ANNUAL REPORT 2015

HARNESS RACING VICTORIA

MISSION

"To develop a vibrant harness racing industry that promotes participation, integrity and racing excellence, grows wagering and other revenue streams, 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. MARTIN PAKULA MP
MINISTER FOR RACING

On behalf of the Board, I present this report to you for the 2014/15 financial year.

FINANCIALS

The financial year 2014/15 has been a pleasing one for Harness Racing Victoria (HRV).

The HRV Group recorded a consolidated profit for the year of $4.058m, which is a very satisfying performance after the original budget forecast a profit of $1.086m.

The principal reason for the positive result has been the better than expected growth in revenue. Revenue for the year grew by 6.3% from $80.08m last year to $84.97m.

Wagering was the key driver of the revenue growth. Wagering revenue grew from $57.9m to $61.9m. Revenue from the Joint Venture with Tabcorp increased by $1.4m to $49.9m, while 'race field' fees from other wagering service providers such as corporate bookmakers and interstate TABs increased from $9.7m to $12.4m.

Wagering turnover on Victorian product continued to grow in 2014/15. In total $857.8m was wagered on Victorian harness product during the year compared to $801.9m the previous year, an increase of 6.96%.

THE WAGERING TURNOVER FROM EACH CATEGORY OF WAGERING SERVICE PROVIDER WAS AS FOLLOWS (LAST YEAR IN BRACKETS):

VICTORIAN TAB	$192.7M ($196.1M)
INTERSTATE TABS	$320.9M ($323.8M)
CORPORATE BOOKMAKERS	$223.2M ($178.6M)
BETTING EXCHANGE	$43.6M ($42.9M)
INTERNATIONAL	$77.4M ($60.5M)
Total Turnover	**$857.8M ($801.9M)**

Most significant growth came from the export of Victorian product to international jurisdictions. Export of Victorian trotting to France is a new initiative and will continue to grow. $1.16m (an increase of 22% on last year) in revenue was earned by HRV specifically from exported product.

Wagering revenue represents 72.8% of total revenue. The next highest source of revenue is Tabcorp Park revenue, which also increased this year, from $11.6m to $12.7m. The venue achieved solid growth in food, beverage and function sales. All other revenue sources remained consistent with the previous year.

Expenditure for the financial year increased from $78.8m to $80.9m, by 2.6%.

The major factor in expenditure growth was increased stakemoney, which grew by $2m from $36.3m to $38.3m, or 6.9%.

Other expenses were tightly controlled. The next highest expense was salaries and wages which, across the Group, increased by 3.7% from $11.9m to $12.3m.

One area of focus is the spending on drug analytical testing. For the 2014/15 year the HRV Integrity Department spent $501,000 on swab samples alone, an increase of 16% on last year's figure of $433,000. The Board has budgeted for a further 7% increase in 2015/16 to $535,000.

Most significant saving in expenditure was interest expense. Due to the renegotiation of HRV debt through Treasury Corporation Victoria, effective 1 July 2014, interest expense reduced from $2.5m to $1.4m for the financial year.

The Balance Sheet for HRV remains strong. As at 30 June 2015, HRV has a favourable Net Asset position of $26.3m. HRV has a year end net debt of $24.3m, which is down from $32m at the same time last year.

The HRV Board has budgeted for another profitable year in 2015/16. Accordingly, we were able to announce to the industry a further $2m increase in stakes for the 2015/16 season, taking stakes to $40.3m. Since the end of the 2012/13 year, when stakes totalled $33.6m, we have managed to increase total stakemoney by $6.7m over three years, or 20%.

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

MAJOR AWARDS

DURING THE YEAR, HRV RECOGNISED THE ACHIEVEMENTS OF MANY IN THE INDUSTRY. BELOW ARE SOME OF THE MAJOR RECIPIENTS:

KERRYN MANNING
Gordon Rothacker Medallist

DES HUGHES
Distinguished Service Medal

LISA MCILVRIDE
Pearl Kelly Award

CHRIS ALFORD
Australian Representative at the World Drivers' Championship

HALL OF FAME INDUCTEES

AT THE VICTORIAN HARNESS RACING MEDIA AWARDS NIGHT, THE FOLLOWING WERE INDUCTED INTO THE HALL OF FAME:

ABRAHAMS FAMILY

CHRIS ALFORD

MAORI MISS

MAX AGNEW

PEARL KELLY

TRUE ROMAN

LEGEND STATUS WAS BESTOWED ON:

GEORGE GATH

INDUSTRY CONSULTATION

IN ACCORDANCE WITH THE RACING ACT AND HRV'S CHARTER FOR CONSULTATION, THE HRV BOARD CONDUCTED FORMAL CONSULTATION WITH THE FOLLOWING GROUPS AT LEAST THREE TIMES DURING THE 2014/15 YEAR:

- Association of Victorian Country Harness Racing Clubs
- Harness Breeders Victoria
- Victorian Bookmakers Association
- Victorian Harness Racing Sports Club
- Victorian Harness Racing Trainers and Drivers Association
- Victorian Square Trotters Association.

STRATEGIC PLAN

The 2011-2015 Plan is coming to a close. The HRV Board has monitored progress against the Plan and there have been several advancements in the sport resulting from the strategies put in place at the commencement of the Plan.

SOME OF THE SPECIFIC EXAMPLES OF THOSE ADVANCEMENTS ARE:

- Growth of the trotting gait;
- International exposure for Victorian harness racing;
- Expansion of the Vicbred scheme, including the Vicbred Platinum program;
- Wagering growth in a changing wagering environment;
- Increased focus on integrity and animal welfare;
- Financial sustainability;
- Efficiencies through the Country Club network via Shared Services.

The Board has drafted a Consultation Paper for the new 2016 to 2020 Strategic Plan, which is designed to address several of the challenges facing the sport. HRV is about to enter a phase of consultation with a broad cross section of industry stakeholders. Following consultation with the industry, the final 2020 Strategic Plan is due to be released in late 2015.

The Board has critically reflected on the recommendations applicable to HRV arising from the audit conducted by Dale Monteith on your behalf. The Strategic Plan responds to several of the challenges highlighted in the audit, in particular the importance of engaging with the industry in such important areas as strategic planning. Accordingly, the opportunity will be afforded to industry participants to attend in person at forums conducted at selected venues, or provide feedback via the HRV website.

APPRECIATION

Research indicates that harness racing's economic value to Victoria is $422m and creates the equivalent of 4,000 full time jobs.

Harness racing remains a vibrant industry providing both a livelihood and a proud participation to a large sector of the Victorian community who are passionate about their sport.

I WOULD LIKE TO RECOGNISE SOME OF THOSE HERE:

- The Presidents, Secretaries and Executive members of the sport's kindred bodies (consultative groups) 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 and sponsor of major events;
- Our media partners Sky Racing, Radio Sport National, the Herald Sun and several regional newspapers, including 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, Minister, your staff and the Office of Racing for the support provided to harness racing in Victoria.

Dr. Ken Latta PSM

Chairman

Dr. Ken Latta PSM
CHAIRMAN

CEO REPORT

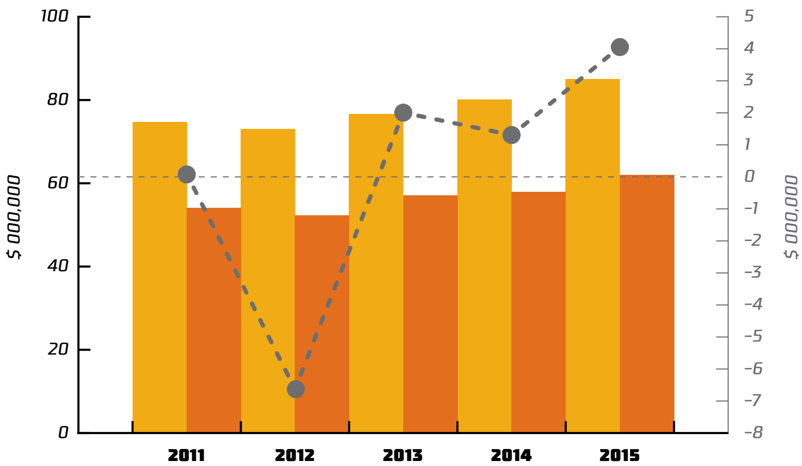
John Anderson
CHIEF EXECUTIVE

The 2014-15 year continued a period of growth for harness racing in Victoria, a journey which commenced back in 2012.

In the 2012 financial year HRV recorded a financial loss of $6.6m, which forced a critical review of the organisation, such as management restructuring, racing calendar changes, improved scheduling, better engagement with participants and working with our wagering partners to grow turnover on Victorian harness racing.

Since that time, HRV has declared accumulated profits of $7.4m, including recording our best financial result of a $4.1m profit in 2014-15. A major objective of HRV has been to build a financially sustainable base.

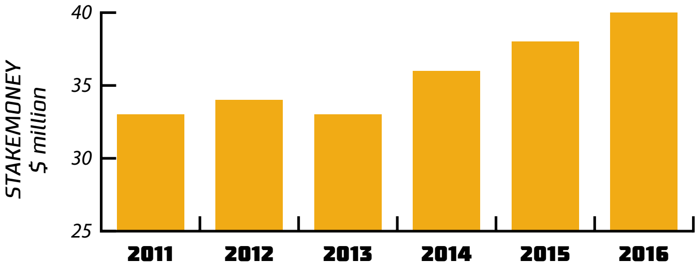
The $4.1m profit was recorded against an original budget of $1m. It is a credit to the HRV management team and the industry which supported HRV initiatives. Wagering revenue was a key driver of the improved result as highlighted in the graph below.



	2011	2012	2013	2014	2015
HRV REVENUE	74,706	73,027	76,646	80,086	84,970
WAGERING REVENUE	54,094	52,281	57,107	57,494	61,971
PROFIT	97	-6,631	2,006	1,307	4,058

STAKEMONEY

As a result of the healthier financial position in the last three years HRV has been able to grow stakemoney from $33.6m in 2013 to a proposed $40.3m in 2016, a 20% increase over four years. The graph below shows there was a static period between 2011-2013, however, there has been consistent growth since.



BALANCE SHEET

While managing the expectations of the industry with increased stakemoney, HRV has also been able to reduce its net debt. Since 2013, the net debt has reduced from $34.6m to $24.3m at 30 June 2015, a 30% reduction in three years. With the refinancing of debt on 1 July 2014 through Treasury Corporation Victoria, Interest Expense has reduced by 45%.

Despite having the debt, the asset at Tabcorp Park Melton and the adjoining land for future development (107ha in total) means that HRV has a healthy overall net asset position of $26m.

INTEGRITY

In the 2014-15 year, HRV continued its commitment to combat the broader and more serious threats to the integrity of the harness racing industry. A joint investigation conducted by Victoria Police's Sporting Integrity Intelligence Unit (SIIU), the Office of the Racing Integrity Commissioner (ORIC) and the HRV Integrity Department culminated in the first criminal charges, in connection with racing, being issued by Victoria Police under legislation introduced in 2013 concerning race/match fixing. Two harness racing participants will face both the court and HRV to answer matters in connection with this investigation.

The 2014-15 season also saw HRV increase its analytical testing spend by 16% and resulted in the first prosecution in Victoria of a trainer for the administration of cobalt, a substance identified as a significant threat to the integrity of the broader racing industry. This prosecution occurred through retrospective testing and prior to the establishment of a threshold for the relevant substance, demonstrating HRV's commitment to combat the use of prohibited substances. HRV, together with GRV, also purchased a state of the art freezer to store a greater number of swab samples and ensure additional retrospective testing can be conducted in the future. HRV looks forward to continuing its strong working relationships with external agencies such as the SIIU, ORIC, Racing Analytical Services Limited, overseas laboratories and the other racing codes to protect the integrity of the harness racing industry.

I thank Andy Rogers and his team for their diligent work throughout the year.

RACING OPERATIONS

The highlight of the racing year was the Del-Re National Food Group Hunter Cup in February. It delivered an unexpected but popular result with $82.90 chance ARDEN ROONEY winning for owners Merv and Meg Butterworth, and trained and driven by world record holding reinswoman Kerryn Manning.

The week prior to the Hunter Cup, HRV held the TAB Victoria Cup, which brought together one of the greatest fields ever assembled in Australia. The race was won at the start with world champion driver Dexter Dunn hustling New Zealand trained CHRISTEN ME to the front from wide on the front row. From that point on he was always in control of the race.

The 2014 Breeders Crown was a fantastic day held late in August where 10 Group 1 races were conducted. The spoils were evenly spread with Victorian trained horses taking the prize four times, while New South Wales and New Zealand trained horses won three each. A mammoth $2,292,010 was on offer throughout the series, which has stamped the carnival as the pinnacle of racing in Australasia.

The 2014 Empire Stallions Vicbred Super Series Finals opened the financial year in style on the first weekend in July, with six Group 1s for the trotters on the Friday Night with another six Group 1s on the Saturday Night at Tabcorp Park Melton. The Vicbred program delivered $8.1 million to the Victorian Harness Racing Industry and is a key driver to ensure the foal crop continues to produce an adequate level of racing horses in the future. The highlight of the trotters' divisions was in the 2YO Trotting Fillies Final where ENDSINO became the first graduate of the industry owned Australasian Premier Trotting Sale to win a Group 1 race. In the pacers' division the 4YO Pacing Entries and Geldings delivered one of the races of the year with LENNYTHESHARK getting the better of GUARANTEED after a titanic struggle.

The highlight of the year for the trotters was the third running of the Pryde's Easifeed Great Southern Star. This unique race series sees two heats (worth $50,000 each) lead into the Grand Final (worth $300,000) all conducted on the same night. The series was dominated by the Kiwis with SHEEMON winning the first elimination heat and the series big gun STENT easily winning the second. In the Final, STENT was much too good and earned his place as the top trotter in Australasia.

Late in the year, Vaughn Lynch became a welcome addition to the Racing Operations Department, succeeding Brant Dunshea who accepted a senior position with the British Horse Racing Authority.

MARKETING

For HRV Marketing, 2014-15 was a year of highlights. More marketing investment was placed on key events throughout the year, which helped contribute towards strong on-course attendance and wagering growth. The Breeders Crown Series, Melton Plate, New Year's Eve and the TAB Summer of Glory all experienced healthy growth at HRV's headquarters Tabcorp Park with crowds of 3,500, 4,000, 5,000 and 8,000 respectively. The pinnacle event, the TAB Summer of Glory proved successful in its first year and provides HRV with a premier event that will continue to grow in future years. The TAB Country Cups Carnival also attracted significant interest.

Digital enhancements were made in 2014-15 with the marketing team launching the Good Form website, which is becoming a key tool used by harness punters to assist them with their wagering. The website is consistently attracting close to 7,000 users a week. Digital will continue to be a focus in 2015-16 with the launch of a new and improved Victorian focused website.

Media and Communications were also given greater focus in the past year with the hiring of a dedicated Communications Manager. This allowed HRV to distribute more positive information than ever before across our media channels. We also worked closer with our broadcast partner Sky Racing, to provide viewers with 'up close and personal' interviews on the track at Tabcorp Park Melton and other feature events. RSN coverage was also enhanced with the popular Gait Speed and other regular segments.

ADMINISTRATION

During the year, Finance and IT undertook a number of projects to improve the engagement with the industry. A shared service function has been established to assist the Harness Racing Clubs in Victoria with governance and business guidance. Six clubs have joined the shared services, with a planned 10 additional clubs by December 2015. Apart from improved governance, the project has targeted to reduce the costs in the club network by $800,000. HRV IT has been working on system upgrades and projects to assist participants with web based online registration systems and licence fee renewals, cloud based transaction systems for the club network and enhanced document capture processes for HRV.

Chief Financial Officer Damien Madden has worked hard to generate several efficiencies with his Finance team.

TABCORP PARK

HRV's Tabcorp Park facility also had an improved financial year. The hospitality business achieved growth in revenue and better cost control. The business implemented loyalty programs for patrons of the venue while acknowledging its social responsibilities in gaming. Since the appointment of Shane Gloury as CEO in 2013, Tabcorp Park has seen improved quality in service and food delivery, and better marketing of the events and functions leading to an improved return from the venue.

CONCLUSION

The 2014-15 year had many challenges, however, the end result has been a pleasing one for the industry. I would like to thank all those in the industry who support our efforts to grow harness racing in Victoria, and to the HRV staff who are so dedicated and act in the best interests of the sport.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HISTORICAL FINANCIAL PERFORMANCE SUMMARY

Financial Information		2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000
HRV Racing Operations							
Wagering	Income	62,030	57,949	57,107	52,281	54,094	53,835
Capital Grants RRIF	Income	677	570	925	2,968	1,958	1,408
Stake Money	HRV Contributions	(37,361)	(35,182)	(32,467)	(33,445)	(32,982)	(32,572)
	Country Club Contributions	(922)	(1,159)	(1,167)	(1,071)	(1,007)	(1,128)
		(38,283)	**(36,341)**	**(33,634)**	**(34,516)**	**(33,989)**	**(33,700)**
Metropolitan Racing	Income	170	185	203	306	275	495
	Expenses	(1,989)	(1,960)	(2,462)	(2,703)	(2,841)	(3,093)
		(1,819)	**(1,775)**	**(2,259)**	**(2,397)**	**(2,566)**	**(2,597)**
Country Clubs	Income	1,363	1,606	1,619	1,633	1,575	1,725
	Expenses	(8,370)	(8,204)	(8,016)	(7,857)	(8,135)	(8,185)
		(7,007)	**(6,598)**	**(6,397)**	**(6,224)**	**(6,560)**	**(6,460)**
Futurities	Income	3,425	3,270	2,201	2,722	2,914	2,295
Racing	Income	2,002	2,096	2,084	1,918	2,149	1,583
	Expenses	(5,095)	(5,006)	(4,703)	(4,955)	(5,193)	(5,027)
		(3,093)	**(2,910)**	**(2,619)**	**(3,037)**	**(3,044)**	**(3,444)**
Commercial Operations	Income	1,247	1,407	1,442	1,634	1,747	1,848
	Expenses	(3,647)	(3,587)	(3,454)	(4,373)	(4,087)	(4,331)
		(2,400)	**(2,180)**	**(2,012)**	**(2,740)**	**(2,340)**	**(2,483)**
Product Development	Income	0	0	0	0	0	0
	Expenses	(719)	(648)	(562)	(678)	(493)	(502)
		(719)	**(648)**	**(562)**	**(678)**	**(493)**	**(502)**
Development Fund	Expenses	(1,831)	(1,849)	(2,950)	(4,861)	(1,318)	(1,528)
Administration	Income	2,244	2,852	2,764	2,504	3,468	2,304
	Expenses	(9,098)	(10,212)	(10,335)	(12,633)	(11,776)	(10,174)
		(6,854)	**(7,360)**	**(7,571)**	**(10,129)**	**(8,308)**	**(7,869)**
Non Racing Operations							
RISE IT Operations	Income	1,318	1,303	1,246	1,288	1,187	1,187
	Expenses	(1,281)	(1,285)	(1,150)	(1,275)	(1,189)	(1,258)
		37	**18**	**96**	**13**	**(2)**	**(71)**
Tabcorp Park	Income	12,728	11,595	11,298	8,629	8,251	8,032
	Expenses	(12,833)	(12,434)	(11,617)	(8,663)	(8,497)	(8,599)
		(105)	**(839)**	**(319)**	**(35)**	**(245)**	**(567)**
Eliminations	Income	(2,277)	(2,744)	(2,653)	(2,852)	(2,744)	(2,854)
	Expenses	2,277	2,744	2,653	2,852	2,741	2,854
Sub-Total		**0**	**0**	**0**	**0**	**(3)**	**0**
TOTALS	Total Income	84,927	80,089	78,236	73,031	74,874	71,859
	Total Expenses	(80,869)	(78,782)	(76,230)	(79,662)	(74,777)	(73,543)
Profit/(Loss)		**4,058**	**1,307**	**2,006**	**(6,631)**	**97**	**(1,684)**


FeAST

Harness Racing Victoria Board (Left to Right): Neale Wheat, Ian Delmenico, Elizabeth Clarke, Dr. Ken Latta PSM (Chairman), Wendy Greiner, Ken Latchford, Geoff Kay

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 2015.

Dr. K Latta PSM

Chairman

11th September 2015

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 Financial Officer, General Manager - Racing, General Manager - Integrity, CEO – Tabcorp Park, General Manager - Marketing and Legal Counsel.

ORGANISATIONAL STRUCTURE & CORPORATE GOVERNANCE ARRANGEMENTS

MINISTER FOR RACING
The Hon. Martin Pakula, MP

BOARD

MEMBERS OF HARNESS RACING VICTORIA BOARD:

Dr. Ken Latta PSM – Chairman
Wendy Greiner
Elizabeth Clarke
Neale Wheat
Geoffrey Kay
Ian Delmenico
Ken Latchford

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.

BOARD
HRV Management Ltd

CHIEF EXECUTIVE – 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.

BOARD
Racing Information Services Enterprises P/L

GENERAL MANAGER – RISE
Damien Manion

Damien is General Manager for Racing Information Services Enterprises, a wholly owned subsidiary of HRV. Damien is responsible for all IT system developments for HRV and the Harvey Racing System, which supports Harness Racing Industry throughout Australia.

GENERAL MANAGER – RACING
Vaughn Lynch

Vaughn is responsible for Racing, Registration, Futurities and Planning and Development teams. Areas under Vaughn's control include the production of the annual racing calendar, race programming, handicapping, infrastructure development, futurities, 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.

HUMAN RESOURCES MANAGER
Isabella Galati

Isabella is responsible for all matters regarding employee matters with Harness racing Victoria, Tabcorp Park and RISE including appointments, EBA's, staff reviews, staff development and training

CHIEF FINANCIAL OFFICER
Damien Madden

Damien is responsible for all financial matters relating to the Harness Racing Victoria and associated entities.

GENERAL MANAGER – MARKETING
Brett Boyd

Brett oversees all marketing activity for HRV and Country Clubs, sponsorship, and communications for HRV.

GENERAL MANAGER – INTEGRITY
Andy Rogers

Andy is responsible for overseeing the Stewarding and all Integrity issues including investigation and legal case management.

PROJECT MANAGER
Joe Ivisic

Joe is a qualified engineer who coordinates all matters regarding the development zone at Tabcorp Park for future use.

AUDIT COMMITTEE

THE AUDIT COMMITTEE CONSISTS OF THE FOLLOWING MEMBERS:

David Logan
(Chairman)

John Wilkinson
(Independent Committee Member)

Neale Wheat
(HRV Board Member)

Left to Right: John Wilkinson, David Logan and Neale Wheat

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 & Wagering Sub Committee

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

Committee - Dr Ken Latta PSM (Chairman), Neale Wheat, Ken Latchford

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.

Committee - Dr Ken Latta PSM (Chairman), Geoff Kay, Ken Latchford, Paul James, Chris Hazelman

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.

Committee - John Doherty (Chairman), John Schreck, Noel Perry, Elizabeth Clarke, Wendy Greiner

HUMAN RESOURCE MANAGEMENT

During the year, HRV continued its strategy of promoting professionalism within the harness racing industry.

HRV developed competency based training for key racing officials and other programs focusing on excellence in customer service and effective communication skills.

HRV also reaffirmed its commitment to the development of senior management leadership capabilities with the 'Building the Best Leaders' program, a key feature of which is continued coaching and mentoring. HRV also prides itself on job opportunities for young people with 5 new trainees/apprenticeships commencing with the HRV group.

HRV continued with the strategy of ongoing skill development for Club personnel with the ongoing roll-out of the accredited training programs for track attendants enhancing knowledge of safe work practices and horse handling skills. Industry participants also participated in workshops aimed at enhancing media skills. A pilot program specifically for Club network administrators was launched with the objective of promoting improved awareness and compliance with workplace people management and safety requirements.

Negotiations for the new Stewards Panel Enterprise Agreement were successfully completed during the year with a collaborative approach to employee relations adopted by all stakeholders. An employee assistance program was introduced to promote staff welfare and provide support to deal with work and life issues.

EMPLOYMENT AND CONDUCT PRINCIPLES

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

Staff Profile by Position - Full Time

	Male		Female		Total Full Time	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Executive	9	9	1	0	10	9
Professionals	15	15	2	4	17	19
Paraprofessionals	19	19	5	4	24	23
Clerical Workers	2	3	8	7	10	10
Broadcasters and Country Clubs	5	6	0	0	5	6
Hospitality Manager	4	1	4	3	8	4
Hospitality Staff	3	8	10	11	13	19
TOTAL	**57**	**61**	**30**	**29**	**87**	**90**

Staff Profile by Position - Part-Time Sessional and Casuals

	Male		Female		Total Full Time	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Part-Time	1	1	10	10	11	11
Part-Time Sessional	15	5	5	5	20	10
Casual FTE	13	11	24	24	37	35

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 General Manager - Racing.

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 OH&S Policies and Procedures
- Technical research concerning a wide range of OH&S 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 General Manager - Racing.

FINANCIAL REVIEW OF OPERATIONS AND FINANCIAL CONDITIONS

For the financial year ended 30 June 2015 a profit result of $4.058 million was recorded.

Five Year Financial Summary

	2015	2014	2013	2012	2011
	$'000	$'000	$'000	$'000	$'000
Tabcorp Revenue	49,584	48,154	48,255	46,962	47,319
Other Revenue	35,385	31,932	28,391	26,065	27,387
Total Revenue	**84,969**	**80,086**	**76,646**	**73,027**	**74,706**
Stake Money Expense	(38,282)	(36,351)	(33,634)	(34,516)	(33,988)
Other Expenses	(42,629)	(42,428)	(41,006)	(45,142)	(40,618)
Net Profit/(Loss)	**4,058**	**1,307**	**2,006**	**(6,631)**	**100**
Cash Assets	484	4,103	2,489	1,675	1,722
Total Assets	66,859	69,692	70,508	71,096	71,457
Current Liabilities	(17,034)	(21,380)	(38,599)	(17,701)	(10,331)
Total Liabilities	(40,522)	(47,413)	(49,536)	(52,130)	(45,860)

The result was a significant improvement over last year and budget. During the 2014-15 planning process, a conservative profit was set to counter the risk of product decay in Parimutuel Wagering from our Joint Venture partner, Tabcorp. During the year, Tabcorp introduced programs to attract Parimutuel wagering and as such achieved a strong result which lifted the HRV Revenue. The total turnover from Corporate Bookmakers increased by 24%, lifting the "race field" fee income. Stakemoney increased in 2014-15 in general stakes and in the VicBred and Breeder Bonuses (to encourage breeding programs and the harness racing horse population). Development Fund Expenditure was lower than budget.

Cash Assets at 30 June 2015 of $0.5 million was substantially lower than last year as all excess cash has been applied to the Line of Credit within the TCV facility which has assisted HRV to reduce its interest expense. Total Assets of $66.8 million have decreased from equivalent period last year at $69.7 million. Current Liabilities have decreased from $21.4 million at 30 June 2014 to $17.0 million at 30 June 2015.

Overall total liabilities over the year decreased from $47.4 million to $40.5 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 $1.08 million and cash generation is expected to have no growth in 2015-16 due to capital expenditure and fixed debt reduction as per the loan agreement with TCV. As per last year, HRV has set its Tabcorp Income at a "mitigated risk level" due to the continued risk of product decay of the Parimutuel Wagering Pool. Offsetting this loss will be the growth in the Fixed Odds Pool and Corporate Bookmakers. Interstate TABS are expected to be stable in turnover.

In the 2015-16, Stakemoney will increase by $1.4m with general racing increases of $.9m with the balance expected in increased funding for the VicBred and Breeder Bonuses. The annualised effect of the increase will see Stakemoney increase to $40.3m. Expenditure is planned to increase in Employment Costs and Marketing. Total headcount will increase in Integrity, Racing Programs and Marketing. HRV will increase expenditure in marketing programs such as digital communication, Country Cup marketing and HRV's premier racing carnival, the Summer of Glory.

SUBSEQUENT EVENTS

Subsequent to balance date, Harness Racing Victoria entered into a lease for Tabcorp Park with the Trustee of the Melton Entertainment Trust.

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 2014/15, there were 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.

PROTECTED DISCLOSURES ACT 2012

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

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

POLICIES AND PROCEDURES HAVE BEEN ESTABLISHED AND COMMUNICATED IN ORDER TO PROVIDE AN EFFECTIVE SYSTEM FOR REPORTING DISCLOSURES OF IMPROPER CONDUCT OR DETRIMENTAL ACTION BY HARNESS RACING VICTORIA OR ITS EMPLOYEES.

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

IMPLEMENTATION OF THE VICTORIAN INDUSTRY PARTICIPATION POLICY

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

There were no contracts commenced 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 2014-15 in relation to these consultancies is $59,400 (excluding GST). Details of individual consultancies are outlined below.

Consultant	Purpose of consultancy	Total approved project fee	Expenditure 2014/15 (excluding gst)	Future expenditure (excluding gst)
HLB Mann Judd	Review of Payroll and HR Policies	15,000	15,000	-
Waypoint	Tabcorp Park Master Plan	10,000	10,000	-
FBIS International	Review of Security	14,400	14,400	-
Southern Cross Computers	System Security Review	14,414	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;

a. Details of publications produced by HRV and where they can be obtained;

a. Details of changes in prices, fees, charges, rates and levies charged by HRV for its services;

a. Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;

a. 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.

Damien Madden

Chief Finance and Accounting Officer

Harness Racing Victoria

11th September 2015

REPORTING ON CONSULTATION – ANNUAL REPORT 2015

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 2014–15 IN AUGUST 2014, DECEMBER 2014 AND APRIL 2015 WITH THE FOLLOWING ORGANISATIONS:

- Association of Victorian Country Harness Racing Clubs Inc
- Harness Breeders Victoria
- Victorian Bookmakers Association
- Victorian Harness Racing Sports Club (representing Owners)
- Victorian Harness Racing Trainers and Drivers Association
- Victorian Square Trotters Association.

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, any internal reviews being conducted and matters of importance or relevance to the industry.

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.

MATTERS EITHER FINALISED OR CURRENTLY IN PROGRESS ARISING FROM CONSULTATION MEETINGS ARE:

- Implementation of stakes increases in 2015-16 resulting from feedback from consultation groups;
- Consultation with respect to the 2020 Strategic Plan;
- Overhaul of racing calendar for 2016-17;
- Proposed restructure of consultation process;
- Review of programming and handicapping to provide more opportunities for the racing herd;
- Efficiencies through use of technology;
- Enhancements to broadcast of racing;
- Emphasis on horse welfare;
- Promotion of ownership;
- Improved and increased marketing.

DISCLOSURE INDEX

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

Legislation	Requirement	Page Ref
MINISTERIAL DIRECTIONS		
Report of Operations		
Charter and Purpose		
FRD 22B	Manner of establishment and the relevant Ministers	
FRD 22B	Objectives, functions, powers and duties	
FRD 22B	Nature and range of services provided	
Management and Structure		
FRD 22B	Organisational structure	
Financial and other information		
FRD 10	Disclosure Index	
FRD 12A	Disclosure of major contracts	
FRD 15B	Executive officers disclosures in Report of Operations by departments	
FRD 21B	Disclosures of responsible persons, executive officers and other personnel (contractors) with significant management responsibilities in the financial report	
FRD 22B	Employment and conduct principles	
FRD 22B	Occupational health and safety	
FRD 22B	Summary of the financial results for the year	
FRD 22B	Significant changes in financial position for the year	
FRD 22B	Major changes or factors affecting performance	
FRD 22B	Subsequent events	
FRD 22B	Application and operation of Freedom of Information Act 1982	
FRD 22B	Compliance with building and maintenance provisions of Building Act 1993	
FRD 22B	Statement on National Competition Policy	
FRD 22B	Application and operation of the Whistleblowers Protection Act 2001	
FRD 22B	Details of consultancies over $100,000	
FRD 22B	Details of consultancies under $100,000	
FRD 22B	Statement of availability of other information	
FRD 24C	Reporting of office-based environmental impacts	
FRD 25B	Victorian Industry Participation Policy disclosures	
FRD 29	Workforce data disclosures	
SD 4.5.5	Risk management compliance attestation	
SD 4.2(g)	General information requirements	
SD 4.2(j)	Sign-off requirements	

Legislation	Requirement	Page Ref
Financial Report		
Financial Statements required under Part 7 of the FMA		
SD 4.2(a)	Statement of Changes in Equity	
SD 4.2(b)	Operating Statement	
SD 4.2(b)	Balance Sheet	
SD 4.2(b)	Cash Flow Statement	
Other Requirements under Standing Direction 4.2		
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	
SD 4.2(c)	Compliance with Ministerial Directions	
SD 4.2(d)	Rounding of amounts	
SD 4.2(c)	Accountable officer's declaration	
SD 4.2(f)	Compliance with Model Financial Report	

Other disclosures required by FRDs in notes to the financial statements	
FRD 11	Disclosure of ex-gratia payments
FRD 21A	Responsible person and executive officer disclosures
FRD 103D	Non-current physical assets
FRD 106	Impairment of assets
FRD 109	Intangible assets
FRD 110	Cash Flow Statements
FRD 112A	Defined benefit superannuation obligations
FRD 113	Investments in subsidiaries, jointly controlled entities and associates
FRD 114A	Financial Instruments – General Government Entities and public non-financial corporations
FRD 119	Contributions by owners

LEGISLATION
Freedom of Information Act 1982
Building Act 1983
Protected Disclosures Act 2012
Victorian Industry Participation Policy Act 2003
Financial Management Act 1994
Multicultural Victoria Act 2004

KEY INDUSTRY STATISTICS

	2015	2014	2013	2012	2011	2010
Meetings (TAB)	455	455	452	497	506	504
Meetings (Non-TAB)	2	1	1	1	1	2
Races	3,806	3,820	3,814	3,969	4,069	4,084
Horses raced	4,058	4,039	4,099	4,340	4,418	4,440
Nominations	52,987	51,531	53,344	57,663	57,995	57,973
Starters	35,239	35,698	36,843	38,811	39,099	39,241
Drivers	748	762	815	854	872	897
Trainers	1,224	1,247	1,300	1,368	1,405	1,460
Stablehands	1,206	1,219	1,271	1,342	1,674	1,741
Sires	72	79	81	88	133	103
Foals *(a)	1,865	2,215	2,359	2,538	2,916	2,985
Namings	1,440	1,466	1,508	1,572	1,556	1,665
Services	2,839	3,269	3,559	3,872	4,320	4,943

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

COMPREHENSIVE OPERATING STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

		Consolidated Entity		Parent Entity	
	Notes	2015 $'000	2014 $'000	2015 $'000	2014 $'000
CONTINUING OPERATIONS					
INCOME FROM TRANSACTIONS					
Tabcorp Income		49,584	48,154	49,584	48,154
Other Revenue from ordinary activities		35,385	31,932	23,617	21,777
Total Income from Transactions	2	**84,969**	**80,086**	**73,201**	**69,931**
EXPENSES FROM TRANSACTIONS					
Stakemoney expense		(38,282)	(36,351)	(38,282)	(36,351)
Employee Benefits		(12,327)	(11,876)	(7,919)	(7,669)
Depreciation and Amortisation expense		(1,758)	(2,194)	(1,407)	(1,890)
Finance Costs		(1,389)	(2,550)	(1,347)	(2,468)
Other expenses from ordinary activities		(27,125)	(25,807)	(20,105)	(19,438)
Total Expenses from Transactions	2	**(80,881)**	**(78,778)**	**(69,060)**	**(67,816)**
Net Result from Transactions (Net Operating Balance)		**4,088**	**1,308**	**4,141**	**2,115**
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT					
Bad and Doubtful Debt Expense		(30)	(4)	(21)	9
Gain/(Loss) on sale of property, plant and equipment	2(a)	-	3	-	3
Total Other Economic Flows Included in Net Result		**(30)**	**(1)**	**(21)**	**12**
Net Result		**4,058**	**1,307**	**4,120**	**2,127**
OTHER ECONOMIC FLOWS - OTHER NON-OWNER CHANGES IN EQUITY					
Total Other Economic Flows - Other Non-Owner Changes in Equity		-	-	-	-
Comprehensive Result - Total Change in Net Worth	19	**4,058**	**1,307**	**4,120**	**2,127**

The accompanying notes form part of these financial statements

BALANCE SHEET

AS AT 30 JUNE 2015

	Notes	Consolidated Entity 2015 $'000	Consolidated Entity 2014 $'000	Parent Entity 2015 $'000	Parent Entity 2014 $'000
CURRENT ASSETS					
Cash and cash equivalents	25(a)	484	4,103	11	3,137
Receivables	4	6,077	4,313	5,762	4,071
Other Financial Assets	5	61	13	61	13
Inventories	7	108	93	-	-
Other Assets	6	571	546	498	469
Total Current Assets		**7,301**	**9,068**	**6,332**	**7,690**
NON-CURRENT ASSETS					
Property, Plant and Equipment	8	56,827	57,736	56,445	57,531
Receivables	4	-	-	2,763	2,537
Other Financial Assets	5	104	68	892	1,225
Investments	9	1,082	1,082	1,429	1,429
Intangible Assets	10	1,545	1,738	-	-
Total Non-Current Assets		**59,558**	**60,624**	**61,529**	**62,722**
TOTAL ASSETS		**66,859**	**69,692**	**67,861**	**70,412**
CURRENT LIABILITIES					
Cash and cash equivalents	25(a)	57	-	57	-
Payables	11	6,360	4,361	5,465	3,815
Provisions	12	2,360	2,084	2,029	1,758
Interest Bearing Liabilities	13	5,301	11,500	5,301	11,500
Non Interest Bearing Liabilities	14	344	388	251	-
Prepaid Income	15	484	815	385	723
Other Liabilities	16	2,128	2,232	2,161	2,231
Total Current Liabilities		**17,034**	**21,380**	**15,649**	**20,027**
NON-CURRENT LIABILITIES					
Interest Bearing Liabilities	13	19,000	20,500	19,000	20,500
Non Interest Bearing Liabilities	14	451	738	-	-
Prepaid Income	15	2,106	2,457	2,106	2,457
Provisions	12	264	343	190	304
Other Liabilities	16	1,667	1,995	1,667	1,995
Total Non-Current Liabilities		**23,488**	**26,033**	**22,963**	**25,256**
TOTAL LIABILITIES		**40,522**	**47,413**	**38,612**	**45,283**
NET ASSETS		**26,337**	**22,279**	**29,249**	**25,129**
EQUITY					
Contributed Capital	17	9,174	9,174	9,174	9,174
Reserves	18	15,333	15,333	15,333	15,333
Accumulated Surplus/(Deficit)	19	1,830	(2,228)	4,742	622
TOTAL EQUITY		**26,337**	**22,279**	**29,249**	**25,129**

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

Consolidated Entity		Reserves	Accumulated surplus	Contributed capital	Total
		$'000	$'000	$'000	$'000
	Notes	18	19	17	
Balance at 1 July 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**
Net result for the year		-	4,058	-	4,058
Balance at 30 June 2015		**15,333**	**1,830**	**9,174**	**26,337**

Parent Entity		Reserves	Accumulated surplus	Contributed capital	Total
		$'000	$'000	$'000	$'000
	Notes	18	19	17	
Balance at 1 July 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**
Net result for the year		-	4,120	-	4,120
Balance at 30 June 2015		**15,333**	**4,742**	**9,174**	**29,249**

The accompanying notes form part of these financial statements

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

		Consolidated Entity		Parent Entity	
	Notes	2015	2014	2015	2014
		$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts from operations		90,429	87,978	77,014	75,637
Payments to suppliers, employees & industry		(83,685)	(80,598)	(71,150)	(69,330)
Interest received		9	49	53	86
Interest paid		(1,389)	(2,550)	(1,347)	(2,468)
Net cash from/(used in) operating activities	**25(b)**	**5,364**	**4,879**	**4,570**	**3,925**
Cash flows from investing activities					
Payments for property, plant and equipment		(649)	(327)	(320)	(222)
Loans granted		(354)	-	(103)	-
Net cash from/(used in) investing activities		**(1,003)**	**(327)**	**(423)**	**(222)**
Cash flows from financing activities					
Proceeds from loan repayments		-	17	-	18
Proceeds from Non Interest Bearing Liabilities		-	-	369	-
Proceeds from Return of Capital of Investments		-	-	-	521
Repayment of Gaming Machine Entitlements		(338)	(366)	-	-
Proceeds/(Repayment) of Interest Bearing Liabilities		(7,699)	(2,589)	(7,699)	(2,589)
Net cash from/(used in) financing activities		**(8,037)**	**(2,938)**	**(7,330)**	**(2,050)**
Net Increase/(decrease) in cash and cash equivalents held		**(3,676)**	**1,614**	**(3,183)**	**1,653**
Cash and cash equivalents at the beginning of the financial year		4,103	2,489	3,137	1,484
Cash and cash equivalents at the end of the financial year	**25(a)**	**427**	**4,103**	**(46)**	**3,137**

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 2013-14 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

i. AASB 10 Financial Consolidated Statements

AASB 10 became mandatory for not-for-profit entities for periods beginning on or after 1 January 2014. The standard requires an entity (the parent) that controls one or more other entities (the subsidiaries) to present consolidated financial statements. AASB 10 defines the principle of control, and establishes control as the basis for consolidation. In establishing whether control exists, there are 3 key criteria which must all be met.

Thus, an investor controls an investee if and only if the investor has all the following:

(a) Power over the investee;

(b) Exposure or rights, to variable returns from its involvement with the investee; and

(c) The ability to use its power over the investee to affect the amount of the investor's returns.

HRV has concluded that it does not have control over the power of the investee. In its conclusion, HRV determined that

- Clubs have autonomy with regards to operations and appointment or removal of staff and committee members;
- The Racing Act is unclear as to whether HRV has power over the investee;
- HRV has no voting power over Harness Clubs;
- Clubs are free to pursue other sources of income.

However, HRV deemed it had control over variable returns and the ability to affect investor returns.

On the basis of the 3 considerations of "control" above, there appear to be a number of factors both for and against whether HRV has "control" of the harness clubs as defined by AASB 10. HRV has assessed the evaluation of the three definitions and concluded that the first test fails and therefore, AASB 10 is not applicable for Harness Racing Clubs and therefore not consolidated in the HRV Financial Statements.

(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 11th September 2015.

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.

Financial Statements where applicable comparative figures have been adjusted to conform to changes in presentation for current year.

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 policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented for the year ended 30 June 2014.

(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 2015. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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 2015, for futurity series to be conducted in 2015-2016 are brought to account as a Current Liability. Fees and contributions received for series to be run after 30 June 2016 have been recorded as a Non-Current Liability.
- Gaming commission income is recognised when the right to receive the income has been established, generally on a daily basis based on the share of entitlement of gaming expenditure by customers.
- Hotel room rental income is recognised on each night of guest stay.
- Function income is recognised when it is earned (generally when the event is hosted).
- Food, beverage and sale of goods income are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of sale.
- Grants from third parties (other than contribution by owners) are recognised as income in the reporting period in which they are received or become receivable.
- Amounts received but not earned at year end are recognised as a liability in the balance sheet.

(j) Expenses From Transactions

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

Grants and Other Payments

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

Stakemoney Payments

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

Employee Benefits

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

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

Superannuation – State Superannuation 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 derecognised 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:
  - o Has transferred substantially all the risks and rewards of the asset, or
  - o 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Harness Racing Victoria has applied AASB 119 Employee benefits.

Short term employee benefits are defined as benefits expected to be wholly settled within twelve months after the end of the reporting period in which the employees render the related service.

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

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

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

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

The components of this current LSL liability are measured at:

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

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

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

(iii) Employee benefits on-costs
Employee benefits on-costs such as payroll tax, workers 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 2015 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.

(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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 to 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) AASBs Issued that are Not Yet Effective

Certain new AASBs have been published that are not mandatory for the 30 June 2015 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 2015, 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 2015. 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 on public sector entity financial statements
AASB 9 Financial Instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1-Jan-18	The 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 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1-Jan-17 (Exposure Draft 263 – potential deferral to 1 Jan 2018)	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.
AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1-Jan-18	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]	Amends AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to: • Establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; • Prohibit the use of revenue-based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset.	1-Jan-16	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standard /Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]	Amends AASB 127 Separate Financial Statements to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1-Jan-16	The assessment indicates that there is no expected impact as the entity will continue to account for the investments in subsidiaries, joint ventures and associates using the cost method as mandated if separate financial statements are presented in accordance with FRD 113A.
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]	AASB 2014-10 amends AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that: • A full gain or loss to be recognised by the investor when a transaction involves a business (whether it is housed in a subsidiary or not); and • A partial gain or loss to be recognised by the parent when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	1-Jan-16	The assessment has indicated that there is limited impact, as the revisions to AASB 10 and AASB 128 are guidance in nature.
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	The Amendments extend the scope of AASB 124 Related Party Disclosures to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1-Jan-16	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Equity

Contributions by Owners

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

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

(w) Going Concern

Notwithstanding the deficiency in working capital (current assets less current liabilities) of $9.720m. (2014 - $12.312m) the accounts are prepared on a going concern basis. The Board believe the going concern basis is appropriate based on the following factors:

HRV structured its facilities to maximise Cashflow. A total of $30.5m is financed. This facility is split as $20.5m at a fixed interest rate until 30 June 2016 converting to variable rate with principal reductions over the term of 14 years and a $10m Variable At Call facility. Both components are included in the Multi- Option Facility Agreement with TCV. This multi-option facility is not secured. HRV notes that at the end of 2016, the Variable at Call element will be renewed with TCF.

HRV offsets all excess cash against against the Line of Credit. At balance date $4.7m in cash was applied to the Line of Credit.

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 2015-16, 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 $21.38 million at 30 June 2014 to $17.03 million at 30 June 2015.

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.

NOTE 2. INCOME AND EXPENSES FROM TRANSACTIONS

The Comprehensive Operating Statement consists of the following income and expense items:

	Consolidated Entity		Parent Entity	
INCOME	**2015** $'000	**2014** $'000	**2015** $'000	**2014** $'000
Tabcorp Income	**49,584**	**48,154**	**49,584**	**48,154**
Other Income				
Racefield fees	12,406	9,743	12,406	9,743
Registered bookmakers fees	18	21	18	21
Gaming commission	6,230	5,963	-	-
Food & beverage	4,234	3,482	-	-
Accommodation	915	922	-	-
Other venue revenue	442	354	-	-
Sponsorship, advertising & events	1,248	1,402	1,274	1,434
RISE IT charges	905	892	-	-
Grants	796	673	796	673
Registration & licencing fees	1,824	1,883	1,824	1,883
Raceday fees	535	485	535	485
Fines & appeals	179	213	179	213
Country Club contributions to stakemoney	952	1,168	952	1,168
Futurities Income				
- Vicbred Revenue	795	808	795	808
- Breeders Crown	1,603	1,595	1,603	1,595
- Race series subsidies	1,071	950	1,071	950
Sky News Media Fees	22	1	22	1
Property income	754	707	1,384	1,866
Industry programs	150	153	150	153
Management & service fee	139	263	462	530
Interest	14	49	54	86
Other income	153	205	92	168
Total Other Income	**35,385**	**31,932**	**23,617**	**21,777**
TOTAL INCOME	**84,969**	**80,086**	**73,201**	**69,931**

NOTE 2. INCOME AND EXPENSES FROM TRANSACTIONS (CONTINUED)

	Consolidated Entity		Parent Entity	
EXPENSES	**2015** $'000	**2014** $'000	**2015** $'000	**2014** $'000
Stakemoney				
Metropolitan Stakes	11,707	11,699	11,707	11,699
Country Stakes	22,582	20,397	22,582	20,397
Drivers' Fees	23	708	23	708
Vicbred Win Bonuses	3,172	2,741	3,172	2,741
Vicbred Breeder Bonuses	798	806	798	806
Total Stakemoney	**38,282**	**36,351**	**38,282**	**36,351**
Employee Benefits				
Post employee benefits				
Defined contribution superannuation expense	888	832	536	506
Defined benefits superannuation expense	41	42	41	42
Salaries, wages and long service leave	11,398	11,002	7,342	7,121
Employee Benefits	**12,327**	**11,876**	**7,919**	**7,669**
Depreciation and Amortisation Expense (Refer Note 8)	**1,758**	**2,194**	**1,407**	**1,890**
Finance Costs	**1,389**	**2,550**	**1,347**	**2,468**
Other Expenses				
Country Club funding	5,815	5,817	5,817	5,821
Marketing & sponsorship expenses	2,354	1,833	1,833	1,521
Vision & Audio	2,877	2,742	2,877	2,742
Property costs	3,058	2,946	1,650	1,505
Development fund **(Refer Note 20)**	1,665	1,723	1,702	1,723
Gaming Costs	3,084	2,790	-	-
Cost of goods sold	1,565	1,302	-	-
Fields & form comments	700	734	703	734
Swabs	501	433	501	433
Timing & photo finish	36	37	36	37
Registration	634	629	634	629
Integrity & licensing	174	184	174	184
Communication costs	185	203	116	108
Computer costs	364	308	435	373
Registered bookmaker costs	2	2	2	2
Training facilities	41	40	41	40
Insurance	847	744	806	704
Consulting/legal fees	452	550	347	453
Other expenses	2,771	2,790	2,431	2,429
Total Other Expenses	**27,125**	**25,807**	**20,105**	**19,438**
TOTAL EXPENSES FROM TRANSACTIONS	**80,881**	**78,778**	**69,060**	**67,816**

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

	Consolidated Entity		Parent Entity	
Gross Proceeds	2015 $'000	2014 $'000	2015 $'000	2014 $'000
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

Victorian Auditor General's Office - Audit of the Financial Report	59	54	29	29
Pitcher Partners - Internal Audit Services	27	35	27	35
Other Audit Services	43	14	41	8
Total Remuneration of Auditors	**129**	**103**	**97**	**72**

NOTE 4. RECEIVABLES

Current Contractual				
Trade Receivables (a)	1,072	1,051	934	900
Provisions for doubtful debts	(150)	(156)	(140)	(144)
Net Trade Receivables	**922**	**895**	**794**	**756**
Accrued Income	1,321	807	1,221	777
Provisions for impairment	-	-	-	-
Total Accrued Income	**1,321**	**807**	**1,221**	**777**
Tabcorp distribution receivable	3,390	2,228	3,390	2,228
Sundry debtors	15	13	-	-
Statutory				
Goods and Services Tax (GST) Recoverable	429	371	357	309
Total Tabcorp Receivable and Statutory	3,834	2,612	3,747	2,537
Total Current Receivables	**6,077**	**4,314**	**5,762**	**4,070**
Non Current Contractual				
Intercompany receivables	-	-	2,763	2,538
Total Non-Current Receivables	**-**	**-**	**2,763**	**2,538**
Total Receivables	**6,077**	**4,314**	**8,525**	**6,608**

NOTE 4. RECEIVABLES (CONTINUED)

	Consolidated Entity		Parent Entity	
Note 4. Receivables (Continued)	**2015** $'000	**2014** $'000	**2015** $'000	**2014** $'000

Notes:
(a) the average credit period on sale of goods and services is 30 days. Generally, interest is not charged on outstanding receivables. A provision has been made for estimated irrecoverable amounts from the sales of goods and services. This has been determined by reference to an individual account by account assessment. The $58,000 increase in provision was recognised in the operating result for the current financial year

(a) Movement in the Provision for doubtful debts				
Balance at the beginning of the year	(156)	(153)	(144)	(153)
Amounts recovered during the year	27	53	27	53
(Increase) / decrease in allowance recognised in profit or loss	(58)	(56)	(48)	(44)
Reversal of provision for receivables written off during the year as uncollectible	37	-	25	-
Balance at end of the year	**(150)**	**(156)**	**(140)**	**(144)**

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

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

NOTE 5. OTHER FINANCIAL ASSETS

Current				
Loan - Geelong Harness Racing Club Inc	14	13	14	13
Loan - Bendigo Harness Racing Club Inc	23	-	23	-
Loan - Nyah Harness racing Club Inc	24	-	24	-
Total Other Current Financial Assets	**61**	**13**	**61**	**13**
Non Current				
Loan - Geelong Harness Racing Club Inc	54	68	54	68
Loan - Bendigo Harness Racing Club Inc	25	-	25	-
Loan - Nyah Harness racing Club Inc	25	-	25	-
Loan - HRV Management Ltd ATF Melton Entertainment Trust	-	-	788	1,157
Total Other Non-Current Financial Assets	**104**	**68**	**892**	**1,225**
Total Other Financial Assets	**165**	**81**	**953**	**1,238**

(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		Parent Entity	
	2015 $'000	**2014** $'000	**2015** $'000	**2014** $'000
Prepayments	571	546	498	469
Total Other Current Assets	**571**	**546**	**498**	**469**

NOTE 7. INVENTORIES

Food at cost	34	22	-	-
Beverage at cost	74	71	-	-
Total Inventories	**108**	**93**	**-**	**-**

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

Consolidated Entity 2014/15 Year	Freehold Land	Buildings	Building Improvements	Plant and Equipment	Melton Track	Total
Gross Carrying Amount Balance as at 1 July 2014	**17,350**	**40,012**	**1,282**	**9,917**	**3,344**	**71,905**
Additions	-	-	-	633	16	649
Disposals/writeoffs	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-
Revaluation decrements	-	-	-	-	-	-
Balance as at 30 June 2015	**17,350**	**40,012**	**1,282**	**10,550**	**3,360**	**72,554**
Accumulated Depreciation						
Balance as at 1 July 2014	-	(3,073)	(1,224)	(9,159)	(713)	(14,169)
Disposals/writeoffs	-	-	-	-	-	-
Depreciation expense	-	(1,062)	-	(375)	(121)	(1,558)
Revaluation increments	-	-	-	-	-	-
Balance as at 30 June 2015	-	**(4,135)**	**(1,224)**	**(9,534)**	**(834)**	**(15,727)**
Net Book Value						
As at 30 June 2014	17,350	36,939	58	758	2,631	57,736
As at 30 June 2015	**17,350**	**35,877**	**58**	**1,016**	**2,526**	**56,827**

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 increment	-	-	-	-	-	-
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**

NOTE 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Parent Entity 2014/15 Year	Freehold Land	Buildings	Building Improvements	Plant and Equipment	Melton Track	Total
Gross Carrying Amount Balance as at 1 July 2014	**17,350**	**40,012**	**1,282**	**7,090**	**3,344**	**69,078**
Additions	-	-	-	304	16	320
Disposals/writeoffs	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-
Revaluation decrements	-	-	-	-	-	-
Balance as at 30 June 2015	**17,350**	**40,012**	**1,282**	**7,394**	**3,360**	**69,398**
Accumulated Depreciation						
Balance as at 1 July 2014	**-**	**(3,073)**	**(1,224)**	**(6,536)**	**(713)**	**(11,546)**
Disposals/writeoffs	-	-	-	-	-	-
Depreciation expense	-	(1,062)	-	(224)	(121)	(1,407)
Revaluation increments	-	-	-	-	-	-
Balance as at 30 June 2015	**-**	**(4,135)**	**(1,224)**	**(6,760)**	**(834)**	**(12,953)**
Net Book Value						
As at 30 June 2014	17,350	36,939	58	554	2,631	57,532
As at 30 June 2015	**17,350**	**35,877**	**58**	**634**	**2,526**	**56,445**

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)	(9,665)
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)**	**(11,547)**
Net Book Value						
As at 30 June 2013	17,350	37,930	139	1,020	2,762	59,201
As at 30 June 2014	**17,350**	**36,939**	**58**	**554**	**2,631**	**57,531**

NOTE 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Consolidated Entity		Parent Entity	
Aggregate Depreciation and Amortisation allocated during the year was as follows:	**2015** $'000	**2014** $'000	**2015** $'000	**2014** $'000
Buildings at Fair Value	1,062	1,056	1,062	1,056
Building Improvements at Fair Value	-	81	-	81
Plant and Equipment at Fair Value	375	728	224	621
Melton Complex at Fair Value	121	132	121	132
Gaming Entitlements Amortisation	-	198		
Total Depreciation and Amortisation	**1,558**	**2,195**	**1,407**	**1,890**
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
Total Freehold Land	**17,350**	**17,350**	**17,350**	**17,350**

			Fair Value measurement at end of reporting period using:					
			Level 1		Level 2		Level 3	
Consolidated Fair Value measurement hierarchy of Assets as at 30 June 2015	**Carrying amount as at 30 June 2015**	**Carrying amount as at 30 June 2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Land at Fair Value								
Non Specialised Land								
Specialised Land	17,350	17,350			17,350	17,350		
Total Land at Fair Value	**17,350**	**17,350**	-		**17,350**	**17,350**	-	-
Buildings at Fair Value		-						
Non Specialised Land		-						
Specialised Land	35,877	36,934					35,877	36,934
Total Buildings at Fair Value	**35,877**	**36,934**	-		-		**35,877**	**36,934**
Building Improvements at Fair Value		-						
Non Specialised Plant and Equipment		-						
Specialised Plant and Equipment	58	58					58	58
Total Building Improvements at Fair Value	58	58	-		-		58	58
Plant, Equipment at Fair Value		-						
Non Specialised Plant and Equipment		-						
Specialised Plant and Equipment	634	554					634	554
Total Plant and Equipment at Fair Value	**634**	**554**	-		-		**634**	**554**
Melton Track Fair Value		-						
Non Specialised Plant and Equipment		-						
Specialised Plant and Equipment	2,526	2,636					2,526	2,636
Total Melton Track at Fair Value	**2,526**	**2,636**	-		-		**2,526**	**2,636**

Note: There has been no transfer of assets between categories or levels in 2014-15

NOTE 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

NOTE 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Description of Significant Unobservable Inputs to Level 3 Valuations

Asset class	Valuation technique	Significant unobservable inputs	2015 Range (weighted average)	2014 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)	$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	37 - 40 years		A significant increase or decrease in estimated useful life of the asset would result in a significantly higher or lower valuation
Buildings improvements	Depreciated Replacement cost.	Direct Cost per square metre	$1500 - $1000 per square metre ($1,048 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 significantly higher or lower valuation
Plant and Equipment - Computers	Depreciated replacement cost	Cost per Unit	Weighted Average $500 - $50,000 per unit ($14,709 per unit)	Weighted Average $500 - $50,000 per unit ($13,877 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 significantly higher or lower valuation
Plant and Equipment - Equipment	Depreciated replacement cost	Cost per Unit	Weighted Average $500- $500,000 per unit ($1125,524 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 significantly higher or lower valuation
Plant and Equipment - Furniture & Fitting	Depreciated replacement cost	Cost per Unit	Weighted Average $100 - $35,000 per unit ($187,121 per unit)	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 significantly higher or lower valuation
Plant and Equipment - Vehicles	Depreciated replacement cost	Cost per Unit	Weighted Average $1,000 - $500,000 per unit ($201,468 per unit)	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 significantly higher or lower valuation
Plant and Equipment - Software	Depreciated replacement cost	Cost per Unit	Weighted Average $1,000 - $1,800,000 per unit ($1,069,338 per unit)	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)	Weighted Average $1,000 - $240,000 per unit ($163,122 per unit)	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation
Melton Track	Depreciated Replacement cost	Cost per Metre	$3500 - $2000 per Metre ($3,221 per metre)	$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 significantly higher or lower valuation

NOTE 9. INVESTMENTS

	Consolidated Entity		Parent Entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Investment in subsidiaries - at cost	-	-	347	347
Shares in radio 3UZ Pty Ltd - at cost	2	2	2	2
Units in radio 3UZ Unit Trust - at cost	1,080	1,080	1,080	1,080
Total Investments	**1,082**	**1,082**	**1,429**	**1,429**

The investment in Radio 3UZ Unit Trust has been brought to account at cost instead of fair value in accordance with AASB 139 Financial Instruments: Recognition and Measurement as at 1 July 2005 because the fair value of this investment cannot be measured reliably. The Group's investment in Radio 3UZ Unit Trust consists of an 18% unitholding in this trust, which fully owns all of the issued shares in 3UZ 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	1,983	1,976	-	-
Accumulated Amortisation	(570)	(370)	-	-
Total Intangible Assets	**1,545**	**1,738**	**-**	**-**
Opening balance	**1,738**	**1,936**	**-**	**-**
Additions	7		-	-
Amortisation	(200)	(198)		
Closing Balance	**1,545**	**1,738**	**-**	**-**

HRV Group Intangible Assets is limited to goodwill which has an indefinite life.

(a) Description of the Group's goodwill

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

(b) Impairment test for goodwill

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

(c) Key assumptions used	2015	2014
Growth rate used	5%	5%
Discount rate used	6%	6%

(d) Impact of possible changes in key assumptions

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

(e) Impairment test for gaming machine entitlements

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

NOTE 11. PAYABLES

	Consolidated Entity		Parent Entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Current Payables *Contractual - Unsecured*				
Trade Creditors	4,430	2,751	3,866	2,291
Intercompany payables	-	-	1	280
Development Fund accruals	**137**	**220**	**137**	**220**
Sundry creditors and accruals	**1,793**	**1,390**	**1,461**	**1,024**
Total Current Payables	**6,360**	**4,361**	**5,465**	**3,815**
Total Payables	**6,360**	**4,361**	**5,465**	**3,815**

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

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

NOTE 12. PROVISION

Current				
Employee Benefits				
Annual Leave				
Unconditional and expected to wholly settle within 12 months	478	449	366	355
Unconditional and expected to wholly settle after 12 months	255	224	233	206
Long Service Leave				
Unconditional and expected to wholly settle within 12 months	-	-	-	-
Unconditional and expected to wholly settle after 12 months	1,225	1,034	1,090	903
Provisions related to employee benefit on-costs				
Unconditional and expected to wholly settle within 12 months	82	251	62	213
Unconditional and expected to wholly settle after 12 months	246	35	223	35
Statewide Sulky Fund	55	46	55	46
Bonus Points Liability	19	45	-	-
Total Current Provision	**2,360**	**2,084**	**2,029**	**1,758**
Non-Current				
Employee Benefits	226	293	163	260
Provisions related to employee benefit on-costs	38	50	27	44
Total Non Current Provision	**264**	**343**	**190**	**304**
Total Provisions	**2,624**	**2,427**	**2,219**	**2,062**

NOTE 12. PROVISIONS (CONTINUED)

(b) Movement in Provisions	Employee Benefits	On-costs	Statewide Sulky Fund	Bonus Points Liability	Total
Consolidated Entity	**2015** $'000	**2015** $'000	**2015** $'000	**2015** $'000	**2015** $'000
Opening balance	**2,000**	**336**	**46**	**45**	**2,427**
Additional provisions recognised	568	96	35	52	751
Reductions arising from payments/other sacrifices of future economic benefits	(350)	(60)	(26)	(78)	(514)
Unwind of discount and effect of changes in the discount rate	(34)	(6)	-	-	(40)
Closing balance	**2,184**	**366**	**55**	**19**	**2,624**
Current	1,958	328	55	19	2,360
Non Current	226	38	-	-	264
Total Provisions	**2,184**	**366**	**55**	**19**	**2,624**

	Employee Benefits	On-costs	Statewide Sulky Fund	Bonus Points Liability	Total
Parent Entity	**2015** $'000	**2015** $'000	**2015** $'000	**2015** $'000	**2015** $'000
Opening balance	**1,724**	**292**	**46**	**-**	**2,062**
Additional provisions recognised	403	68	35	-	506
Reductions arising from payments/other sacrifices of future economic benefits	(268)	(46)	(26)	-	(340)
Unwind of discount and effect of changes in the discount rate	(7)	(2)	-	-	(98)
Closing balance	**1,852**	**312**	**55**	**-**	**2,219**
Current	1,689	285	55	-	2,029
Non Current	163	27	-	-	190
Total Provisions	**1,852**	**312**	**55**	**-**	**2,219**

NOTE 13. INTEREST BEARING LIABILITIES

	Consolidated Entity		Parent Entity	
Current	**2015** $'000	**2014** $'000	**2015** $'000	**2014** $'000
Unsecured - TCV Loan Facility	5,301	11,500	5,301	11,500
Total Current Interest Bearing Liabilities	**5,301**	**11,500**	**5,301**	**11,500**
Non-Current				
Unsecured - TCV Loan Facility	19,000	20,500	19,000	20,500
Total Non-Current Interest Bearing Liabilities	**19,000**	**20,500**	**19,000**	**20,500**
Total Interest Bearing liabilities	**24,301**	**32,000**	**24,301**	**32,000**

(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 risks arising from interest bearing liabilities

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

(c) Defaults and breaches

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

(d) Facilities

HRV has access to the following financing facilities

Unsecured Term Facility	30,500	35,300	30,500	35,300
Financial guarantee	187	175	175	175
Business card limit	49	99	39	39
Total Facilities Amount	**30,736**	**35,574**	**30,714**	**35,514**
Amount of Facility Unused	6,239	3,397	6,219	3,337

NOTE 14. NON INTEREST BEARING LIABILITIES

	Consolidated Entity		Parent Entity	
Current	**2015** $'000	**2014** $'000	**2015** $'000	**2014** $'000
RISE Funding Loan	-	-	251	-
Gaming machine entitlements (d)	344	388	-	-
Total Current Non Interest Bearing Liabilities	**344**	**388**	**251**	**-**
Non-Current				
Tabcorp Interest Free Loan	-	-	-	-
Gaming machine entitlements (d)	451	738	-	-
Total Non-Current Non Interest Bearing Liabilities	**451**	**738**	**-**	**-**
Total Non Interest Bearing Liabilities	**795**	**1,126**	**251**	**-**

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

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

(d) All payments for Gaming Machine Entitlements
The Victoria Commission for Gaming and Liquor Regulation (VCGLR), which is 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

Current				
Tabcorp Melton Sponsorship	351	351	351	351
Other revenue invoiced in advance	133	464	34	372
Total Current Prepaid Income	**484**	**815**	**385**	**723**
Non-Current				
Tabcorp Melton Sponsorship	2,106	2,457	2,106	2,457
Total Non Current Prepaid Income	**2,106**	**2,457**	**2,106**	**2,457**
Total Prepaid Income	**2,590**	**3,272**	**2,491**	**3,180**

NOTE 16. OTHER LIABILITIES

	Consolidated Entity		Parent Entity	
Current	**2015** $'000	**2014** $'000	**2015** $'000	**2014** $'000
Vicbred fees invoiced in advance	815	796	815	796
Breeders Crown fees invoiced in advance	1,338	1,391	1,338	1,391
Other	(25)	45	8	44
Total Current Other Liabilities	**2,128**	**2,232**	**2,161**	**2,231**
Non-Current				
Vicbred fees invoiced in advance	160	182	160	182
Breeders Crown fees invoiced in advance	1,452	1,767	1,452	1,767
Other	55	46	55	46
Total Non Current Other Liabilities	**1,667**	**1,995**	**1,667**	**1,995**
Total Other Liabilities	**3,795**	**4,227**	**3,828**	**4,226**

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/(DEFICIT)

Accumulated Surplus/(Deficit) at the beginning of the financial year	(2,228)	(3,535)	622	(1,505)
Net Operating Profit/(Loss)	4,058	1,307	4,120	2,127
Accumulated Surplus/(Deficit) at the end of the financial year	**1,830**	**(2,228)**	**4,742**	**622**

NOTE 20. DEVELOPMENT FUND

		2015 $'000
Ballarat	Light Tower Control Gear Boxes	28
	Airconditioning	5
	Sound System Upgrade	7
Bendigo	Grandstand Refurbishment	4
Charlton	Home Turn Cross Fall	5
Cobram	Grader	22
Cranbourne	Training Centre Expansion	34
Echuca	Track Upgrade	249
	Tractor & Mobile Barrier	23
Elmore	Track Fencing	19
Geelong	Generator	12
Marong	Water Tank	5
Maryborough	Water Truck	11
Mildura	Generator	17
	Water Tank	10
Mooroopna	Track Fencing	4
Shepparton	Air Conditioning	4
	Machinery Shed Power Connection	5
Swan Hill	Water Truck	11
	Additional Photo Finish Lighting and Head on Camera	13
	Light Globes	11
Terang	Switchboard	10
	Equipment	10
Warragul	Track Upgrade	297
Yarra Valley	Spreader	30
	PFT	51
	Maximum Demand Tariff 2012/13	136
	Track & Lighting	23
	Bulk Television Purchase	177
	Defibrillators	16
	Audio	(3)
HRV	Tabcorp Park LED Lighting	56
	Development Fund Expenses	90
	RASL Rearch & Equipment	94
	Track Maintenance Program	161
	Track Maintenance Supervisor	55
Total Development Fund Expenses (Parent)		**1,702**
Tabcorp Park	Bulk Television Purchase	(37)
Total Development Fund Expenses (Consolidated)		**1,665**

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 Ministers:

The relevant Ministers for Racing during the year were The Hon. Dr. Denis Napthine MP from 1st July 2014 to 3rd December 2014 and the Hon. Martin Pakula, MP from 4th December 2014 to 30th June 2015. The remuneration of the Minister is disclosed in the annual report of the Department of Premier and Cabinet.

Governing Board:

Dr. Ken Latta PSM (Board Chairman)

Geoffrey Kay

Neale Wheat

Ken Latchford

Ian Delmenico

Elizabeth Clarke

Wendy Greiner

Accountable Officer:

John Anderson - Chief Executive Officer

The following persons were directors of the subsidiaries:

Dr. Ken Latta PSM

John Anderson

Dougall McBurnie

Geoffrey Kay

Cesare Tizi

Ian Delmenico

Neale Wheat

Elizabeth Clarke

Craig Gardner

Ken Latchford

Wendy Greiner

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 Income Band	**2015** No.	**2014** No.	**2015** No..	**2014** No.
$0 - $9,999	-	-	-	-
$10,000 - $19,999	-	-	-	-
$20,000 - $29,999	6	6	6	6
$40,000 - $49,999	1	1	1	1
$270,000 - $279,999	-	-	-	1
$280,000 - $289,999	1	-	1	-
$290,000 - $299,999	-	1	-	-
Total Numbers	**8**	**8**	**8**	**8**
	$'000's	**$'000's**	**$'000's**	**$'000's**
Total Remuneration Received or due and receivable by all responsible persons was:	467	468	467	453

Consolidated Entity Income Range				
$0 - $9,999	-	-	-	-
$10,000 - $19,999	2	2	2	2
$20,000 - $29,999	7	7	7	7
$50,000 - $59,999	1	1	1	1
$280,000 - $289,999	1	-	1	1
$290,000 - $299,999		1	-	-
Total Numbers	**11**	**11**	**11**	**11**
	$'000's	**$'000's**	**$'000's**	**$'000's**
Total Remuneration Received or due and receivable by all responsible persons was:	508	510	508	494

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 Income Range	**2015 No.**	**2014 No.**	**2015 No.**	**2014 No.**
$0 - $99,999	1	-	1	-
$120,000 - $129,999	-	-	-	-
$130,000 - $139,999	-	2	-	2
$140,000 - $149,999	2	1	2	1
$150,000 - $159,999	2	1	2	1
$160,000 - $169,999	2	1	2	1
$170,000 - $179,999	-	2	-	2
$180,000 - $189,999	-	-	-	-
$190,000 - $199,999	-	-	-	-
Total number of executives	**7**	**7**	**7**	**7**
	$'000's	$'000's	$'000's	$'000's
Total Remuneration for the reporting period of executive officers included above amount to:	997	1,084	997	1,084
Consolidated Entity				
$130,000 - $139,999	-	2	-	2
$140,000 - $149,999	3	2	3	2
$150,000 - $159,999	2	1	2	1
$160,000 - $169,999	2	1	2	1
$170,000 - $179,999	-	2	-	2
$180,000 - $189,999	1	-	1	-
$190,000 - $199,999	-	-	-	-
Total number of executives	**8**	**8**	**8**	**8**
	$'000's	$'000's	$'000's	$'000's
Total Remuneration for the reporting period of executive officers included above amount to:	1,140	1,227	1,246	1,227

NOTE 23. RELATED PARTY TRANSACTIONS

(a) Parent Entity

The Parent entity within the Group is Harness Racing Victoria.

(b) Subsidiaries and 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	
Transactions:	**2015** $'000	**2014** $'000	**2015** $'000	**2014** $'000
Rental Income	-	-	630	1,159
Management and Service received by HRV	-	-	-	-
Goods and Services received by HRV			358	287
Goods and Services provided to HRV	-	-	790	779
Finance Interest Income	-	-	44	44
Balances:				
Receivables	-	-	2,763	2,538
Other Financial Assets	-	-	788	1,157
Payables	-	-	1	281
Other Current Liabilities	-	-	251	-

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

(c) Key Management Personnel information

Refer to notes 21 and 22 for further information.

(d) Other related parties' transactions

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

(ii) 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) 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 and approved betting competitions in Victoria.

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

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

Income derived from these sources is included as part of "Tabcorp 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 fully paid.

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

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

(a) Funds

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

(b) Contributions

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

	Consolidated Entity		Parent Entity	
(c) Contributions made during the financial year:	**2015** $'000	**2014** $'000	**2015** $'000	**2014** $'000
State Superannuation Fund Employer	41	42	41	42
Victorian Superannuation Fund Employer	368	352	298	299
Host Plus Superannuation Fund Employer	222	198	24	20
Various Other Funds as nominated by the employee Employer	298	282	214	187
Total Contributions Employer	**929**	**874**	**577**	**548**

NOTE 25. CASH FLOW STATEMENT

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

	Consolidated Entity		Parent Entity	
(a) Reconciliation of cash and cash equivalents	**2015** $'000	**2014** $'000	**2015** $'000	**2014** $'000
Deposits at Call	267	3,894	11	3,134
Cash assets on hand	217	209	-	3
Overdraft	(57)	-	(57)	3
Closing cash and cash equivalents balance	**427**	**4,103**	**(46)**	**3,137**

(b) Reconciliation of the net result for the year to the net cash from operating activities				
Net Result for the Year	4,058	1,307	4,120	2,127
Add/(deduct) non cash items:				
Depreciation /amortisation of non-current assets	1,758	2,194	1,407	1,890
Revaluation of non-current assets	-	3	-	3
Profit on Sale of Property, Plant and Equipment	-	3	-	(9)
Doubtful Debts	(25)	-	(4)	-
Other non cash items	(17)	-	(16)	-
Change in assets and liabilities:				
(Increase)/Decrease in receivables	(1,739)	846	(1,913)	(142)
(Increase)/Decrease in other current assets	(88)	(304)	(77)	(256)
(Increase)/Decrease in other non-current assets	333	-	333	(1)
Increase/(Decrease) in Accounts Payable & Other Liabilities	887	485	563	12
Increase/(Decrease) in provisions	197	345	157	301
Net cash provided by/(used in) operating activities	**5,364**	**4,879**	**4,570**	**3,925**

(c) Loan Facilities

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

NOTE 26. LEASES

Non-cancellable operating leases				
Not longer than one year	894	894	894	894
Longer than 1 year and not longer than 5 years	3,933	3,734	3,933	3,734
Longer than 5 years	837	1,637	837	1,637
Total Non-cancellable operating leases	**5,664**	**6,265**	**5,664**	**6,265**

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	2015	2014	2015	2014
Financial Assets			*Carrying amount ($ thousand)*			
Cash and cash equivalents	25a	N/A	484	4,103	11	3,137
Receivables (a)	4	Loans and receivables (at amortised cost)	5,648	3,943	8,168	6,299
Other financial assets - loans	5	Loans and receivables (at amortised cost)	165	81	953	1,238
Investments (c)	9	Available for sale	1,082	1,082	1,429	1,429
Financial Liabilities						
Payables (b)	11	Financial liabilities measured at amortised cost	6,360	4,361	5,465	3,813
Interest bearing liabilities	13	Financial liabilities measured at amortised cost	24,301	32,000	24,301	32,000
Non Interest bearing liabilities	14	Financial liabilities measured at amortised cost	795	1,126	251	-

Note:

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

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

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

(c) Credit risk

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

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

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

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

			($,000)		
2015	**Note**	**Financial Institutions**	**Credit Rating of Financial Institution**	**Other**	**Total**
Contractual financial assets					
Cash and cash equivalents	25a	264	A-1+	220	484
Receivables	4	-	-	5,648	5,648
Other financial assets - loans	5	-	-	165	165
Investments	9	-	-	1,082	1,082
Total contractual financial assets		**264**	**-**	**7,115**	**7,379**
2014					
Contractual financial 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**

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

2015					
Contractual financial assets					
Cash and cash equivalents	25a	8	A-1+	3	11
Receivables	4	-		8,168	8,168
Other financial assets - loans	5	-		953	953
Investments	9	-		1,429	1,429
Total contractual financial assets		**8**		**10,553**	**10,561**
2014					
Contractual financial 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**

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 2014

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)

			Interest rate exposure *($ thousand)*				Past due but not impaired *($ thousand)*				
2015	Weighted average effective interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing	Not past due and not impaired	31-60 Days	61-90 Days	91-120 Days	>121 Days	Impaired financial assets
Cash and cash equivalents	.7%	484	-	267	217	484	-	-	-	-	-
Receivables:											
Trade debtors	-	922	-	-	922	750	102	54	15	1	-
Tabcorp distribution	-	3,830	-	-	3,830	3,830	-	-	-	-	-
Accrued Income	-	881	-	-	881	881	-	-	-	-	-
Other receivables	-	15	-	-	15	15	-	-	-	-	-
Other financial assets:											
Loans	0.0%	165	-	-	165	165	-	-	-	-	-
Investments:											
Investment in 3UZ Pty Ltd	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**7,379**	**-**	**267**	**7,112**	**7,207**	**102**	**54**	**15**	**1**	**-**
2014											
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%	81	-	-	81	81	-	-	-	-	-
Investments:											
Investment in 3UZ Pty Ltd	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**9,209**	**-**	**3,894**	**5,315**	**8,898**	**128**	**57**	**126**	**-**	**-**

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

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

			Interest rate exposure (*$ thousand*)				Past due but not impaired (*$ thousand*)				
2015	Weighted average effective interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing	Not past due and not impaired	31-60 Days	61-90 Days	91-120 Days	>121 Days	Impaired financial assets
Cash and cash equivalents	1.6%	11	-	8	3	11	-	-	-	-	-
Receivables:											
Trade Debtors	-	794	-	-	794	650	89	40	15	-	-
Tabcorp Distribution	-	3,830	-	-	3,830	3,830	-	-	-	-	-
Accrued Income	-	781	-	-	781	781	-	-	-	-	-
Intercompany Debtors	-	2,763	-	-	2,763	118	103	92	211	2,239	-
Other financial assets:											
Loans	5.4%	953	650	-	303	953	-	-	-	-	-
Investments:											
Investment in subsidiaries	-	347	-	-	347	347	-	-	-	-	-
Investment in 3UZ Pty Ltd	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**10,561**	**650**	**8**	**9,903**	**7,772**	**192**	**132**	**226**	**2,239**	**-**
2014											
Cash and cash equivalents	1.9%	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%	1,238	650	-	589	1,239	-	-	-	-	-
Investments:											
Investment in subsidiaries	-	347	-	-	347	347	-	-	-	-	-
Investment in 3UZ Pty Ltd	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**12,103**	**650**	**3,134**	**8,320**	**9,503**	**301**	**241**	**705**	**1,354**	**-**

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

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

(D) Liquidity Risk

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

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

			Interest rate exposure *($ thousand)*				Maturity dates (a) *($ thousand)*			
2015	**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**
Cash and cash equivalents	0.0%	57	-	-	57	57	57	-	-	-
Payables:										
Trade creditors	-	4,430	-		4,430	4,430	3,673	746	11	-
Other payables	-	1,930	-	-	1,930	1,930	1,930	-	-	-
Interest bearing liabilities:										
Unsecured - TCV loan facility	5.4%	24,301	20,500	3,801	-	24,301	-	-	5,301	19,000
Non Interest bearing liabilities:										
Unsecured - interest free loan	-	-	-	-	-	-	-	-	-	-
Gaming machine entitlements	-	795	-	-	795	795	-	84	259	452
Total		**31,513**	**20,500**	**3,801**	**7,212**	**31,513**	**5,660**	**830**	**5,571**	**19,452**
2014										
Cash and cash equivalents	0.0%	-	-	-	-	-	-	-	-	-
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	5.4%	32,000	22,000	10,000	-	32,000	-	-	11,500	20,500
Non Interest bearing liabilities:										
Unsecured - Interest Free Loan	-	-	-	-	-	-	-	-	-	-
Gaming machine entitlements	-	1,126	-	-	1,126	1,126	-	95	293	737
Total		**37,487**	**22,000**	**10,000**	**5,487**	**37,487**	**4,028**	**429**	**11,793**	**21,237**

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 payable)

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

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

			Interest rate exposure ($ thousand)				Maturity dates (a) ($ thousand)			
2015	**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**
Cash and cash equivalents	0.0%	57	-	-	57	57	57	-	-	-
Payables:										
Trade creditors	-	3,866	-	-	3,866	3,866	3,284	578	4	-
Intercompany payables	-	1	-	-	1	1	1	-	-	-
Other payables	-	1,598	-	-	1,598	1,598	1,598	-	-	-
Interest bearing liabilities:										
Unsecured - TCV loan facility	5.36%	24,301	3,801	20,500	-	24,301	-	-	5,301	19,000
		29,823	**3,801**	**20,500**	**5,522**	**29,823**	**4,940**	**578**	**5,305**	**19,000**
2014										
Cash and cash equivalents	0.0%	-	-	-	-	-	-	-	-	-
Payables:										
Trade creditors	-	2,291	-	-	2,291	2,291	2,018	245	-	28
Intercompany payables	-	280	-	-	280	280	280	-	-	-
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
		35,815	**10,000**	**22,000**	**3,815**	**35,815**	**3,542**	**245**	**11,500**	**20,528**

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 payable)

(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.

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 and 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)	
2015	**Carrying amount**	**Net Result**	**Equity**	**Net Result**	**Equity**	**Net Result**	**Equity**	**Net Result**	**Equity**
Contractual financial assets:									
Cash and cash equivalents [a]	484	-	-	-	-	(2)	(2)	2	2
Receivables	5,648	-	-	-	-	-	-	-	-
Other financial assets	165	-	-	-	-	-	-	-	-
Investments	1,082	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	6,360	-	-	-	-	-	-	-	-
Interest bearing liabilities	24,301	-	-	-	-	94	94	(94)	(94)
Non interest bearing liabilities	795	-	-	-	-	-	-	-	-
Total Impact		**-**	**-**	**-**	**-**	**92**	**92**	**(92)**	**(92)**
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)**

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)	
2015	**Carrying amount**	**Net Result**	**Equity**	**Net Result**	**Equity**	**Net Result**	**Equity**	**Net Result**	**Equity**
Financial assets:									
Cash and cash equivalents	11	-	-	-	-	-	-	-	-
Receivables	8,168	-	-	-	-	-	-	-	-
Other financial assets	953	-	-	-	-	-	-	-	-
Investments	1,429	-	-	-	-	-	-	-	-
Financial liabilities:									
Payables	5,465	-	-	-	-	-	-	-	-
Interest bearing liabilities	24,301	-	-	-	-	100	100	(100)	(100)
Total increase/(decrease)		**-**	**-**	**-**	**-**	**100**	**100**	**(100)**	**(100)**
2014									
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	-	-	-	-	-	-	-	-
Financial liabilities:									
Payables	3,570	-	-	-	-	-	-	-	-
Interest bearing liabilities	32,000	-	-	-	-	100	100	(100)	(100)
Total increase/(decrease)		**4**	**4**	**(4)**	**(4)**	**69**	**69**	**(69)**	**(69)**

Note:
(a) Cash and cash equivalents includes AUD$7,622 in cash held in a New Zealand bank account (NZD$8,652.49 @NZD/AUD 0.8809 at 30 June 2015).

(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 20th August 2015, 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 2016.

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 $187,214 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	
Other Expenditure Commitments	**2015** $'000	**2014** $'000	**2015** $'000	**2014** $'000
Tabcorp Gaming Solutions Service Agreement [(a)]				
Payable:				
Not longer than one year	1,083	1,146	-	-
Longer than 1 year and not longer than 5 years	4,657	4,941	-	-
Longer than 5 years	2,704	4,287	-	-
	8,444	**10,374**	-	-
Total Other Expenditure Commitments (inclusive of GST)	**8,444**	**10,374**	-	-
Total Commitments for Expenditure (inclusive of GST)	**8,444**	**10,374**	-	-
Less GST recoverable from the Australian Taxation Office	(768)	(943)	-	-
Total Capital Expenditure Commitments (exclusive of GST)	**7,676**	**9,431**	-	-

(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 agreed to extend the time to develop the land with a new substantial commencement date by June 2017 and practical completion date by June 2018.

NOTE 30. SUBSEQUENT EVENTS

Subsequent to 30 June 2015, HRV agreed to a new lease with the Melton Entertainment Trustee for a term expiring in June 2022 for an annual lease amount of $648,900 with increments of CPI or 3% whichever is greater.

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.
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 2015 and financial position of Harness Racing Victoria at 30 June 2015.

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 11th September 2015.

Dr. Ken Latta PSM
CHAIRMAN

Neale Wheat CA
BOARD MEMBER

John Anderson B.Ec CA Dip Ed.
CHIEF EXECUTIVE

Damien Madden FCPA
CHIEF FINANCIAL OFFICER

Melbourne, 11th September 2015

VAGO

Victorian Auditor-General's Office

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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 2015 of Harness Racing Victoria which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statements, 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 2015 and their financial performance and their 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*.

for

John Doyle
Auditor-General

MELBOURNE
18 September 2015


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food group
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