of discount and effect of changes in the discount rate	(7)	(1)	-	-	(8)
Closing balance	**1,724**	**250**	**46**	**-**	**2,020**
Current	1,464	248	46	-	1,758
Non Current	260	44	-	-	304
	1,724	**292**	**46**	**-**	**2,062**

Note 13. Interest Bearing Liabilities

	Consolidated Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current				
Tabcorp Funding Support Agreement	-	842	-	842
Unsecured - TCV Loan Facility	11,500		11,500	
Secured - CBA Loan Facility	-	29,100	-	29,100
	11,500	**29,942**	**11,500**	**29,942**
Non-Current				
Tabcorp Funding Support Agreement	-	4,646	-	4,646
Unsecured - TCV Loan Facility	20,500		20,500	
Secured - CBA Long-term loan	-	-	-	-
	20,500	**4,646**	**20,500**	**4,646**
Total Interest Bearing liabilities	**32,000**	**34,588**	**32,000**	**34,588**

(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				
Secured	-	29,100	-	29,100
Unsecured overdraft facility	-	1,961	-	1,961
Unsecured Term Facility	35,300		35,300	
Financial guarantee	175	169	175	169
Business card limit	99	89	39	39
Total Facilities Amount	**35,574**	**31,319**	**35,514**	**31,269**
Amount of Facility Unused	3,397	2,219	3,337	2,169

(e) Refinancing

On 27th June 2014, HRV received approval under Section 44A of the Racing Act 1958 by the Minister for Racing and the Treasury to refinance its CBA facility and Tabcorp's FSA. Both CBA and Tabcorp facilities were paid out and closed on or before end of business on 30th June 2014.

Note 14. Non Interest Bearing Liabilities

Current				
Gaming machine entitlements (d)	388	366	-	-
	388	**366**	**-**	**-**
Non-Current				
Gaming machine entitlements (d)	738	1,125	-	-
	738	**1,125**	**-**	**-**
Total Non Interest Bearing Liabilities	**1,126**	**1,491**	**-**	**-**

(a) Maturity analysis of non interest bearing liabilities Please refer to table 27.3 in Note 27 for the ageing analysis of non-interest bearing liabilities.
(b) Nature and extent of risk arising from non interest bearing liabilities Please refer to Note 27(e) for the nature and extent of risks arising from non-interest bearing liabilities.
(c) Defaults and breaches During the current and prior year, there were no defaults and breaches of any of the loans.
(d) All payments for Gaming machine Entitlements The Victoria Commissionfor Gaming and Liquor Regulation (VCGLR) which the independent statutory authority that administers Victoria's gaming and liquor laws. Total liability for entitlements is payable to the VCGLR.

Note 15. Prepaid Income

	Consolidated Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current				
Tabcorp Melton sponsorship	351	351	351	351
Other revenue invoiced in advance	464	35	372	14
	815	**386**	**723**	**365**
Non-Current				
Tabcorp Melton Sponsorship	2,457	2,808	2,457	2,808
	2,457	**2,808**	**2,457**	**2,808**
Total Prepaid Income	**3,272**	**3,194**	**3,180**	**3,173**

Note 16. Other Liabilities

Current				
Vicbred fees received in advance	796	809	796	809
Breeders Crown fees received in advance	1,391	1,514	1,391	1,514
Other	45	51	44	48
	2,232	**2,374**	**2,231**	**2,371**
Non-Current				
Vicbred fees received in advance	182	196	182	196
Breeders Crown fees received in advance	1,767	1,849	1,767	1,849
Other	46	48	46	48
	1,995	**2,093**	**1,995**	**2,093**
Total Other Liabilities	**4,227**	**4,467**	**4,226**	**4,464**

Note 17. Contributed Capital

Contributed capital	9,174	9,174	9,174	9,174
Total Contributed Capital	**9,174**	**9,174**	**9,174**	**9,174**

Note 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.

Note 19. Accumulated Surplus

Accumulated Surplus/(Deficit) at the beginning of the financial year	(3,535)	(5,541)	(1,505)	(3,736)
Net Operating Profit/(Loss)	1,307	2,006	2,127	2,231
Accumulated Surplus/(Deficit) at the end of the financial year	**(2,228)**	**(3,535)**	**622**	**(1,505)**

Note 20. Development Fund

On the incorporation of Tabcorp Holdings Limited, HRV formed a development fund for the purpose of providing the industry with a source of income to fund capital projects. Income allocated to the fund and associated expenses are included in the Operating Statement. During the year ended 30 June 2014 expenditure on the following projects was incurred. No comparative for 2013 is shown due to the nature of the program. Each year the projects receiving funding change therefore making any comparative not applicable.

		2014 $'000
Ararat	Wagering Office Upgrade	2
Ballarat	Tractor	34
Cranbourne	Grandstand Upgrade	140
Echua	Track Fencing	19
	Tractor	20
Geelong	Wiring and Generator	161
Gunbower	Storage Container	2
Hamilton	macghinery Shed Upgrade	3
Mooroopna	Shed	9
Mildura	Finishing Camera	33
Shepparton	Master Plan	4
Swan Hill	Water Truck	23
Yarra Valley	View Mound	11
	Maximum Demand Tariff 2012/13	143
	Track & Lighting	247
HRV	6 Country Club Re-openings	17
	Tabcorp park External Stalls	187
	Development Fund Expenses	87
	Audi Visional Infra-structure	248
	Raising the Standards	10
	RASL Rearch & Equipment	82
	Track Maintenance Program	186
	Track Maintenance Supervisor	58
Total Development Fund Expenses		**1,723**

Note 21. Responsible Persons

Responsible persons in accordance with Financial Reporting Direction 21B 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)

Elizabeth Clarke

Wendy Greiner (Appointed 1st July 13)

Geoffrey Kay

Neale Wheat

Ken Latchford

Ian Delmenico

Accountable Officer: John Anderson - Chief Executive

The following persons were directors of the subsidiaries:

Ken Latta PSM

John Anderson

Elizabeth Clarke

Geoffrey Kay

Ian Delmenico

Craig Gardner

Dougall McBurnie

Wendy Greiner (Appointed 1st July-13)

Cesare Tizi

Neale Wheat

Ken Latchford

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	**2014**	**2013**	**2014**	**2013**
Income Band	**No.**	**No.**	**No.**	**No.**
$0 - $9,999	-	2	-	2
$10,000 - $19,999	-	6	-	6
$20,000 - $29,999	6	-	6	-
$40,000 - $49,999	1	1	1	1
$260,000 - $269,999	-	1	-	1
$270,000 - $279,999	-	-	1	-
$290,000 - $299,999	1	-	-	-
Total Numbers	**8**	**10**	**8**	**10**
	$'000	**$'000**	**$'000**	**$'000**
Total Remuneration Received or due and receivable by all responsible persons was:	468	435	453	435

Note 21. Responsible Persons (Continued)

	Total Remuneration		Base Remuneration	
Consolidated Entity	**2014**	**2013**	**2014**	**2013**
Income Range	**No.**	**No.**	**No.**	**No.**
$0 - $9,999	-	4	-	4
$10,000 - $19,999	2	5	2	5
$20,000 - $29,999	7	1	7	1
$40,000 - $49,999	-	1	-	1
$50,000 - $59,999	1		1	-
$260,000 - $269,999		1		1
$270,000 - $279,999		-		-
$280,000 - $289,999		-	1	-
$290,000 - $299,999	1	-		-
Total Numbers	**11**	**12**	**11**	**12**
	$'000	**$'000**	**$'000**	**$'000**
Total Remuneration Received or due and receivable by all responsible persons was:	510	465	494	452

Note 22. Executive Officers Remuneration

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

	Total Remuneration		Base Remuneration	
Parent Entity	**2014**	**2013**	**2014**	**2013**
Income Range	**No.**	**No.**	**No.**	**No.**
$120,000 - $129,999	-	1	-	1
$130,000 - $139,999	2	-	2	-
$140,000 - $149,999	1	-	1	-
$150,000 - $159,999	1	3	1	4
$160,000 - $169,999	1	1	1	-
$170,000 - $179,999	2	-	2	-
Total number of executives	**7**	**5**	**7**	**5**
	$'000	**$'000**	**$'000**	**$'000**
Total Remuneration for the reporting period of executive officers included above amount to:	1,084	761	1,084	756

Note 22. Executive Officers Remuneration (Continued)

	Total Remuneration		Base Remuneration	
Consolidated Entity	**2014**	**2013**	**2014**	**2013**
Income Range	**No.**	**No.**	**No.**	**No.**
$120,000 - $129,999	-	1	-	1
$130,000 - $139,999	2	1	2	1
$140,000 - $149,999	2	1	2	1
$150,000 - $159,999	1	3	1	4
$160,000 - $169,999	1	1	1	-
$170,000 - $179,999	2	-	2	-
Total number of executives	**8**	**7**	**8**	**7**
	$'000	**$'000**	**$'000**	**$'000**
Total Remuneration for the reporting period of executive officers included above amount to:	1,227	1,035	1,227	1,030

Note 23. Related Party Transactions

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

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

	Consolidated Entity		Parent Entity	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Transactions:				
RISE IT & Other Charges to HRV	-	-	234	258
Rental Charges	-	-	1,159	1,126
Goods and Services received from Melton Entertainment Trust			376	382
Management Charges/Expense Recoveries from/to Subsidiaries	-	-	862	777
Finance Charges on loans	-	-	44	44
Balances:				
Other Financial Assets	-	-	1,157	1,157
Receivables	-	-	-	1,632
Payables	-	-	-	770
Other Current Liabilities	-	-	-	-

Note 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 Dunshwa (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) On 15 August 2012, the Victorian Racing Industry commenced an unincorporated joint venture with Tabcorp Holdings Limited. The unincorporated joint venture conducts the businesses of Wagering, Gaming and approved betting compositions in Victoria.
Through Vic Racing Pty Ltd, Harness Racing Victoria together with Racing Victoria Ltd and Greyhound Racing Victoria hold an equity interest in the joint venture. Vic Racing Pty Ltd is entitled to 50% of the joint venture profit and must contribute 50% of any joint venture losses.
Through Racing Products Victoria Pty Ltd, the codes supply racing information to the joint venture pursuant to the Racing Program Agreement and Product information Agreement, in return for fees.
Income derived from these sources is included as part of "Tabcorp Revenue" in the Operating Statement and Note 2 to the financial statements."

Note 24. Superannuation Arrangements

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

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

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

(a) Funds

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

(b) Contributions

State Superannuation Fund contributions are based on the schemes' policies and are dependent upon the election of the staff member. Employer contributions range from 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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
(c) Contributions made during the financial year:				
State Superannuation Fund	42	42	42	42
Victorian Superannuation Fund	352	313	299	268
Host Plus Superannuation Fund	198	205	20	19
Various Other Funds as nominated by the employee	282	239	187	152
Total Contributions	**874**	**799**	**548**	**481**

Note 25. Cash Flow Statement

	Consolidated Entity		Parent Entity	
	2014	2013	2014	2013
(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	3,894	2,146	3,134	1,480
Cash assets on hand	209	343	3	4
Closing cash and cash equivalents balance	**4,103**	**2,489**	**3,137**	**1,484**

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

Net Result for the Year	1,307	2,006	2,127	2,231
Add/(deduct) non cash items:				
Depreciation /amortisation of non-current assets	2,194	2,400	1,890	2,160
Revaluation of non-current assets	3	-	3	-
Carrying amount of property, plant and equipment sold	3	-	(9)	-
Other non cash items	-	(1,577)	-	(1,476)
Change in assets and liabilities:				
(Increase)/Decrease in receivables	846	1,440	(142)	385
(Increase)/Decrease in other current assets	(304)	(47)	(256)	(40)
(Increase)/Decrease in other non-current assets	-	-	(1)	-
Increase/(Decrease) in Accounts Payable & Other Liabilities	485	(8,054)	12	(7,729)
Increase/(Decrease) in provisions	345	159	301	156
Net cash provided by/(used in) operating activities	**4,879**	**(3,673)**	**3,925**	**(4,313)**

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

(d) Non Cash Items
In 2012-13, HRV settled the Sportsbet case relating the HRV Racefields Fee Policy. The settled resulted in the reversal of the previous provision made and appears as a non-cash item in the prior year comparatives.

Note 26. Leases

	Consolidated Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Non-cancellable operating leases				
Not longer than one year	894	792	894	792
Longer than 1 year and not longer than 5 years	3,734	3,555	3,734	3,555
Longer than 5 years	1,637	2,096	1,637	2,096
	6,265	**6,443**	**6,265**	**6,443**

Disclosure as a Lessor - 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."

Note 27. Financial instruments

(a) Significant accounting policies

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

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

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

(b) Table 27.1: Categorisation of financial instruments

			Consolidated Entity		Parent Entity	
	Note	Category	2014	2013	2014	2013
Financial assets			*Carrying amount ($ thousand)*			
Cash and cash equivalents	25a	N/A	4,103	2,489	3,137	1,484
Receivables (a)	4	Loans and receivables (at amortised cost)	3,943	4,881	6,299	6,241
Other financial assets - loans	5	Loans and receivables (at amortised cost)	81	97	1,238	1,254
Investments (c)	9	Available for sale	1,082	1,082	1,429	1,950
Financial liabilities						
Payables (b)	11	Financial liabilities measured at amortised cost	3,721	12,871	3,570	13,177
Interest bearing liabilities	13	Financial liabilities measured at amortised cost	34,588	29,100	34,588	29,100
Non Interest bearing liabilities	14	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 calculated based on past experience, and current and expected changes in client 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."

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*
2014	**Note**				
Contractual financial assets					
Current Assets:					
Cash and cash equivalents	25a	3,892	A-1+	211	4,103
Receivables	4	-	-	3,943	3,943
Other financial assets - loans	5	-	-	81	81
Investments	9	-	-	1,082	1,082
Total contractual financial assets		**3,892**	**-**	**5,317**	**9,209**
2013					
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**

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*
2014	**Note**				
Contractual financial assets					
Current Assets:					
Cash and cash equivalents	25a	3,133	A-1+	4	3,137
Receivables	4	-		6,299	6,299
Other financial assets - loans	5	-		1,238	1,238
Investments	9	-		1,429	1,429
Total contractual financial assets		**3,133**		**8,970**	**12,103**
2013					
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**

At balance date, HRV Group held cash with ANZ Banking Group. Standard and Poor's Credit Rating is the Short Term Cash Rating for the Financial Institution as at 4th December 2013

Note 27. Financial instruments (Continued)

Contractual financial assets that are either past due or impaired
Currently the Group does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. 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
2014	%		Fixed interest rate	Variable interest rate	Non-interest bearing		31-60 Days	61-90 Days	91-120 Days	>121 Days	
Cash and cash equivalents	1.4%	4,103	-	3,894	209	4,103	-	-	-	-	-
Receivables:											
Trade debtors	-	895	-	-	895	584	128	57	126	-	-
Tabcorp distribution	-	1,662	-	-	1,662	1,662	-	-	-	-	-
Accrued income	-	1,373	-	-	1,373	1,373	-	-	-	-	-
Other receivables	-	13	-	-	13	13	-	-	-	-	-
Other financial assets:											
Loans	0.0%	81	-	-	81	81	-	-	-	-	-
Investements:											
Investment in 3UZ	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**9,209**	**-**	**3,894**	**5,315**	**8,898**	**128**	**57**	**126**	**-**	**-**
2013											
Cash and cash equivalents	1.9%	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**	**-**	**-**

Note 27. Financial instruments (Continued)

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

($ thousand)

2014	Weighted average effective interest rate %	Carrying amount	Interest rate exposure Fixed interest rate	Variable interest rate	Non-interest bearing	Not past due and not impaired	Past due but not impaired 31-60 Days	61-90 Days	91-120 Days	>121 Days	Impaired financial assets
Cash and cash equivalents	1.5%	3,137	-	3,134	3	3,137	-	-	-	-	-
Receivables:											
Trade Debtors	-	756	-	-	756	467	106	47	136	-	-
Tabcorp Distribution	-	1,662	-	-	1,662	1,662	-	-	-	-	-
Accrued Income	-	1,343	-	-	1,343	1,343	-	-	-	-	-
Intercompany Debtors	-	2,538	-	-	2,538	226	195	194	569	1,354	-
Other financial assets:											
Loans	6.0%	1,238	650	-	589	1,239	-	-	-	-	-
Investments:											
Investment in subsidiaries	-	347	-	-	347	347	-	-	-	-	-
Investment in 3UZ	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**12,103**	**650**	**3,134**	**8,320**	**9,503**	**301**	**241**	**705**	**1,354**	-
2013											
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	5.9%	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**	-

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, make 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 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)			
2014	%		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	-	2,751	-		2,751	2,751	2,418	334	-	-
Other payables	-	1,610	-	-	1,610	1,610	1,610	-	-	-
Interest bearing liabilities:										
Unsecured - TCV loan facility	5.36%	32,000	10,000	22,000	-	32,000		-	11,500	20,500
Non Interest bearing liabilities:										
Unsecured - interest free loan	-	-	-	-	-	-	-	-	-	-
Gaming machine entitlements	-	1,126	-	-	1,126	1,126	-	89	276	1,126
Total		**37,487**	**10,000**	**22,000**	**5,487**	**37,487**	**4,028**	**423**	**11,776**	**21,626**
2013										
Payables:										
Trade creditors	-	1,885	-	-	1,885	1,885	1,732	138	15	-
Other payables	-	1,829	-	-	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		**39,793**	**19,667**	**14,921**	**5,203**	**39,791**	**32,659**	**1,069**	**291**	**5,772**

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)									
			Interest rate exposure				Maturity dates (a)			
2014	Weighted average effective interest rate %	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	-	2,291	-		2,291	2,291	1,407	114	15	-
Intercompany payables	-	280	-	-	280	280	91	135	500	-
Other payables	-	1,244	-	-	1,244	1,244	1,244	-	-	-
Interest bearing liabilities:										
Unsecured - TCV loan facility	5.36%	32,000	10,000	22,000	-	32,000		-	11,500	20,500
Total		**35,815**	**10,000**	**22,000**	**3,815**	**35,815**	**2,742**	**249**	**12,015**	**20,500**
2013										
Payables:										
Trade creditors	-	1,536	-	-	1,536	1,536	1,407	144	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	-	-	-
Total		**38,160**	**19,667**	**14,921**	**3,572**	**38,160**	**31,908**	**1,121**	**515**	**4,647**

Note:

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

(e) Market risk

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

Foreign currency risk

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

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

Interest rate risk

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

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to cash flow interest rate risk arises primarily through the Group's interest bearing liabilities. Minimisation of this risk is achieved by entering into a combination of fixed rate and capped variable interest bearing financial instruments. 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*
2014									
Contractual financial assets:									
Cash and cash equivalents (a)	4,103	4	4	(4)	(4)	(39)	(39)	39	39
Receivables	3,943	-	-	-	-	-	-	-	-
Other financial assets	81	-	-	-	-	-	-	-	-
Investments	1,082	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	4,361	-	-	-	-	-	-	-	-
Interest bearing liabilities	32,000	-	-	-	-	94	94	(94)	(94)
Non interest bearing liabilities	1,126	-	-	-	-	-	-	-	-
Total impact		**4**	**4**	**(4)**	**(4)**	**55**	**55**	**(55)**	**(55)**
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	3,714	-	-	-	-	-	-	-	-
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)**

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*
2014									
Contractual financial assets:									
Cash and cash equivalents	3,137	4	4	(4)	(4)	(31)	(31)	31	31
Receivables	6,299	-	-	-	-	-	-	-	-
Other financial assets	1,238	-	-	-	-	-	-	-	-
Investments	1,429	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	3,815	-	-	-	-	-	-	-	-
Interest bearing liabilities	32,000	-	-	-	-	100	100	(100)	(100)
Total increase/(decrease)		**4**	**4**	**(4)**	**(4)**	**69**	**69**	**(69)**	**(69)**
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)**

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.

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

Note 28. Contingent Assets and Liabilities

Contingent Liabilities

Letter of Comfort - Melton Entertainment Trust:

On 19 September 2014, 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 2015. 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 provides a bank guarantee in the favour of the Landlord for leased premises. The bank guarantee is for $174,766 and relates to an operating lease of the ground floor at 740 Mount Alexander Road Moonee Ponds and covers rental for a three month period.

Note 29. Commitments for Expenditure

	Consolidated Entity		Parent Entity	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Other Expenditure Commitments				
Tabcorp Gaming Solutions Service Agreement [a]				
Payable:				
Not longer than one year	1,146	1,053	-	-
Longer than 1 year and not longer than 5 years	4,941	4,541	-	-
Longer than 5 years	4,287	5,280	-	-
	10,374	**10,874**	**-**	**-**
Total Other Expenditure Commitments (inclusive of GST)	**10,374**	**10,874**	**-**	**-**
Total Commitments for Expenditure (inclusive of GST)	**10,374**	**10,874**	**-**	**-**
Less GST recoverable from the Australian Taxation Office	(943)	(989)	-	-
Total Capital Expenditure Commitments (exclusive of GST)	**9,431**	**9,885**	**-**	**-**

(a) On commencement of the new gaming arrangements in 2012, the infrastructure, services and functions currently supplied by Tabcorp become the responsibility of the gaming venues. The TGS package entered into is an all encompassing offering covering a range of services for a daily fee per machine of $31.95.

Freehold Land

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

In November 2012, HRV and Melton Shire Council have agreed extend the time to develop the land with a new substantial commencement date by June 2017 and practical completion date by June 2018.

Note 30. Subsequent Events

No material subsequent events have occurred since balance date

Note 31. Subsidiaries

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

Name of entity	Country of incorporation	Equity Holding
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 2014 and financial position of Harness Racing Victoria at 30 June 2014.

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 19h September 2014.

Ken Latta PSM
CHAIRMAN

Ken Latchford B.Com, MBA, FCPA
BOARD MEMBER

John Anderson B.Ec CA Dip Ed.
CHIEF EXECUTIVE

Damien Madden FCPA
CHIEF FINANCIAL OFFICER

Melbourne, 19 September 2014

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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 2014 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 financial report is the consolidated financial statements of the consolidated entity, comprising Harness Racing Victoria and the entities it controlled at the year's end or from time to time during the financial year as disclosed in note 31 to the consolidated financial statements

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.

Auditing in the Public Interest

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 positions of Harness Racing Victoria and the consolidated entity as at 30 June 2014 and their 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 2014 included both in Harness Racing Victoria's annual report and on the website. The Board Members of Harness Racing Victoria are responsible for the integrity of Harness Racing Victoria's website. I have not been engaged to report on the integrity of Harness Racing Victoria's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
24 September 2014

for T.D.H.
Dr Peter Frost
Acting Auditor-General

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