Harness Racing Victoria

ANNUAL REPORT
2016

Mission

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

Goals and Objectives

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

- Maximising returns to participants and remaining 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 FOR RACING

The Hon. Martin Pakula MP
Minister for Racing

On behalf of the Board, I present this report to you for the 2015-16 financial year.

FINANCIALS

The financial year 2015-16 has been a challenging one for Harness Racing Victoria (HRV).

The HRV Group recorded a consolidated loss for the year before changes in Equity of $215K which is unfavourable to the original budget forecast profit of $1.309m. The principal reason for the negative result has been the decline in wagering revenue.

Total revenue for the year reduced by 1% from $84.97m last year to $84.07m. Wagering revenue fell by 3.4% from $62m to $59.9m. Revenue from the Joint Venture with TABCORP decreased by an alarming 5.6%, or $2.8m to $46.78m, while pleasingly race field fees from other wagering service providers such as corporate bookmakers and interstate TABs increased from $12.42m to $13.17m.

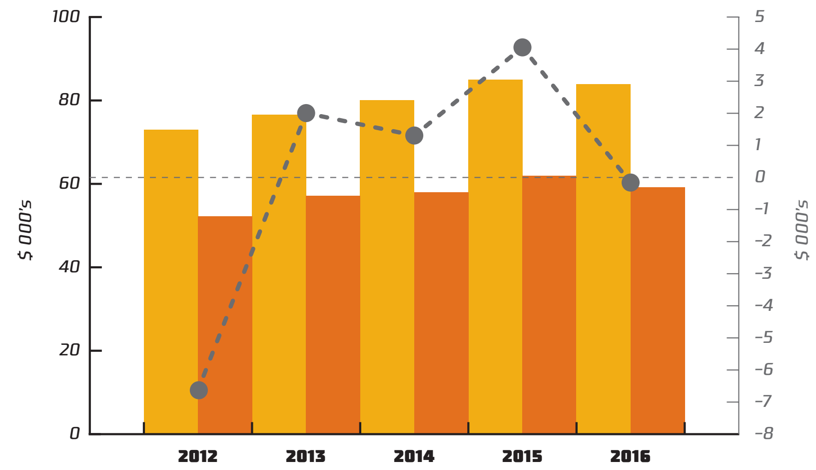
Total wagering turnover on Victorian harness product continued to grow in 2015-16. In total $880.3m was wagered during the year compared to $857.6m the previous year, an increase of 2.65%.

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

VICTORIAN TAB	$176.7M ($192.6M)
INTERSTATE TABS	$302.2M ($320.8M)
CORPORATE BOOKMAKERS	$256.5M ($223.2M)
BETTING EXCHANGE	$43.6M ($43.6M)
INTERNATIONAL	$101.3M ($77.4M)
Total Turnover	$880.3M ($857.6M)

Significant growth came from the export of Victorian product to international jurisdictions. The export of Victorian trotting to Europe was a new initiative in 2014-15 and has continued to grow in the year under review. Revenue of $1.52m, an increase of 31%, was earned by HRV specifically from exported product.

Historical Financial Performance



	2012	2013	2014	2015	2016
HRV REVENUE	73,027	76,646	80,086	84,969	84,076
WAGERING REVENUE	52,281	55,517	57,897	62,031	59,944
PROFIT	-6,631	2,006	1,307	4,058	-215

HRV and therefore the industry in Victoria is heavily reliant upon wagering revenue which represents 71.2% of total revenue. The next highest source of revenue is from TABCORP Park, which increased, from $12.7m to $13.2m. Pleasingly, the venue for the first time achieved a profit, after $646k in rental payments to HRV, based upon solid growth in food, beverage and accommodation sales. All other revenue sources remained consistent with the previous year.

Expenditure for the financial year increased from $80.9m to $84.3m, by 4.3% of which $1.3m related to increased stakemoney, from $38.3m to $39.6m, or 3.4%.

All other expenses categories were tightly controlled. The next highest expense was employment costs which, across the Group, increased by 7.1% from $12.3m to $13.2m primarily as a consequence of HRV's focus in the Integrity area.

HRV's Balance Sheet remains strong. As at 30 June 2016, HRV has a favourable Net Asset position which increased from $26.3m to $40.9m. This is attributable to the recent Land and Buildings valuation carried out on the TABCORP Park site and surrounding vacant land (valued at $70.3m). HRV has a year-end net debt of $26.2m which is up from $24.6m in the previous year. Annual principal repayments of this debt continue to be made at $1.5m.

FINANCIALS (CONTINUED)

The HRV Board has budgeted for a profitable year in 2016-17. The greatest risk to industry revenue streams is a volatile and highly competitive wagering market.

In 2016/17, HRV will continue with its focus on Integrity and the welfare of horses and participants. The HRV Board will manage the business prudently to ensure returns to stakeholders are optimised.

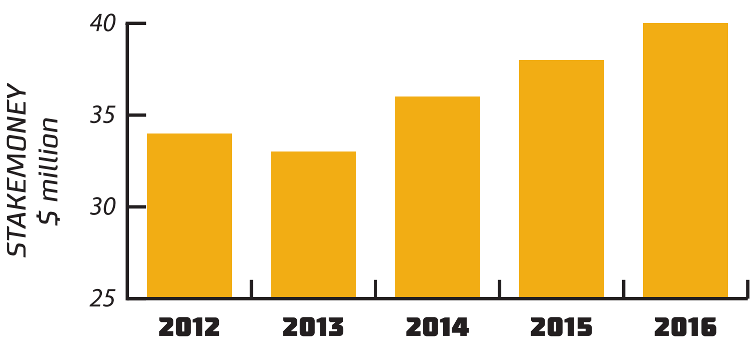
STRATEGIC PLAN

The HRV Strategic Plan 2020 was released in February 2016 after an extensive consultation process, which included a call for written submissions and face-to-face sessions throughout Victoria at Bendigo, Shepparton and Melton. Feedback from that consultation was recorded and, where relevant, incorporated into the Strategic Plan 2020.

The new Board will be reviewing the strategic plan in further consultation with the harness racing industry.

STAKEMONEY

As a result of the healthier financial position in past years HRV has been able to grow stakemoney from $33.6m in 2013 to $39.6m in 2016, an 18% increase over four years. The graph on the right shows there was a static period in 2012 and 2013, however, there has been consistent growth since then. The challenge going forward, based upon 2015/16 wagering revenue outcomes, will be to maintain and grow existing levels.



BALANCE SHEET

While managing the expectations of the industry with increased stakemoney, HRV has also been able to reduce its net debt. Since 2014, the net debt, as at 30 June 2016, has reduced from $32.1m to $26.2m, an 18% reduction in three years.

Balanced against this debt, the asset at TABCORP Park Melton and the adjoining land for future development (107ha in total) was recently valued at $70.3m, meaning that HRV has a healthy overall net asset position of $40.9m.

INTEGRITY

In the 2015/16 period, HRV has demonstrated its commitment to combatting the broader and most serious threats to the integrity of the harness racing industry. A multi-agency investigation initiated by the HRV Integrity Department and conducted by HRV in conjunction with the Victoria Police Sporting Integrity Intelligence Unit (SIIU) and the Office of the Racing Integrity Commissioner (ORIC) culminated in the first criminal convictions (in connection with racing) under legislation introduced in 2013 relating to race fixing, match fixing and 'cheating at gambling'. Following the successful prosecution of two harness racing participants for offenses created by the new legislation, HRV disqualified the relevant parties from participating in the industry for a period of 12 years. An appeal against these imposed penalties is scheduled to be heard by the Victorian Civil and Administrative Tribunal (VCAT) in September 2016.

HRV has committed additional resources in order to continue conducting such proactive investigations. The 2015/16 period has seen the addition of an Investigations Manager, a Senior Intelligence Analyst, a Stipendiary Steward and a part time Investigative Steward. In addition to personnel increases, HRV have also purchased and implemented a number of other investigative resource tools to enhance their protection of the integrity of the industry. Such resources include the engagement of the bet monitoring company Global Sports Integrity (GSI) to actively monitor wagering on all harness races conducted in Victoria and provide 'live' alerts to HRV Stewards in attendance at race meetings regarding any matters arousing suspicion. The procurement of a mobile phone forensic imaging device and an intelligence and information case management system has also greatly enhanced HRV's capabilities in terms of conducting investigations into alleged misconduct.

The period has also seen the commencement of the first prosecution in Australia of a trainer with respect to the presence of an anabolic steroid, since the use of anabolic steroids was also banned for 'out of competition' horses in 2014. This prosecution has also been the first occasion where analytical testing of equine hair samples have been presented as part of the prosecution, with such analysis being conducted by Racing Analytical Services Limited (RASL) and the Hong Kong Jockey Club Laboratory (HKJCL).

HRV have also conducted a number of proactive stable visitations with the RSPCA and continue to strengthen this important working relationship. HRV will continue to work closely with leading organisations and agencies such as RASL, the HKJCL, the RSPCA and the SIIU in order to protect the stars of the harness racing industry, the Standardbred horses. The HRV Integrity Department encourages anyone with any integrity related concerns to report such matters to the recently established hot line telephone number of (03) 9214 0651 or integrity@hrv.org.au which enables HRV to receive information 24 hours a day. All information is treated with confidence and acted upon accordingly.

RACING OPERATIONS

In Harness Racing circles the 2015/16 season was the "Year of the Shark". LENNYTHESHARK began the season with a bang when flying home to take out the Smoken Up Sprint (Group 2). This was only a sign of things to come, with LENNYTHESHARK going on to run top two in every start for the rest of the season.

The $400,000 Victoria Cup (Group 1) was a thrilling finish with LENNYTHESHARK running a bold race from the front, managing to hold off a late charge from SMOLDA to score by a head. Only a week later SMOLDA went one better with a stunning victory in the A G Hunter Cup (Group 1).

The highlights were not limited to the pacing gate. Trotting races were popular here as well as overseas with France televising a number of the square gaiting races. In what was probably the best finish of the season, SPEEDING SPUR took out the Great Southern Star.

The Vicbred Super Series, run throughout June and July, provided some tremendous racing over the winter months with over $2,000,000 prize money on offer. The series provided opportunities to Vicbred eligible horses in 12 separate categories. The series culminated with finals held at Tabcorp Park with 12 Group 1 races split over two nights. The Vicbred program provided over $3,500,000 in first win bonuses to industry participants contributing to breeding and ownership in Victoria.

Breeders Crown Finals day, Australasia's richest race day, was run on the last Sunday in August in 2015. A day for the 'Racing Purists' saw eight separate Group 1 races, supported by a further two Group 2's and all of the stars came out to play. The list of star winners from the day included MENIN GATE, HECTORJAYJAY, OUR WAIKIKI BEACH, SPEEDING SPUR and HIGH GAIT. In what was a high quality day of racing the cream rose to the top where the industry and its participants showcased the best harness racing has to offer.

MARKETING

The focus for HRV Marketing for 2015-16 was the continued improvement in events with emphasis on wagering and ownership for the industry benefit. The highlights were the improved engagements with the Country Clubs for marketing initiatives, core investments in Vicbred, Breeders Crown and Melton Plate all which experienced growth in on-course attendance and wagering. TAB Summer of Glory, HRV's premier carnival continued to be a success even with a challenging national racing calendar. The launch included the HRV Celebrity Race Day and the launch of TrotsCam, live pictures of racing from the sulky and drivers' helmets.

HRV expanded its use of social media as a measurable narrowcast messaging system. The expanded HRV Media Team has contributed to triple digit growth across social media platforms as well as the launch of "TrotsSpeak", with additional initiatives planned for next year. Digital will continue to be a focus in 2016-17 with the increased use of HRV cloud platform for Sales and Marketing.

ADMINISTRATION

During the year, HRV Finance continued to roll out the shared services model expanding from 6 country clubs in 2015 to 10 clubs in 2016. Country Clubs are benefiting from the centralisation of their administration functions and are beginning to enjoy cost savings via central bargaining of costs such as electricity. The aim is to expand this model by another 6 clubs in 2017 bringing the total to 16 clubs of the 23 clubs racing in Victoria.

The HRV finance department have worked hard to produce efficiencies within their team to cater for this added capacity. Online solutions like Employee Self-Service and Purchasing have been implemented and are fully integrated with HRV's finance system TechnologyOne.

TABCORP PARK

HRV's TABCORP Park facility continues to improve both in its financial performance and in the provision of its food and hospitality service. The return from the TABCORP Park venue to HRV has increased by 22% during the year and this has largely been driven by significant increases in revenue from the Hotel ($287k) and Gaming ($251k). Growth in Hotel stays, in particular at TABCORP Park, has been outstanding over the past twelve months with accommodation revenues increasing by 31% in this time.

It has also been pleasing to see significant growth in Dining bookings on race nights at TABCORP Park particularly in the Toolern Room. A number of new people have been introduced to the Trots through newly themed race nights such as Maltese Night, Greek Night, French Night, and Christmas in July, and in attracting more sporting clubs to a night at the Trots as part of a social or fundraising event in the Toolern Room. The team at TABCORP Park have also continued to develop its hugely popular New Year's Eve race meeting, which, in the two years since it has been re-introduced at Melton, has quickly challenged the Hunter Cup as the highest attended race meeting on the calendar at Melton.

Importantly, TABCORP Park Melton now makes a significant contribution to the well-being of the industry including HRV's ability to fund stakemoney levels.

APPRECIATION

Research indicates that harness racing's economic value to Victoria is in the order of $435m p.a. and creates the equivalent of 4,500 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;
- The City of Melton, who have been great supporters of our development at TABCORP Park;
- The members of the Harness Racing Advisory Council (HRAC):
- The independent members of both the Integrity Council and Audit and Risk Committee for their much valued work in supporting the HRV Board;
- My interstate colleagues through Harness Racing Australia;
- Colleagues from the thoroughbred and greyhound racing codes.

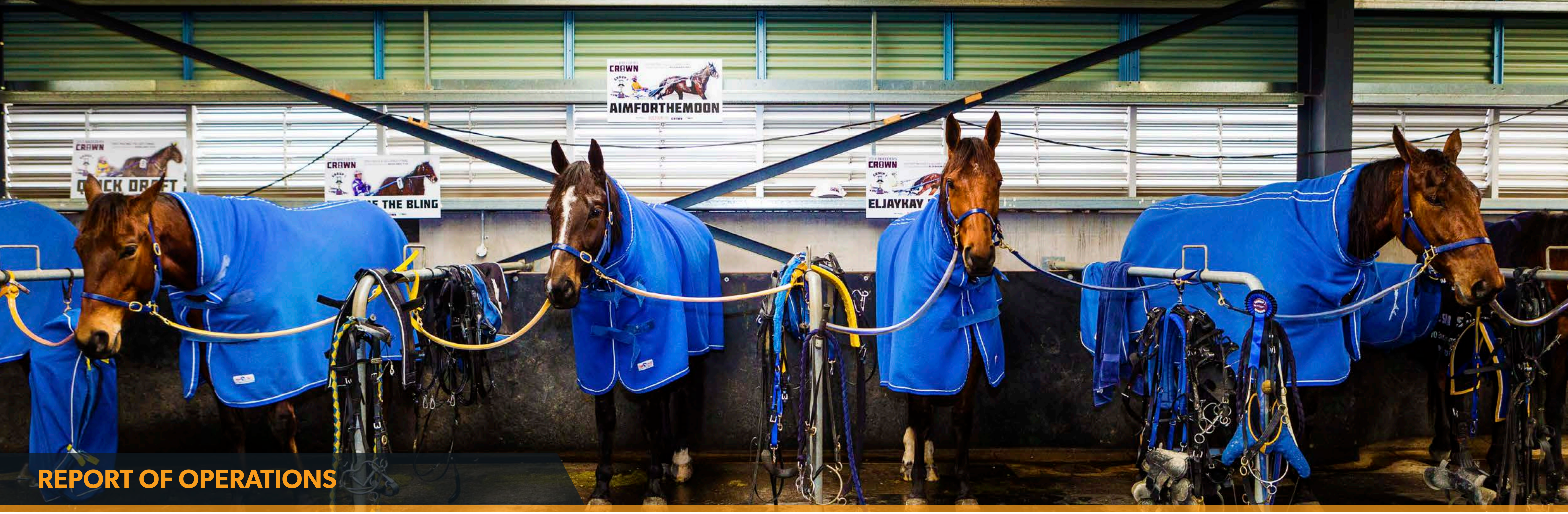
On behalf of the Board, I also sincerely extend my appreciation to the management team and all of the HRV and TABCORP Park Melton staff, along with all Committee members and staff of the country clubs for their hard work and commitment to the harness racing industry. The newly formed HRV Board must meet the challenge of restoring confidence in the industry and a key driver of this will be HRV's bottom line to no worse than a break even position.

Finally, I would like to thank you Minister, your staff and the Office of Racing for the much valued support provided to harness racing in Victoria.

Dale G Monteith
Chairman

HISTORICAL FINANCIAL PERFORMANCE

Financial Information		**2016 $'000**	**2015 $'000**	**2014 $'000**	**2013 $'000**	**2012 $'000**
Hrv Racing Operations						
Wagering	Income	59,944	62,031	57,897	55,517	52,281
Capital Grants Rrif	Income	1,093	677	570	925	2,968
Stake Money	Hrv Contributions	(38,640)	(37,361)	(35,191)	(32,467)	(33,445)
	Country Club Contributions	(951)	(922)	(1,159)	(1,167)	(1,071)
	Total	**(39,591)**	**(38,283)**	**(36,350)**	**(33,634)**	**(34,516)**
Metropolotan Racing	Income	115	170	185	203	306
	Expenses	(2,181)	(1,989)	(1,960)	(2,462)	(2,703)
	Total	**(2,065)**	**(1,818)**	**(1,775)**	**(2,259)**	**(2,397)**
Country Clubs	Income	1,339	1,363	1,573	1,620	1,632
	Expenses	(8,588)	(8,370)	(8,204)	(8,016)	(7,857)
	Total	**(7,249)**	**(7,007)**	**(6,631)**	**(6,396)**	**(6,225)**
Futurities	Income	3,226	3,425	3,321	2,201	2,714
Racing	Income	2,106	2,002	2,096	2,084	1,918
	Expenses	(5,575)	(5,095)	(5,006)	(4,703)	(4,955)
	Total	**(3,469)**	**(3,093)**	**(2,910)**	**(2,619)**	**(3,037)**
Commercial Operations	Income	1,357	1,247	1,407	1,442	1,634
	Expenses	(3,797)	(3,652)	(3,545)	(3,454)	(4,373)
	Total	**(2,440)**	**(2,405)**	**(2,138)**	**(2,012)**	**(2,740)**
Product Development	Income	112	0	0	0	0
	Expenses	(1,275)	(719)	(648)	(562)	(678)
	Total	**(1,163)**	**(719)**	**(648)**	**(562)**	**(678)**
Development Fund	Expenses	(2,199)	(1,831)	(1,849)	(2,950)	(4,861)
Administration	Income	2,535	2,244	2,852	2,740	2,504
	Expenses	(8,952)	(9,099)	(10,212)	(8,720)	(12,624)
	Total	**(6,417)**	**(6,855)**	**(7,360)**	**(5,980)**	**(10,120)**
Non Racing Operations						
RISE IT Operations	Income	1,300	1,318	1,303	1,246	1,288
	Expenses	(1,215)	(1,281)	(1,285)	(1,150)	(1,275)
	Total	**85**	**37**	**18**	**96**	**13**
Tabcorp Park	Income	13,173	12,728	11,595	11,298	8,629
	Expenses	(13,140)	(12,829)	(12,434)	(11,617)	(8,663)
	Total	**33**	**(101)**	**(839)**	**(319)**	**(35)**
Eliminations	Income	(2,222)	(2,277)	(2,744)	(2,653)	(2,852)
	Expenses	2,222	2,277	2,744	2,653	2,852
	Total	**0**	**0**	**0**	**0**	**0**
TOTALS	Total Income	84,076	84,927	80,055	73,031	73,022
	Total Expenses	(84,291)	(80,870)	(78,750)	(79,662)	(79,653)
Profit/(Loss)		**(215)**	**4,057**	**1,305**	**(6,631)**	**(6,632)**



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 2016.

Dale G Monteith
Chairman
13th September 2016

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."

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee consists of the following members:

David Logan	(Chairman)
John Wilkinson	(Independent Committee Member)
Dr Catherine Ainsworth	(HRV Board Member)

The main responsibilities of the Audit and Risk Committee are to:

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

OTHER HRV COMMITTEES

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

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

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, General Manager Finance, General Manager Operations, General Manager Integrity, General Manager Commercial, Human Resources Manager, Project Manager, Legal Counsel, General Manager RISE and CEO – Tabcorp Park.

BOARD

MEMBERS OF HARNESS RACING VICTORIA BOARD:

MINISTER FOR RACING
The Hon. Martin Pakula, MP

BOARD
HRV Management Ltd

BOARD
Racing Information Services Enterprises P/L

CHIEF EXECUTIVE
John Anderson

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

CHIEF 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.

GENERAL MANAGER – RISE
Damien Manion

Damien is the 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 the national Harness Racing industry.

GENERAL MANAGER - COMMERCIAL
Damien Madden

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

HUMAN RESOURCES MANAGER
Isabella Galati

Isabella is responsible for all employee matters relating to Harness Racing Victoria and associated entities.

PROJECT MANAGER
Joe Ivisic

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

GENERAL MANAGER - OPERATIONS
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, breeding and ownership initiatives.

GENERAL MANAGER - FINANCE
James Cardona

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

LEGAL COUNSEL
Craig Launder

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

GENERAL MANAGER - INTEGRITY
Andy Rogers

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

HUMAN RESOURCE MANAGEMENT

A key priority during 2015/16 was the promotion of good governance practices amongst country club committees. A broad based education and awareness program was developed and rolled out to support club committees to meet their statutory obligations and to ensure that all committee members are appropriately trained and resourced to fulfil their roles and support and develop their clubs. This is the first stage in a longer term strategy to promote ongoing professional and capability development within the club network.

During the year HRV continued to strengthen Integrity capacity with the recruitment of additional specialist staffing resources. Further, Integrity capability was enhanced with the development and completion of competency based training modules for key racing officials. Other development initiatives include a partnership with an RTO to develop a harness racing internship program, which will provide young students with the opportunity to begin a career in the industry.

HRV also continued with the strategy of ongoing process improvements with the implementation of a new on line on boarding system.

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 FIVE YEAR FINANCIAL SUMMARY

	Male		**Female**		**Total Full Time**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Executive	7	9	1	1	8	10
Professionals	13	15	4	2	17	17
Paraprofessionals	21	19	6	5	27	24
Clerical Workers	4	2	7	8	11	10
Broadcasters and Country Clubs	5	5	0	0	5	5
Hospitality Manager	2	4	4	4	6	8
Hospitality Staff	4	3	16	10	20	13
TOTAL	**56**	**57**	**38**	**30**	**94**	**87**

STAFF PROFILE BY POSITION - PART-TIME SESSIONAL AND CASUALS

	Male		**Female**		**Total Full Time**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Part-Time	3	1	7	10	10	11
Part Sessional	16	15	5	5	21	20
Casual FTE	7	13	27	24	34	37

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 OHS Policies and Procedures
- Technical research concerning a wide range of OHS related initiatives for future improvement opportunities
- Providing technical assistance and support concerning a wide variety of HRV and Racing Club equipment
- Carrying out a range of tasks/projects as requested by the HRV General Manager Racing.

ANIMAL WELFARE

The development and implementation of the HERO (Harness Education & Rehoming Opportunities) Program launched an exciting new era for Standardbred life after racing in Victoria.

The ground-breaking equine welfare initiative was unveiled in July 2015 with State Government backing via the Victorian Racing Industry Fund, and attracted extraordinary support from all sectors of the trotting community.

In its first year, HERO and the industry worked co-operatively to facilitate caring and productive homes for more than 200 retired pacers and trotters, catering both to successful horses and those who either did not make the track, or had racing careers which were limited by ability or injury.

ANIMAL WELFARE (CONTINUED)

The Alabar HERO Series, a Standardbred competition under the auspices of Victorian Agricultural Shows Limited which promises to elevate the breed's recreational appeal to an unprecedented level, was among the Program's notable achievements.

Buoyed by a robust social media presence and purpose-built website, HERO fostered a strong brand and reputation in its first year, setting the foundations for ongoing growth and expansion, and cementing HRV's commitment to providing life after racing opportunities for its horse population.

STATEMENT OF EXPECTATIONS

The Minister for Racing issued a Statement of Expectations for the period 2014-15 and 2015-16. The table below sets out HRV's activities and achievement against the improvements, targets and measures of success set by the Minister. Harness Racing Victoria is proud of its progress throughout this initiative particularly with Harness Web enhancements and the Country Club Shared Services program. The use of technology has allowed for efficiencies to be found and cost savings to be shared among the Club network and wider Industry.

MINISTERIAL STATEMENT OF EXPECTATIONS – REPORTING – 2014-15 AND 2015-16

IMPROVEMENTS AND TARGETS	**MEASURE OF SUCCESS**	**ACTIVITIES AND ACHIEVEMENTS**
Continue to modernise and simplify administrative systems to reduce red tape through: • Development, implementing and promoting the use of an online system for nominations, acceptances and withdrawals for race series conducted under the Futurity Schemes (Breeders Crown, Vicbred and Need for Speed) • Implementation of an online notifications system to ensure participants are aware of upcoming deadlines for nominations, scratchings, etc. • Implementation of an online payment system for nominations.	Go live with Futurity nomination and payment capabilities through the already established "Harness Web" online participant portal. Use of Harness Web to communicate upcoming deadlines for nominations, scratchings, etc. Begin receiving nominations and payments which automatically match through the HRV finance system.	Go Live on the Futurity nomination and payment upgrade was achieved in Sept 2015, since then a gradual uptake has occurred through the Harness Web system Majority of Industry participants are now using Harness Web.
Reduce the costs of licensing and registration for participants through: • The creation of an online system for the renewal of licences and payment of fees.	Go Live with online Licence Renewals and payment through the already established "HarnessWeb" online participant portal. Begin receiving Licence Renewals and payments which automatically match through the HRV finance system.	Still in development stage. Expected to go live in Sept 2016.
Engage stakeholders to identify opportunities to implement a Shared Service Function for Country Clubs to reduce costs through: • A reduction in administrative workload for Clubs • The improvement in governance systems associated with the financial management of Clubs.	Regular and Standard set of monthly financial reports designed to inform and provide a conversation board for Club Committees and their Managers. The Shared Services program ensures good financial governance is followed by Clubs, as the HRV administration team process all accounts and transactions centrally into HRV finance system.	Since its inception in November 2013, HRV have taken on 10 of a potential 23 Clubs as at June 2016. It's expected to take on a further 10 Clubs in the next 18 months.
Data collection • Collect data to determine the cost efficiencies and red tap reduction achieved through the implementation of the above measures.	Through the Shared Services program, HRV are able to data mine Club expenses and have begun collective bargaining of WorkCover policies and Electricity contracts. The aim is to do more of this in the future with more Clubs on-board.	HRV is currently working on a state wide rate reduction on WorkCover due to the current rate being associated with Thoroughbred Racing, which is a far more dangerous sport from an employer's perspective when compared to Harness Racing. Savings of other contracts via collective bargaining is estimated to save the club network $1 million dollars annually. (eg. Telephone, internet, mobile phone, car fleet, fuel cards, electricity, gas, water, audit fees, etc.)

FINANCIAL REVIEW OF OPERATIONS AND FINANCIAL CONDITIONS

For the financial year ended 30 June 2016 a loss result of $0.2 million was recorded. The result was a significant reduction over last year. During the 2015-16 planning process, a conservative profit was set to counter the risk of product decay in Parimutuel Wagering from our JV partner, Tabcorp. During the year, revenue from the JV declined impacting on HRV Revenue. Total turnover from Corporate Bookmakers increased by 15%, lifting "race field" fee income. Stakemoney increased in 2015-16 mainly 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 2016 was $1 million 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 $82.4 million have increased from the equivalent period last year at $67.1 million. Current Liabilities have increased from $17.0 million at 30 June 2015 to $20.1 million at 30 June 2016. Total liabilities over the year increased from $40.5 million to $41.5 million.

FINANCIAL REVIEW OF OPERATIONS AND FINANCIAL CONDITIONS (CONTINUED)

FIVE YEAR FINANCIAL SUMMARY

	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Tabcorp Revenue	46,772	49,584	48,154	48,255	46,962
Other Revenue	37,304	35,385	31,932	28,391	26,065
Total Revenue	**84,076**	**84,969**	**80,086**	**76,646**	**73,027**
Stake Money Expense	(39,592)	(38,282)	(36,351)	(33,634)	(34,516)
Other Expenses	(44,699)	(42,629)	(42,428)	(41,006)	(45,142)
Net Profit/(Loss)	**(215)**	**4,058**	**1,307**	**2,006**	**(6,631)**
Cash Assets	993	484	4,103	2,489	1,675
Total Assets	82,428	67,105	69,692	70,508	71,096
Current Liabilities	(20,082)	(17,034)	(21,380)	(38,599)	(17,701)
Total Liabilities	**(41,505)**	**(40,522)**	**(47,413)**	**(49,536)**	**(52,130)**

FUTURE OUTLOOK

The HRV Board is 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 $0.4 million and cash generation is expected to have no growth in 2016-17 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 2016-17, Stakemoney will remain static at $39 million with an increase of $0.2m in funding for the VicBred and Breeder Bonuses. Expenditure is planned to increase in Employment Costs. Total headcount will increase in Integrity.

SUBSEQUENT EVENTS

A key senior management member was terminated in July 2016, the related severance payment was made in accordance with HRV's Government Sector Executive Remuneration Panel contract obligations. No material subsequent events have occurred since balance date.

DISCLOSURE OF MAJOR CONTRACTS

No disclosure of major contracts is required by HRV as during the year HRV did not enter into any contracts with a value greater than $10.0 million.

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 2015/16, there was one request received by HRV.

COMPLIANCE WITH BUILDING ACT 1993

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

NATIONAL COMPETITION POLICY

The principle of competitive neutrality aims to ensure that Government businesses do not enjoy any net competitive advantage simply by virtue of their public sector ownership. Harness Racing Victoria is not a tax funded general Government service and does not adopt any pricing principles utilising a net competitive advantage. Approximately 56% 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 5 consultancies that cost in excess of $10,000 excluding GST. The total expenditure incurred during 2015-16 in relation to these consultancies is $130,286 (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)
Jardine Lloyd Thompson	Workers Compensation review	25,500	-	-
Dennis Hunt & Associates Pty Ltd	Life cycle and Maintenance Assessment	22,136	-	-
Coffey Environments Australia Pty Ltd	Melton Landfill Audit	11,450	9,100	-
Tonkin Taylor	Environmental Monitoring Melton Landfill	55,000	35,000	-
Max Architects Pty Ltd	Tabcorp Park Master Plan	16,200	10,000	-

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

Attestation on compliance with the Australian/New Zealand Risk Management Standard

I, James Cardona 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. Management have undertaken a review of the risk profile of Harness Racing Victoria within the last 12 months.

James R Cardona CPA
General Manager Finance
Harness Racing Victoria
13th September 2016

REPORTING ON CONSULTATION – ANNUAL REPORT 2016

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 2015-16 with the following organisations:

- Association of Victorian Country Harness Racing Clubs Inc
- Harness Breeders Victoria
- Harness Racing Advisory Council
- 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.

DISCLOSURE INDEX

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

Legislation	Requirement
MINISTERIAL DIRECTIONS	
Report of Operations	
Charter and Purpose	
FRD 22G	Manner of establishment and the relevant Ministers
FRD 22G	Purpose, functions, powers and duties
FRD 8D	Departmental objectives, indicators and outputs
FRD 22G	Key initiatives and projects
FRD 22G	Nature and range of services provided
Management and Structure	
FRD 22G	Organisational structure
Financial and other information	
FRD 8D	Performance against output performance measures
FRD 8D	Budget portfolio outcomes
FRD 10A	Disclosure index
FRD 12A	Disclosure of major contracts
FRD 15C	Executive officer disclosures
FRD 22G	Employment and conduct principles
FRD 22G	Occupational health and safety policy
FRD 22G	Summary of the financial results for the year
FRD 22G	Significant changes in financial position during the year
FRD 22G	Major changes or factors affecting performance
FRD 22G	Subsequent events
FRD 22G	Application and operation of Freedom of Information Act 1982
FRD 22G	Compliance with building and maintenance provisions of Building Act 1993
FRD 22G	Statement on National Competition Policy
FRD 22G	Application and operation of the Protected Disclosure 2012
FRD 22G	Application and operation of the Carers Recognition Act 2012
FRD 22G	Details of consultancies over $10 000
FRD 22G	Details of consultancies under $10 000
FRD 22G	Disclosure of government advertising expenditure
FRD 22G	Disclosure of ICT expenditure
FRD 22G	Statement of availability of other information
FRD 24C	Reporting of office based environmental impacts
FRD 25B	Victorian Industry Participation Policy disclosures
FRD 29A	Workforce Data disclosures
SD 4.5.5	Attestation for compliance with Ministerial Standing Direction 4.5.5
Financial Report	
SD 4.2(g)	Specific information requirements
SD 4.2(j)	Sign off requirements
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 9A	Departmental Disclosure of Administered Assets and Liabilities by Activity
FRD 11A	Disclosure of Ex gratia Expenses
FRD 13	Disclosure of Parliamentary Appropriations
FRD 21B	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report
FRD 103F	Non Financial Physical Assets
FRD 110	Cash Flow Statements
FRD 112D	Defined Benefit Superannuation Obligations
LEGISLATION	
Freedom of Information Act 1982	
Building Act 1993	
Protected Disclosure Act 2012	
Carers Recognition Act 2012	
Victorian Industry Participation Policy Act 2003	
Financial Management Act 1994	

KEY INDUSTRY STATISTICS

	2016	2015	2014	2013	2012
Meetings (TAB)	461	455	455	452	497
Meetings (Non-TAB)	2	2	1	1	1
Races	3,830	3,806	3,820	3,814	3,969
Horses raced	3,963	4,058	4,039	4,099	4,340
Nominations	49,051	52,987	51,531	53,344	57,663
Starters	34,129	35,239	35,698	36,843	38,811
Drivers	723	748	762	815	854
Trainers	1,196	1,224	1,247	1,300	1,368
Stablehands	1,174	1,206	1,219	1,271	1,342
Sires	75	72	79	81	88
Foals *(a)	1,848	1,865	2,215	2,359	2,538
Namings	1,295	1,440	1,466	1,508	1,572
Services	3,065	2,839	3,269	3,559	3,872

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

COMPREHENSIVE OPERATING STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

		Consolidated Entity		Parent Entity	
		2016	2015	2016	2015
	Notes	$'000	$'000	$'000	$'000
CONTINUING OPERATIONS					
INCOME FROM TRANSACTIONS					
Tabcorp Income		46,772	49,584	46,772	49,584
Other Revenue from ordinary activities		37,304	35,385	25,054	23,617
Total Income from Transactions	2	**84,076**	**84,969**	**71,826**	**73,201**
EXPENSES FROM TRANSACTIONS					
Stakemoney expense		(39,592)	(38,282)	(39,592)	(38,282)
Employee Benefits		(13,202)	(12,327)	(8,662)	(7,919)
Depreciation and Amortisation expense		(1,891)	(1,758)	(1,456)	(1,407)
Finance Costs		(1,297)	(1,389)	(1,260)	(1,347)
Other expenses from ordinary activities		(28,367)	(27,125)	(21,254)	(20,105)
Total Expenses from Transactions	2	**(84,349)**	**(80,881)**	**(72,224)**	**(69,060)**
Net Result from Transactions (Net Operating Balance)		**(273)**	**4,088**	**(398)**	**4,141**
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT					
Bad and Doubtful Debt Expense		(43)	(30)	(35)	(21)
Net gain on non financial assets		101	-	101	-
Total Other Economic Flows Included in Net Result		**58**	**(30)**	**66**	**(21)**
Net Result		**(215)**	**4,058**	**(332)**	**4,120**
OTHER ECONOMIC FLOWS - OTHER NON-OWNER CHANGES IN EQUITY					
Changes in physical asset revaluation surplus	18	14,556	-	14,556	-
Total Other Economic Flows - Other Non-Owner Changes in Equity		**14,556**	**-**	**14,556**	**-**
Comprehensive Result - Total Change in Net Worth	**19**	**14,341**	**4,058**	**14,224**	**4,120**

The accompanying notes form part of these financial statements

BALANCE SHEET AS AT 30 JUNE 2016

	Notes	Consolidated Entity 2016 $'000	Consolidated Entity 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
CURRENT ASSETS					
Cash and cash equivalents	25(a)	993	484	222	11
Receivables	4	6,270	6,077	6,022	5,762
Other Financial Assets	5	115	61	115	61
Inventories	7	108	108	-	-
Other Assets	6	634	571	546	498
Total Current Assets		**8,120**	**7,301**	**6,905**	**6,332**
NON-CURRENT ASSETS					
Property, Plant and Equipment	8	71,840	57,073	71,403	56,691
Receivables	4	-	-	2,691	2,763
Other Financial Assets	5	39	104	1,196	892
Investments	9	1,082	1,082	1,429	1,429
Intangible Assets	10	1,347	1,545	-	-
Total Non-Current Assets		**74,308**	**59,804**	**76,719**	**61,775**
TOTAL ASSETS		**82,428**	**67,105**	**83,624**	**68,107**
CURRENT LIABILITIES					
Cash and cash equivalents	25(a)	-	57	-	57
Payables	11	5,785	6,360	5,026	5,465
Provisions	12	2,533	2,360	2,086	2,029
Interest Bearing Liabilities	13	8,656	5,301	8,656	5,301
Non Interest Bearing Liabilities	14	363	344	270	251
Prepaid Income	15	600	484	451	385
Other Liabilities	16	2,145	2,128	2,136	2,161
Total Current Liabilities		**20,082**	**17,034**	**18,625**	**15,649**
NON-CURRENT LIABILITIES					
Interest Bearing Liabilities	13	17,500	19,000	17,500	19,000
Non Interest Bearing Liabilities	14	88	451	-	-
Prepaid Income	15	1,755	2,106	1,755	2,106
Provisions	12	322	264	267	190
Other Liabilities	16	1,758	1,667	1,758	1,667
Total Non-Current Liabilities		**21,423**	**23,488**	**21,280**	**22,963**
TOTAL LIABILITIES		**41,505**	**40,522**	**39,905**	**38,612**
NET ASSETS		**40,923**	**26,583**	**43,719**	**29,495**
EQUITY					
Contributed Capital	17	9,174	9,174	9,174	9,174
Reserves	18	29,889	15,333	29,889	15,333
Accumulated Surplus/(Deficit)	19	1,860	2,076	4,656	4,988
TOTAL EQUITY		**40,923**	**26,583**	**43,719**	**29,495**

The accompanying notes form part of these financial statements

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

CONSOLIDATED ENTITY	Notes	Reserves $'000	Accumulated surplus $'000	Contributed capital $'000	Total $'000
	Notes	18	19	17	
Balance at 1 July 2014 as reported		**15,333**	**(2,228)**	**9,174**	**22,279**
Prior period adjustment		-	246	-	246
Balance at 1 July 2014 restated		**15,333**	**(1,982)**	**9,174**	**22,525**
Net result for the year		-	4,058	-	4,058
Balance at 30 June 2015		**15,333**	**2,076**	**9,174**	**26,583**
Net result for the year		-	(215)	-	(215)
Other comprehensive income for the year		14,556	-	-	14,556
Balance at 30 June 2016		**29,889**	**1,860**	**9,174**	**40,923**

PARENT ENTITY	Notes	Reserves $'000	Accumulated surplus $'000	Contributed capital $'000	Total $'000
	Notes	18	19	17	
Balance at 1 July 2014 as reported		**15,333**	**622**	**9,174**	**25,129**
Prior period adjustment		-	246	-	246
Balance at 1 July 2014 restated		**15,333**	**868**	**9,174**	**25,375**
Net result for the year		-	4,120	-	4,120
Other comprehensive income for the year		-	-	-	-
Balance at 30 June 2015		**15,333**	**4,988**	**9,174**	**29,495**
Net result for the year		-	(332)	-	(332)
Other comprehensive income for the year		14,556	-	-	14,556
Balance at 30 June 2016		**29,889**	**4,656**	**9,174**	**43,719**

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE

	Notes	Consolidated Entity 2016 $'000	Consolidated Entity 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
Cash flows from operating activities					
Receipts from operations		91,866	90,429	77,993	77,014
Payments to suppliers, employees & industry		(89,758)	(83,685)	(76,528)	(71,150)
Interest received		33	9	74	53
Interest paid		(1,297)	(1,389)	(1,260)	(1,347)
Net cash from/(used in) operating activities	25(b)	**844**	**5,364**	**279**	**4,570**
Cash flows from investing activities					
Payments for property, plant and equipment		(1,866)	(649)	(1,574)	(320)
Loans granted		(150)	(354)	(150)	(103)
Net cash from/(used in) investing activities		**(2,016)**	**(1,003)**	**(1,724)**	**(423)**
Cash flows from financing activities					
Proceeds from loan repayments		170	-	170	-
Proceeds from Non Interest Bearing Liabilities		-	-	-	369
Repayment of Gaming Machine Entitlements		(344)	(338)	-	-
Proceeds/(Repayment) of Interest Bearing Liabilities		1,855	(7,699)	1,855	(7,699)
Repayment of Non Interest Bearing Liabilities			-	(369)	-
Net cash from/(used in) financing activities		**1,681**	**(8,037)**	**1,656**	**(7,330)**
Net Increase/(decrease) in cash and cash equivalents held		**509**	**(3,676)**	**211**	**(3,183)**
Cash and cash equivalents at the beginning of the financial year		484	4,103	11	3,137
Cash and cash equivalents at the end of the financial year	25(a)	**993**	**427**	**222**	**(46)**

The accompanying notes form part of these financial statements

Notes to the Financial Statements for the year ended 30 June 2016

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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 2015-16 reporting period, no new standards have been adopted.

(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 13th September 2016.

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

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

The accruals basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting polices set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented for the year ended 30 June 2015.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 2016. Subsidiaries are all those entities over which the Parent entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the parent entity controls another entity.

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

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

(f) Scope and Presentation of Financial Statements

Comprehensive Operating Statement

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

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

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

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

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

Balance Sheet

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

Statement of Changes in Equity

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Income is recognised for the major business activities as follows:

- Tabcorp Distributions are brought to account in the financial year that such amounts are earned by the Group
- Fees charged to wagering service providers are brought to account in the financial year in which the race meeting on which the fee was charged is conducted
- Acceptance and scratching fees are brought to account after the race that they relate to is conducted
- Sponsorship Income is recognised in the same accounting period in which the sponsorship services are performed by the Group.
- Racing Fees are brought to account in the accounting period in which the related service is performed
- Interest income is recognised on a time proportionate basis that takes into account the effective yield of the financial asset
- Profits/(losses) on the sale of property, plant and equipment are recognised when the Group relinquishes control of the asset
- Rental income is recognised over the period of the related rental
- Industry contributions received relating to a particular futurity series are carried forward in the Balance Sheet until the year that each final series is conducted when they are brought to account in the comprehensive operating statement as revenue. Fees and contributions received prior to 30 June 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 contain 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 expenses
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;
- Finance lease charges.

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

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

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

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

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

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

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

- Inventories;
- Investment properties that are measured at fair value; and
- Non current physical assets held-for-sale.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as another economic flow, except to the extent that the write down can be debited to an asset revaluation surplus amount applicable to that class of asset.

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

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

Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

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

(k) Financial Instruments

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

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

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

(l) Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Details in relation to investments are disclosed in Note 9.

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

De-recognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the right to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
    - has transferred substantially all the risks and rewards of the asset, or
    - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Property, Plant and Equipment
Land and buildings are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. The fair value of plant and equipment is normally determined by reference to the asset's depreciated replacement cost.

Existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

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

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

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

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

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

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

Intangible Assets

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

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

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

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

Amortisation is allocated to intangible assets with finite useful lives on a straight-line basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.
Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

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

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

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

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

(m) Liabilities

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

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer Note 1(j)). Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Interest Bearing Liabilities
Interest bearing liabilities are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and the related consequential.

The standard changed the definition of short term employee benefits. Short term employee benefits are defined as benefits expected to be wholly settled within 12 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.

(i) The Group as a lessee

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

(ii) The Group as a lessor

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Commitments

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

(p) Contingent Assets and Liabilities

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

(q) Country Club Contributions to Stakemoney

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

(r) Foreign Currency Translation and Balances

Functional and presentation currency

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

Transaction and balances

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

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

(s) Income Tax

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

As HRV Management Ltd does not trade, no tax balances have been recognised in respect HRV Management Ltd. Distributions from the Melton Entertainment Trust to HRV are tax exempt.

(t) Critical Accounting Estimates and Assumptions

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

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

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

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

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 2016 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 2016, 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 2016. Standards and Interpretations that are not applicable to the Group have been omitted. The Group has not early adopted these standards.

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: • The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and • Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI). Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge. For entities with significant lending activities, an overhaul of related systems and processes may be needed.
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 2018	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 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: • the entity's right to receive payment of the dividend is established; • it is probable that the economic benefits associated with the dividend will flow to the entity; and • the amount can be measured reliably.	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	The assessment has indicated that as most operating leases will come on the balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase. Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement. No change for lessors.
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 2016	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.

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 $11.962m. (2015 - $9.733m) 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 $29m is financed. This facility is split as $19m at a variable rate with principal reductions over the term of 13 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 both elements when negotiated have the same term.

HRV offsets all excess cash against the Line of Credit. At balance date $1.3m 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.

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.

Total Assets have increased from $67.1 million at 30 June 2015 to $82.4 million at 30 June 2016.

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

NOTE 2. INCOME AND EXPENSES FROM TRANSACTIONS

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
INCOME				
Tabcorp Income	**46,772**	**49,584**	**46,772**	**49,584**
OTHER INCOME				
Racefield fees	13,153	12,406	13,153	12,406
Registered bookmakers fees	14	18	14	18
Gaming commission	6,481	6,230	-	-
Food & beverage	4,269	4,234	-	-
Accommodation	1,209	915	-	-
Other venue revenue	339	442	-	-
Sponsorship, advertising & events	1,252	1,248	1,273	1,274
RISE IT charges	868	905	-	-
Grants	1,461	796	1,461	796
Registration & licencing fees	1,873	1,824	1,873	1,824
Raceday fees	443	535	443	535
Fines & appeals	231	179	231	179
Country Club contributions to stakemoney	951	952	951	952
Futurities Income				
- Vicbred Revenue	815	795	815	795
- Breeders Crown	1,347	1,603	1,347	1,603
- Race series subsidies	1,086	1,071	1,086	1,071
Sky News Media Fees	5	22	5	22
Property income	708	754	1,354	1,384
Industry programs	127	150	127	150
Management & service fee	213	139	452	462
Interest	24	14	65	54
Other income	435	153	404	92
Total Other Income	**37,304**	**35,385**	**25,054**	**23,617**
TOTAL INCOME	**84,076**	**84,969**	**71,826**	**73,201**

NOTE 2. INCOME AND EXPENSES FROM TRANSACTIONS (CONTINUED)

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
EXPENSES				
Stakemoney				
Metropolitan Stakes	12,768	11,707	12,768	11,707
Country Stakes	22,369	22,582	22,369	22,582
Drivers Fees	7	23	7	23
Vicbred Win Bonuses	3,689	3,172	3,689	3,172
Vicbred Breeder Bonuses	759	798	759	798
Total Stakemoney	**39,592**	**38,282**	**39,592**	**38,282**
Employee Benefits				
Post employee benefits				
Defined contribution superannuation expense	980	887	615	535
Defined benefits superannuation expense	40	42	40	42
Salaries, wages and long service leave	12,182	11,398	8,007	7,342
Employee Benefits	**13,202**	**12,327**	**8,662**	**7,919**
Depreciation and Amortisation Expense (Refer Note 8)	**1,891**	**1,758**	**1,456**	**1,407**
Finance Costs	**1,297**	**1,389**	**1,260**	**1,347**
Other Expenses				
Country Club funding	5,749	5,815	5,754	5,817
Marketing & sponsorship expenses	2,471	2,354	2,071	1,833
Vision & Audio	3,072	2,877	3,072	2,877
Property costs	3,031	3,058	1,542	1,650
Development fund (Refer Note 20)	2,062	1,665	2,062	1,702
Gaming Costs	3,281	3,084	-	-
Cost of goods sold	1,487	1,565	-	-
Fields & form comments	730	700	731	703
Swabs	575	501	575	501
Timing & photo finish	44	36	44	36
Registration	655	634	655	634
Integrity & licensing	151	174	151	174
Communication costs	196	185	129	116
Computer costs	353	364	475	435
Registered bookmaker costs	1	2	1	2
Training facilities	40	41	40	41
Insurance	851	847	827	806
Consulting/legal fees	506	452	397	347
Other expenses	3,112	2,771	2,728	2,431
Total Other Expenses	**28,367**	**27,125**	**21,254**	**20,105**
TOTAL EXPENSES FROM TRANSACTIONS	**84,349**	**80,881**	**72,224**	**69,060**

NOTE 3. REMUNERATION OF AUDITORS

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Victorian Auditor General's Office - Audit of the Financial Report	62	59	31	29
Pitcher Partners - Internal Audit Services	82	27	82	27
Other Audit Services	2	43	-	41
Total Remuneration of Auditors	**146**	**129**	**113**	**97**

NOTE 4. RECEIVABLES

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Current				
Contractual				
Trade Receivables (a)	1,133	1,072	1,034	934
Provisions for doubtful debts	(177)	(150)	(166)	(140)
	956	**922**	**868**	**794**
Accrued Income	1,236	1,321	1,141	1,221
Provisions for impairment	-	-	-	-
	1,236	**1,321**	**1,141**	**1,221**
Tabcorp distribution receivable	3,676	3,390	3,676	3,390
Intercompany receivables	-	-	17	-
Sundry debtors	29	15	-	-
Statutory				
Goods and Services Tax (GST) Recoverable	373	429	320	357
	4,078	**3,834**	**4,013**	**3,747**
Total Current Receivables	**6,270**	**6,077**	**6,022**	**5,762**
Non Current				
Contractual				
Intercompany receivables	-	-	2,691	2,763
Total Non-Current Receivables	**-**	**-**	**2,691**	**2,763**
Total Receivables	**6,270**	**6,077**	**8,713**	**8,525**

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 $71,000 increase in provision was recognised in the operating result for the current financial year.

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
(a) Movement in the Provision for doubtful debts				
Balance at the beginning of the year	(150)	(156)	(140)	(144)
Amounts recovered during the year	25	27	25	27
(Increase) / decrease in allowance recognised in profit or loss	(71)	(58)	(60)	(48)
Reversal of provision for receivables written off during the year as uncollectible	18	37	9	25
Balance at end of the year	**(178)**	**(150)**	**(166)**	**(140)**

(c) Aging 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

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Current				
Loan - Geelong Harness Racing Club Inc	15	14	15	14
Loan - Bendigo Harness Racing Club Inc	25	23	25	23
Loan - Swan Hill Trotting Club Inc	25	24	25	24
Loan - Yarra Valley Racing Inc	50	-	50	-
Total Other Current Financial Assets	**115**	**61**	**115**	**61**
Non Current				
Loan - Geelong Harness Racing Club Inc	39	54	39	54
Loan - Bendigo Harness Racing Club Inc	-	25	-	25
Loan - Swan Hill Trotting Club Inc	-	25	-	25
Loan - HRV Management Ltd ATF Melton Entertainment Trust	-	-	1,157	788
Total Other Non-Current Financial Assets	**39**	**104**	**1,196**	**892**
Total Other Financial Assets	**154**	**165**	**1,311**	**953**

(a) Ageing analysis of receivables

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

(b) 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 6. OTHER ASSETS - CURRENT

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Prepayments	634	571	546	498
Total Other Current Assets	**634**	**571**	**546**	**498**

NOTE 7. INVENTORIES

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Food at cost	33	34	-	-
Beverage at cost	75	74	-	-
Total Inventories	**108**	**108**	**-**	**-**

Notes to the Financial Statements for the year ended 30 June 2016

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

Consolidated Entity

	Freehold Land	Buildings	Building Improvements	Plant and Equipment	Melton Track	Total
2015/16 Year						
Gross Carrying Amount						
Balance as at 1 July 2015	**17,350**	**40,259**	**1,282**	**10,550**	**3,360**	**72,800**
Reclassification of opening balances	-	-	(58)	58	-	-
Additions	608	336	-	921	-	1,866
Disposals/writeoffs	-	-	-	-	-	-
Revaluation increments	9,002	-	-	-	-	9,002
Revaluation decrements	-	(282)	-	-	(312)	(594)
Balance as at 30 June 2016	**26,960**	**40,313**	**1,224**	**11,529**	**3,048**	**83,074**
Accumulated Depreciation						
Balance as at 1 July 2015	-	(4,135)	(1,224)	(9,534)	(834)	(15,727)
Disposals/writeoffs	-	-	-	-	-	-
Depreciation expense	-	(1,086)	-	(476)	(133)	(1,695)
Revaluation increments	-	5,221	-	-	967	6,188
Balance as at 30 June 2016	**-**	**-**	**(1,224)**	**(10,010)**	**-**	**(11,234)**
Net Book Value						
As at 30 June 2015	17,350	36,124	58	1,016	2,526	57,073
As at 30 June 2016	**26,960**	**40,313**	**-**	**1,519**	**3,048**	**71,840**

Consolidated Entity

	Freehold Land	Buildings	Building Improvements	Plant and Equipment	Melton Track	Total
2014/15 Year						
Gross Carrying Amount						
Balance as at 1 July 2014	**17,350**	**40,259**	**1,282**	**9,917**	**3,344**	**72,151**
Additions	-	-	-	633	16	649
Disposals/writeoffs	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-
Revaluation decrements	-	-	-	-	-	-
Balance as at 30 June 2015	**17,350**	**40,259**	**1,282**	**10,550**	**3,360**	**72,800**
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 increment	-	-	-	-	-	-
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	37,186	58	758	2,631	57,982
As at 30 June 2015	**17,350**	**36,124**	**58**	**1,016**	**2,526**	**57,073**

NOTE 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Parent Entity

	Freehold Land	Buildings	Building Improvements	Plant and Equipment	Melton Track	Total
2015/16 Year						
Gross Carrying Amount						
Balance as at 1 July 2015	**17,350**	**40,258**	**1,282**	**7,394**	**3,360**	**69,644**
Reclassification of opening balances	-	-	(58)	58	-	-
Additions	608	336	-	629	-	1,574
Disposals/writeoffs	-	-	-	-	-	-
Revaluation increments	9,002	-	-	-	-	9,002
Revaluation decrements	-	(282)	-	-	(312)	(594)
Balance as at 30 June 2016	**26,960**	**40,312**	**1,224**	**8,081**	**3,048**	**79,625**
Accumulated Depreciation						
Balance as at 1 July 2015	-	(4,135)	(1,224)	(6,760)	(834)	(12,953)
Disposals/writeoffs	-	-	-	-	-	-
Depreciation expense	-	(1,086)	-	(238)	(133)	(1,456)
Revaluation increments	-	5,221	-	-	967	6,188
Balance as at 30 June 2016	**-**	**-**	**(1,224)**	**(6,998)**	**-**	**(8,221)**
Net Book Value						
As at 30 June 2015	17,350	36,123	58	634	2,526	56,691
As at 30 June 2016	**26,960**	**40,312**	**-**	**1,083**	**3,048**	**71,403**

Parent Entity

	Freehold Land	Buildings	Building Improvements	Plant and Equipment	Melton Track	Total
2014/15 Year						
Gross Carrying Amount						
Balance as at 1 July 2014	**17,350**	**40,258**	**1,282**	**7,090**	**3,344**	**69,324**
Reclassification of opening balances	-	-	-	-	-	-
Additions	-	-	-	304	16	320
Disposals/writeoffs	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-
Revaluation decrements	-	-	-	-	-	-
Balance as at 30 June 2015	**17,350**	**40,258**	**1,282**	**7,394**	**3,360**	**69,644**
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	37,185	58	554	2,631	57,778
As at 30 June 2015	**17,350**	**36,123**	**58**	**634**	**2,526**	**56,691**

Aggregate Depreciation and Amortisation allocated during the year was as follows:

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Buildings at Fair Value	1,086	1,062	1,086	1,062
Building Improvements at Fair Value	-	-	-	-
Plant and Equipment at Fair Value	474	375	238	224
Melton Complex at Fair Value	133	121	133	121
Gaming Entitlements Amortisation	198	200	-	-
	1,891	**1,758**	**1,456**	**1,407**

Notes to the Financial Statements for the year ended 30 June 2016

NOTE 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
VALUE OF FREEHOLD LAND				
Freehold Land - 28 - 52 Ferris Rd Melton	2,678	2,757	2,678	2,757
Freehold Land - 92 -134 Abey Road Melton (Lot 1)	15,411	8,916	15,411	8,916
Freehold Land - 92 -134 Abey Road Melton (Lot 2)	8,871	5,677	8,871	5,677
	26,960	**17,350**	**26,960**	**17,350**

Fair Value

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

The key features of the standard are the following:

- The principle of highest and best use from perspective of market participants;
- Use of principal or most advantageous market;
- The use of an exit price as the fair value;
- The use of physical asset is physically possible, legally permissible and financially feasible;
- The use of a three level hierarchy - quoted price, observable inputs and unobservable inputs;
- Applies when another standard requires or permits fair value measurement or disclosure;
- The application is based on materiality; and
- Expanded disclosures requirements (basis, valuation techniques applied, etc).

Consolidated Fair Value measurement hierarchy of Assets as at 30 June 2016

	Carrying amount as at 30 June 2016	Carrying amount as at 30 June 2015	Fair Value measurement at end of reporting period using:					
			Level 1		Level 2		Level 3	
			2016	2015	2016	2015	2016	2015
Land at Fair Value								
Non Specialised Land								
Specialised Land	26,960	17,350	-	-	26,960	17,350	-	-
Total Land at Fair Value	**26,960**	**17,350**	**-**	**-**	**26,960**	**17,350**	**-**	**-**
Buildings at Fair Value								
Non Specialised Land	-	-	-	-	-	-	-	-
Specialised Land	40,313	36,124	-	-	-	-	40,313	36,124
Total Buildings at Fair Value	**40,313**	**36,124**	**-**	**-**	**-**	**-**	**40,313**	**36,124**
Building Improvements at Fair Value								
Non Specialised Plant and Equipment	-	-	-	-	-	-	-	-
Specialised Plant and Equipment	-	58	-	-	-	-	-	58
Total Building Improvements at Fair Value	**-**	**58**	**-**	**-**	**-**	**-**	**-**	**58**
Plant, Equipment at Fair Value								
Non Specialised Plant and Equipment	-	-	-	-	-	-	-	-
Specialised Plant and Equipment	1,519	1,016	-	-	-	-	1,519	1,016
Total Plant and Equipment at Fair Value	**1,519**	**1,016**	**-**	**-**	**-**	**-**	**1,519**	**1,016**
Melton Track Fair Value								
Non Specialised Plant and Equipment	-	-	-	-	-	-	-	-
Specialised Plant and Equipment	3,048	2,526	-	-	-	-	3,048	2,526
Total Melton Track at Fair Value	**3,048**	**2,526**	**-**	**-**	**-**	**-**	**3,048**	**2,526**

In 2016, 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 the Department of Environment, Land, Water and Planning on behalf of the Valuer-General Victoria. Further, HRV were required to obtain a valuation for the Buildings and Track located at 2 Ferris Rd Melton. The valuation was conducted by Donald Cant Watts Corke 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.

NOTE 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 data.

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	Range (weighted average)	Observable / Unobservable inputs	Sensitivity of fair value measurement to changes in significant unobservable inputs
Specialised Buildings	Depreciated Replacement cost.	Direct Cost per square metre	$3500 - $4000 per square metre **($3811 per square metre)**	The valuation process necessarily involves the use of unobservable inputs given relevant observable inputs are not available. The assets are classified as Level 3 fair value.	A significant increase or decrease in estimated direct cost per square metre of the asset would result in a significant higher or lower valuation.
		Useful Life of Specialised Buildings	37 - 40 years		A significant increase or decrease in estimated useful life of the asset would result in a significant higher or lower valuation.
Buildings improvements	Depreciated Replacement cost.	Direct Cost per square metre	$1500 - $1000 per square metre **($1,048 per square metre)**	Estimation based on assumption that depreciated cost would be a close approximation of fair value.	A significant increase or decrease in estimated direct cost per square metre of the asset would result in a significant higher or lower valuation.
Plant and Equipment - Computers	Depreciated replacement cost	Cost per Unit	Weighted Average $500 - $50,000 per unit **($13,877 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 significant higher or lower valuation
Plant and Equipment - Equipment	Depreciated replacement cost	Cost per Unit	Weighted Average $500- $500,000 per unit **($148,419 per unit)**	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation.
Plant and Equipment - Furniture & Fitting	Depreciated replacement cost	Cost per Unit	Weighted Average $100- $35,000 per unit **($218,147 per unit)**	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation.
Plant and Equipment - Vehicles	Depreciated replacement cost	Cost per Unit	Weighted Average $1,000- $500,000 per unit **($202,371 per unit)**	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation.
Plant and Equipment - Software	Depreciated replacement cost	Cost per Unit	Weighted Average $1,000- $1,800,000 per unit **($1,083,217 per unit)**	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation.
Plant and Equipment - Timing Equipment	Depreciated replacement cost	Cost per Unit	Weighted Average $1,000 - $240,000 per unit **($163,122 per unit)**	Plant and equipment assets are classified as Level 3 fair value measurement.	A significant increase or decrease in estimated cost per unit of the asset would result in a significant higher or lower valuation.
Melton Track	Depreciated Replacement cost	Cost per Metre	$3500 - $2000 per Metre **($3,205 per metre)**	The valuation process necessarily involves the use of unobservable inputs given relevant observable inputs are not available.The assets are classified as Level 3 fair value.	A significant increase or decrease in estimated cost per metre of the asset would result in a significant higher or lower valuation.

NOTE 9. INVESTMENTS

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'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 ASSESTS

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Goodwill	132	132	-	-
Gaming Machine Entitlements	1,983	1,983	-	-
Accumulated Amortisation	(768)	(570)	-	-
Total Intangible Assets	**1,347**	**1,545**	**-**	**-**
Opening balance	1,545	1,738	-	-
Additions	-	7	-	-
Amortisation	(198)	(200)		
Closing Balance	**1,347**	**1,545**	**-**	**-**

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 by 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	2016	2015
Growth rate used	2%	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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Current Payables				
Contractual - Unsecured				
Trade Creditors	4,030	4,430	3,468	3,866
Intercompany payables	-	-	167	1
Development Fund accruals	144	137	144	137
Sundry creditors and accruals	1,611	1,793	1,247	1,461
Total Current Payables	**5,785**	**6,360**	**5,026**	**5,465**
Total Payables	**5,785**	**6,360**	**5,026**	**5,465**

(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

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Current				
Employee Benefits				
Annual Leave				
Unconditional and expected to wholly settle within 12 months	517	478	365	366
Unconditional and expected to wholly settle after 12 months	232	255	219	233
Long Service Leave				
Unconditional and expected to wholly settle within 12 months	-	-	-	-
Unconditional and expected to wholly settle after 12 months	1,343	1,225	1,146	1,090
Provisions related to employee benefit on-costs				
Unconditional and expected to wholly settle within 12 months	95	82	62	62
Unconditional and expected to wholly settle after 12 months	257	246	229	223
Statewide Sulky Fund	65	55	65	55
Bonus Points Liability	24	19	-	-
Total Current Provision	**2,533**	**2,360**	**2,086**	**2,029**
Non-Current				
Employee Benefits	275	226	229	163
Provisions related to employee benefit on-costs	47	38	38	27
Total Non Current Provision	**322**	**264**	**267**	**190**
Total Provisions	**2,855**	**2,624**	**2,353**	**2,219**

NOTE 12. PROVISION (CONTINUED)

	Employee Benefits	On-costs	Statewide Sulky Fund	Bonus Points Liability	Total
	2016	2016	2016	2016	2016
	$'000	$'000	$'000	$'000	$'000
Consolidated Entity					
Opening balance	**2,184**	**366**	**55**	**19**	**2,624**
Additional provisions recognised	674	114	34	41	863
Reductions arising from payments/other sacrifices of future economic benefits	(535)	(89)	(24)	(36)	(684)
Unwind of discount and effect of changes in the discount rate	44	8	-	-	52
Closing balance	**2,367**	**399**	**65**	**24**	**2,855**
Current	2,092	352	65	24	2,533
Non Current	275	47	-	-	322
	2,367	**399**	**65**	**24**	**2,855**
Parent Entity					
Opening balance	**1,852**	**312**	**55**	**-**	**2,219**
Additional provisions recognised	476	80	34	-	590
Reductions arising from payments/other sacrifices of future economic benefits	(408)	(70)	(24)	-	(502)
Unwind of discount and effect of changes in the discount rate	39	7	-	-	46
Closing balance	**1,959**	**329**	**65**	**-**	**2,353**
				-	
Current	1,730	291	65	-	2,086
Non Current	229	38	-	-	267
	1,959	**329**	**65**	**-**	**2,353**

NOTE 13. INTEREST BEARING LIABILITIES

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Current				
Unsecured - TCV Loan Facility	8,656	5,301	8,656	5,301
	8,656	**5,301**	**8,656**	**5,301**
Non-Current				
Unsecured - TCV Loan Facility	17,500	19,000	17,500	19,000
	17,500	**19,000**	**17,500**	**19,000**
Total Interest Bearing liabilities	**26,156**	**24,301**	**26,156**	**24,301**

(a) Maturity analysis of interest bearing liabilities

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

(b) Nature and extent of risk arising from interest bearing liabilities

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

(c) Defaults and breaches

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

(d) Facilities

HRV has access to the following financing facilities				
Unsecured Term Facility	29,000	30,500	29,000	30,500
Financial guarantee	187	187	175	175
Business card limit	89	49	39	39
Total Facilities Amount	**29,276**	**30,736**	**29,214**	**30,714**
Amount of Facility Unused	2,880	6,239	2,820	6,219

NOTE 14. NON INTEREST BEARING LIABILITIES

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Current				
RISE Funding Agreement	-	-	270	251
Gaming machine entitlements (d)	363	344	-	-
	363	**344**	**270**	**251**
Non-Current				
Gaming machine entitlements (d)	88	451	-	-
	88	**451**	**-**	**-**
Total Non Interest Bearing Liabilities	**451**	**795**	**270**	**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 risk arising from non interest bearing liabilities

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

(c) Defaults and breaches

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

(d) All payments for Gaming Machine Entitlements

The Victoria 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

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Current				
Tabcorp Melton Sponsorship	351	351	351	351
Other revenue invoiced in advance	249	133	100	34
	600	**484**	**451**	**385**
Non-Current				
Tabcorp Melton Sponsorship	1,755	2,106	1,755	2,106
	1,755	**2,106**	**1,755**	**2,106**
Total Prepaid Income	**2,355**	**2,590**	**2,206**	**2,491**

NOTE 16. OTHER LIABILITIES

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Current				
Vicbred fees invoiced in advance	779	815	779	815
Breeders Crown fees invoiced in advance	1,314	1,338	1,314	1,338
Other	52	(25)	43	8
	2,145	**2,128**	**2,136**	**2,161**
Non-Current				
Vicbred fees invoiced in advance	169	160	169	160
Breeders Crown fees invoiced in advance	1,525	1,452	1,525	1,452
Other	64	55	64	55
	1,758	1,667	1,758	1,667
Total Other Liabilities	**3,903**	**3,795**	**3,894**	**3,828**

NOTE 17. CONTRIBUTED CAPITAL

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Contributed Capital	9,174	9,174	9,174	9,174
	9,174	**9,174**	**9,174**	**9,174**

NOTE 18. RESERVES

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Asset Revaluation Reserve				
Balance at beginning of financial year	15,333	15,333	15,333	15,333
Increment/(decrement) on valuation of freehold land	9,002	-	9,002	-
Increment/(decrement) on valuation of building	5,554	-	5,554	-
Balance at end of financial year	**29,889**	**15,333**	**29,889**	**15,333**

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

NOTE 19. ACCUMULATED SURPLUS/(DEFICIT)

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Accumulated Surplus/(Deficit) at the beginning of the financial year	2,076	(1,982)	4,988	868
Net Operating Profit/(Loss)	(215)	4,058	(332)	4,120
Accumulated Surplus/(Deficit) at the end of the financial year	**1,860**	**2,076**	**4,656**	**4,988**

During the 2006/07 financial year, HRV acquired the ownership interest it did not own in the RISE Pty Ltd joint venture and elected not to prepare consolidated financial statements on the basis that the effect of not preparing consolidated financial statements was immaterial. With HRV preparing consolidated financial statements for the first time in 2008/09, management has made the determination that it will not re-state the financial information reported in previous financial year in respect to its subsidiary RISE Pty Ltd. Instead, it has adjusted for the effect of not preparing consolidated financial statements prospectively.

NOTE 20. DEVELOPMENT FUND

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

During the year ended 30 June 2016, expenditure on the following projects was incurred. No comparative for 2015 is shown due to the nature of the program. Each year the projects receiving funding change therefore making any comparative not applicable.

		2016
		$'000
Ararat	Sealing of Horse Stalls	34
Bacchus Marsh	Water Truck	18
Ballan	Fencing	12
Bendigo	Air Conditioner	97
Charlton	Water Truck	45
	Home Turn Cross Fall	23
Cobram	On Course Stabling	23
Cranbourne	Training Centre Expansion	3
	Recycled Water Pipe	2
Echuca	Track Upgrade	71
Horsham	Track Upgrade	322
	Water Truck	8
Mildura	Track Upgrade	251
Mooroopna	Track Fencing	23
Shepparton	Track Vegetable Oil Trial	11
Swan Hill	Generator	148
	Fencing	41
	Photo Finish Lighting and Head On Camera	20
Warragul	Track Upgrade	15
Yarra Valley	Snack Bar Project	17
HRV	Equipment Upgrades	265
	Track Maintenance Program	203
	Track & Lighting	182
	Maximum Demand Tariff 2015/16	112
	Development Fund Expenses	58
	RASL Research & Equipment	30
	Track Maintenance Supervisor	28
Total Development Fund Expenses		**2,062**

NOTE 21. RESPONSIBLE PERSONS

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

Responsible Minister: The Minister for Racing is The Hon. Martin Pakula, MP. The remuneration of the Minister is disclosed in the annual report of the Department of Premier and Cabinet.

Governing Board:
Dale Monteith (Board Chairman) (Appointed 22nd March 16)
Elizabeth Clarke (Deputy Chair)
Dr Catherine Ainsworth (Appointed 22nd March 16)
Jane Brook (Appointed 22nd March 16)
Brett Clothier (Appointed 22nd March 16)
Daniel Frawley (Appointed 22nd March 16)
Peter Watkinson (Appointed 22nd March 16)
Dr Ken Latta PSM (Board Chairman) (Term ceased 22nd March 2016)
Ian Delmenico (Term ceased 17th December 2015)
Wendy Greiner (Term ceased 22nd March 2016)
Geoffrey Kay (Term ceased 22nd March 2016)
Ken Latchford (Term ceased 22nd March 2016)
Neale Wheat (Term ceased 22nd March 2016)

Accountable Officer:
John Anderson - Chief Executive Officer

NOTE 21. RESPONSIBLE PERSONS (CONTINUED)

The following persons were directors of the subsidiaries:
Dale Monteith (Board Chairman) (Appointed 22nd March 16)
John Anderson
Elizabeth Clarke (Deputy Chair)
Catherine Ainsworth (Appointed 22nd March 16)
Jane Brook (Appointed 22nd March 16)
Brett Clothier (Appointed 22nd March 16)
Daniel Frawley (Appointed 22nd March 16)
Peter Watkinson (Appointed 22nd March 16)
Ian Delmenico (Term ceased 23rd May 2016)
Wendy Greiner (Term ceased 22nd March 2016)
Geoffrey Kay (Term ceased 22nd March 2016)
Ken Latchford (Term ceased 22nd March 2016)
Neale Wheat (Term ceased 22nd March 2016)
Dougall McBurnie
Cesare Tizi
Craig Gardner

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	**2016**	**2015**	**2016**	**2015**
Income Band	**No.**	**No.**	**No.**	**No.**
$0 - $9,999	6	-	6	-
$10,000 - $19,999	5	-	5	-
$20,000 - $29,999	1	6	1	6
$40,000 - $49,999	1	1	1	1
$280,000 - $289,999	-	1	-	1
$300,000 - $309,999	-	-	1	-
$320,000 - $329,999	1	-	-	-
Total Numbers	**14**	**8**	**14**	**8**
	$'000's	**$'000's**	**$'000's**	**$'000's**
Total Remuneration Received or due and receivable by all responsible persons was:	506	467	489	467

	Total Remuneration		**Base Remuneration**	
Consolidated Entity	**2016**	**2015**	**2016**	**2015**
Income Range	**No.**	**No.**	**No.**	**No.**
$0 - $9,999	7	-	7	-
$10,000 - $19,999	6	2	6	2
$20,000 - $29,999	2	7	2	7
$40,000 - $49,999	1	-	1	-
$50,000 - $59,999	-	1	-	1
$280,000 - $289,999	-	1	-	1
$300,000 - $309,999	-	-	1	-
$320,000 - $329,999	1	-	-	-
Total Numbers	**17**	**11**	**17**	**11**
	$'000's	**$'000's**	**$'000's**	**$'000's**
Total Remuneration Received or due and receivable by all responsible persons was:	543	508	526	508

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	**2016**	**2015**	**2016**	**2015**
Income Range	**No.**	**No.**	**No.**	**No.**
$100,000 - $109,999	-	1	-	1
$130,000 - $139,999	1	-	1	-
$140,000 - $149,999	-	2	-	2
$150,000 - $159,999	1	2	2	2
$160,000 - $169,999	3	2	2	2
$170,000 - $179,999	-	-	1	-
$180,000 - $189,999	1	-	-	-
Total number of executives	**6**	**7**	**6**	**7**
	$'000's	**$'000's**	**$'000's**	**$'000's**
Total Remuneration for the reporting period of executive officers included above amount to:	971	997	953	997

	Total Remuneration		Base Remuneration	
Consolidated Entity	**2016**	**2015**	**2016**	**2015**
Income Range	**No.**	**No.**	**No.**	**No.**
$100,000 - $109,999	-	1	-	-
$130,000 - $139,999	1	-	1	-
$140,000 - $149,999	1	3	1	3
$150,000 - $159,999	1	2	2	2
$160,000 - $169,999	3	2	2	2
$170,000 - $179,999	-	-	2	-
$180,000 - $189,999	2	-	-	1
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:	1,300	1,140	1,272	1,246

NOTE 23. RELATED PARTY TRANSACTIONS

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

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

	Consolidated Entity		Parent Entity	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Transactions with HML & RISE Pty Ltd				
Rental Income	-	-	646	630
Management and Service Received by HRV	-	-	-	-
Goods and Services received by HRV			238	358
Goods and Services provided to HRV	-	-	763	790
Finance Interest Income	-	-	44	44

NOTE 23. RELATED PARTY TRANSACTIONS (CONTINUED)

Balances:				
Receivables	-	-	2,708	2,763
Other Financial Assets	-	-	1,157	788
Payables	-	-	167	1
Other Current Liabilities	-	-	270	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, Gaming and approved betting competitions in Victoria.

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

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

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

NOTE 24. SUPERANNUATION ARRANGEMENTS

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

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

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

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

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

	Consolidated Entity		Parent Entity	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
(c) Contributions made during the financial year:				
State Superannuation Fund				
Employer	40	41	40	41
Victorian Superannuation Fund				
Employer	379	368	307	298
Host Plus Superannuation Fund				
Employer	234	222	32	24
Various Other Funds as nominated by the employee				
Employer	368	298	277	214
Total Contributions				
Employer	1,020	929	655	577

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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
(a) Reconciliation of cash and cash equivalents				
Deposits at Call	742	267	222	11
Cash assets on hand /(Overdraft)	251	217	-	-
Overdraft	-	(57)	-	(57)
Closing cash and cash equivalents balance	**993**	**427**	**222**	**(46)**
(b) Reconciliation of the net result for the year to the net cash from operating activities				
Net Result for the Year	**(215)**	**4,058**	**(332)**	**4,120**
Add/(deduct) non cash items:				
Depreciation /amortisation of non-current assets	1,891	1,758	1,456	1,407
Revaluation of non-current assets	(101)	-	(101)	-
Doubtful Debts	45	(25)	25	(4)
Other non cash items	-	(17)	-	(16)
Change in assets and liabilities:				
(Increase)/Decrease in receivables	(238)	(1,739)	(213)	(1,913)
(Increase)/Decrease in other current assets	(117)	(88)	(102)	(77)
(Increase)/Decrease in other non-current assets	(304)	333	(304)	333
Increase/(Decrease) in Accounts Payable & Other Liabilities	(346)	887	(284)	563
Increase/(Decrease) in provisions	229	197	134	157
Net cash provided by/(used in) operating activities	**844**	**5,364**	**279**	**4,570**

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

NOTE 26. LEASES

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Non-cancellable operating leases				
Not longer than one year	909	894	909	894
Longer than 1 year and not longer than 5 years	3,165	3,933	3,165	3,933
Longer than 5 years	812	837	812	837
	4,886	**5,664**	**4,886**	**5,664**

Disclosure as lessee - operating leases
Operating leases relate to the following items:
- a lease for the ground floor at 740 Mount Alexander Road, Moonee Ponds (to 30 June 2022)
- a motor vehicle fleet with lease terms ranging between 1 and 5 years
- office equipment with lease terms ranging between 1 and 5 years.

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

Operating lease relates to the Melton Racetrack and Entertainment Complex owned by HRV, which is leased to the Melton Entertainment Trust. (The lease term is for a period of 8 years with annual increase of 3% per annum expiring on 30/06/2022).

NOTE 26. LEASES (CONTINUED)

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Disclosure as Lessor				
Non-cancellable operating leases				
Not longer than one year	-	-	665	-
Longer than 1 year and not longer than 5 years	-	-	2,866	-
Longer than 5 years	-	-	771	-
	-	**-**	**4,302**	**-**

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 Governing Board. 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, 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	2016	2015	2016	2015
Financial assets			*Carrying amount ($ thousand)*			
Cash and cash equivalents	25a	N/A	993	484	222	11
Receivables (a)	4	Loans and receivables (at amortised cost)	5,897	5,648	8,393	8,168
Other financial assets - loans	5	Loans and receivables (at amortised cost)	154	165	1,311	953
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	5,785	6,360	5,026	5,465
Interest bearing liabilities	13	Financial liabilities measured at amortised cost	26,156	24,301	26,156	24,301
Non Interest bearing liabilities	14	Financial liabilities measured at amortised cost	451	795	270	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 calculated based on past experience, and current and expected changes in client 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

			($ Thousand)		
2016	**Note**	*Financial institutions*	*Credit Rating of Financial Institution*	*Other*	*Total*
Contractual financial assets					
Cash and cash equivalents	25a	741	A-1+	252	993
Receivables	4	-	-	5,897	5,897
Other financial assets - loans	5	-	-	154	154
Investments	9	-	-	1,082	1,082
Total contractual financial assets		**741**	**-**	**7,385**	**8,126**
2015					
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**

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

			($ Thousand)		
2016	**Note**	*Financial institutions*	*Credit Rating of Financial Institution*	*Other*	*Total*
Contractual financial assets					
Cash and cash equivalents	25a	220	A-1+	2	222
Receivables	4	-	-	8,393	8,393
Other financial assets - loans	5	-	-	1,311	1,311
Investments	9	-	-	1,429	1,429
Total contractual financial assets		**220**	**-**	**11,135**	**11,355**
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**

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

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:

NOTE 27 FINANCIAL INSTRUMENTS (CONTINUED)

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

($ Thousand)

	Weighted average effective interest rate %	*Carrying amount*	*Interest rate exposure: Fixed interest rate*	*Variable interest rate*	*Non-interest bearing*	*Not past due and not impaired*	*Past due but not impaired: 31-60 Days*	*61-90 Days*	*91-120 Days*	*>121 Days*	*Impaired financial assets*
2016											
Cash and cash equivalents	0.1%	993	-	742	251	993	-	-	-	-	-
Receivables:											
Trade debtors	-	956	-	-	956	618	93	197	46	2	-
Tabcorp distribution	-	3,676	-	-	3,676	3,676	-	-	-	-	-
Accrued Income	-	1,236	-	-	1,236	1,236	-	-	-	-	-
Other receivables	-	29	-	-	29	29	-	-	-	-	-
Other financial assets:											
Loans	0.0%	154	50	-	104	154	-	-	-	-	-
Investments:											
Investment in 3UZ Pty Ltd	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**8,126**	**50**	**742**	**7,334**	**7,788**	**93**	**197**	**46**	**2**	**-**
2015											
Cash and cash equivalents	0.7%	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**	**-**

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

	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*
2016											
Cash and cash equivalents	0.0%	222	-	222	-	222	-	-	-	-	-
Receivables:											
Trade Debtors	-	868	-	-	868	571	70	194	43	-	-
Tabcorp Distribution	-	3,676	-	-	3,676	3,676	-	-	-	-	-
Accrued Income	-	1,141	-	-	1,141	1,141	-	-	-	-	-
Intercompany Debtors	-	2,708	-	-	2,708	238	149	134	276	1,911	-
Other financial assets:											
Loans	5.5%	1,311	700	-	611	1,311	-	-	-	-	-
Investments:											
Investment in subsidiaries	-	347	-	-	347	347	-	-	-	-	-
Investment in 3UZ Pty Ltd	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**11,355**	**700**	**222**	**10,433**	**8,578**	**219**	**328**	**319**	**1,911**	**-**
2015											
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**	**-**

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.

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

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

($ Thousand)

	Weighted average effective interest rate %	*Carrying amount*	*Interest rate exposure*			*Nominal Amount*	*Maturity dates (a)*			
			Fixed interest rate	*Variable interest rate*	*Non-interest bearing*		*Less than 1 month*	*1-3 months*	*3 months - 1 year*	*1-5 years*
2016										
Cash and cash equivalents	0.0%	-	-	-	-	-	-	-	-	-
Payables:										
Trade creditors	-	4,030	-	-	4,030	4,030	3,425	568	29	8
Other payables	-	1,755	-	-	1,755	1,755	1,755	-	-	-
Interest bearing liabilities:										
Unsecured - TCV loan facility	5.4%	26,156	19,000	7,156	-	26,156	-	-	8,656	17,500
Non Interest bearing liabilities:										
Unsecured - interest free loan	-	-	-	-	-	-	-	-	-	-
Gaming machine entitlements	-	451	-	-	451	451	-	89	362	-
Total		**32,392**	**19,000**	**7,156**	**6,236**	**32,392**	**5,180**	**657**	**9,047**	**17,508**
2015										
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	1,900
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**	**2,352**

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

NOTE 27 FINANCIAL INSTRUMENTS (CONTINUED)

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

($ Thousand)

	Weighted average effective interest rate %	*Carrying amount*	*Interest rate exposure*			*Nominal Amount*	*Maturity dates (a)*			
			Fixed interest rate	*Variable interest rate*	*Non-interest bearing*		*Less than 1 month*	*1-3 months*	*3 months - 1 year*	*1-5 years*
2016										
Cash and cash equivalents	0.0%	-	-	-	-	-	-	-	-	-
Payables:										
Trade creditors	-	3,468	-	-	3,468	3,468	2,920	515	26	6
Intercompany payables	-	167	-	-	167	167	163	5	-	-
Other payables	-	1,391	-	-	1,391	1,391	1,391	-	-	-
Interest bearing liabilities:										
Unsecured - TCV loan facility	5.36%	26,156	7,156	19,000	-	26,156	-	-	8,656	17,500
		31,182	**7,156**	**19,000**	**5,026**	**31,182**	**4,474**	**520**	**8,682**	**17,506**
2015										
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**

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

(e) Market risk

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

Foreign currency risk

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

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

Interest rate risk

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

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

Equity price risk

The Group is exposed to a low level equity price risk through its investments in 3UZ Pty Ltd, which is an unlisted entity. Given that the investment's classification as a strategic asset central to the business strategy to HRV's 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.

NOTE 27 FINANCIAL INSTRUMENTS (CONTINUED)

Table 27.4a: The Group market risk exposure

	($ Thousand)								
		Foreign exchange risk				Interest rate risk			
		-5%		5%		-1% (100 basis points)		1% (100 basis points)	
	Carrying amount	Net Result	Equity	Net Result	Equity	Net Result	Equity	Net Result	Equity
2016									
Contractual financial assets:									
Cash and cash equivalents (a)	993	1	1	(1)	(1)	(1)	(1)	1	1
Receivables	5,897	-	-	-	-	-	-	-	-
Other financial assets	154	-	-	-	-	-	-	-	-
Investments	1,082	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	5,785	-	-	-	-	-	-	-	-
Interest bearing liabilities	26,156	-	-	-	-	87	87	(87)	(87)
Non interest bearing liabilities	451	-	-	-	-	-	-	-	-
Total Impact		**1**	**1**	**(1)**	**(1)**	**86**	**86**	**(86)**	**(86)**
2015									
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)**

Table 27.4b: The Parent market risk exposure

2016									
Financial assets:									
Cash and cash equivalents	222	1	1	(1)	(1)	-	-	-	-
Receivables	8,393	-	-	-	-	-	-	-	-
Other financial assets	1,311	-	-	-	-	-	-	-	-
Investments	1,429	-	-	-	-	-	-	-	-
Financial liabilities:									
Payables	5,026	-	-	-	-	-	-	-	-
Interest bearing liabilities	26,156	-	-	-	-	87	87	(87)	(87)
Total increase/(decrease)		**1**	**1**	**(1)**	**(1)**	**87**	**87**	**(87)**	**(87)**
2015									
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)**

Note:
(a) Cash and cash equivalents includes AUD$11,876 in cash held in a New Zealand bank account (NZD$12,401 @NZD/AUD 0.9577 at 30 June 2016).

NOTE 27 FINANCIAL INSTRUMENTS (CONTINUED)

(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 2nd August 2016, 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 2017.

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 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Other Expenditure Commitments				
Tabcorp Gaming Solutions Service Agreement (a)				
Payable:				
Not longer than one year	1,096	1,083	-	-
Longer than 1 year and not longer than 5 years	4,726	4,657	-	-
Longer than 5 years	1,431	2,704	-	-
Total Other Expenditure Commitments (inclusive of GST)	**7,253**	**8,444**	**-**	**-**
Total Commitments for Expenditure (inclusive of GST)	**7,253**	**8,444**	**-**	**-**
Less GST recoverable from the Australian Taxation Office	(659)	(768)	-	-
Total Capital Expenditure Commitments (exclusive of GST)	**6,594**	**7,676**	**-**	**-**

(a) On commencement of the new gaming arrangements in 2012, the infrastructure, services and functions currently supplied by Tabcorp became 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 currently at $33.25 with an annual CPI increase.

NOTE 29. COMMITMENTS FOR EXPENDITURE (CONTINUED)

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

A key senior management member was terminated in July 2016, the related severance payment was made in accordance with HRV's Government Sector Executive Remuneration Panel contract obligations. No material subsequent events have occurred since balance date.

NOTE 31. SUBSIDIARIES

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

Name of entity	Country of incorporation	Equity Holding
Racing Information Services Enterprises Pty Ltd	Australia	100%
HRV Management Ltd (company limited by guarantee)	Australia	a
Melton Entertainment Trust	Australia	b

a) Control exists as HRV is the sole member of the company.

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

NOTE 32. PRIOR PERIOD ADJUSTMENTS

32 (a) Asset recorded as an Expense

While preparing the 2015-16 financial statements, it was identified a building was constructed and completed in a prior year had not been taken up as an asset, rather an expense in the financial year 2013-14.

Total expenses were overstated by: $246,106
Total assets were understated by: $246,106

These comparatives in the financial statements have been corrected as set out in 32(b) below:

32 (b) Restatement of Financial Statements

Corrections to the Balance Sheet as at 30 June 2015 are in the tables below:

Consolidated Entity 2014/15 Year

Impacts on assets	30 June 2015 as reported $'000	Asset Correction $'000	30 June 2015 Restated $'000
Property, Plant and Equipment	56,827	246	57,073

Corrections to the financial statements for 2015 are in the tables below:

Consolidated Entity 2014/15 Year

Impacts on equity	30 June 2015 as reported $'000	Asset Correction $'000	30 June 2015 Restated $'000
Equity			
- Accumulated Surplus	1,830	246	2,076

Accountable Officer's And Chief Finance And Accounting Officer's Declaration

The attached financial statements for Harness Racing Victoria have been prepared in accordance with Direction 4.2 of the Standing Directions of the Minister for Finance under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2016 and financial position of the Department at 30 June 2016.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 13th September 2016.

Dale G Monteith
CHAIRMAN

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

Kay Rundle BSw, Grad Dip Comp, MBA FAICD, FIPAA, FLGPro
CHIEF EXECUTIVE

James R Cardona CPA
GENERAL MANAGER FINANCE

VAGO
Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000

Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010

Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Harness Racing Victoria

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of Harness Racing Victoria which comprises the consolidated comprehensive operating statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance and accounting officer's declaration. The financial report is the consolidated financial statements of the consolidated entity, comprising of Harness Racing Victoria and the entities it controlled at the year's end 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 Harness Racing Victoria's and the consolidated 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 Harness Racing Victoria's and the consolidated entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Harness Racing Victoria and the consolidated entity as at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

T. Dit

MELBOURNE
16 September 2016

for Dr Peter Frost
Acting Auditor-General

HARNESS RACING VICTORIA

HARNESS RACING VICTORIA ABN 22 764 910 853
400 Epsom Road, Flemington, 3031
Postal: PO Box 184, Moonee Ponds, Victoria 3039
P 03 8378 0200, F 03 9214 0699
info@hrv.org.au, www.hrv.org.au