ANNUAL REPORT 2018

HARNESS RACING VICTORIA

Mission

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

Goals and Objectives

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

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

CONTENTS

FINANCIAL STATEMENTS

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 2017-18 financial year.

CHAIRMAN'S FOREWARD

On behalf of the Harness Racing Victoria (HRV) Board, I am pleased to advise that there has been significant progress towards implementation of the Board's strategy during the last 12 months. Whilst we continue to face a number of challenges, a major goal has been achieved with HRV returning to profit.

Confidence with the integrity of sport is essential and hence we have continued to invest in this vital area, with an increase in post-race swabs and recruitment of veterinarians who are also enhancing our focus on horse welfare.

The HRV Board is grateful for the continued support from the Minister for Racing in the areas of integrity, infrastructure and the recently announced inclusion of $1.0m in the 2018-19 State Budget. With that investment in our future, HRV has been able to discount or waive foal registration costs which will support breeders who want to re-invest in the following year.

A number of changes were made to stimulate participation, particularly for the grassroots level so vital for our sport. They provided a stimulus for increased participation in late 2017 before evening out in 2018. The reality is that we are making the best of an outdated system, and we need a new national handicapping system which is something HRV is actively pursuing with Harness Racing Australia (HRA).

We secured a significant opportunity to showcase our sport with the 2018 Inter Dominion Championship (ID18) being held in Victoria in December, and the HRV Board is determined to make this a major event that will reignite interest from the broader community in the trots. Importantly, ID18 will feature both pacing and trotting and a larger number of people will be given the opportunity to see our champions with heats being run at Ballarat, Cranbourne and Melton.

The changes made in the last two years have built a solid foundation for our future, but the industry still carries significant debt levels which constrain our ability to invest. As many people are aware, we have a declining revenue stream from the Tabcorp Joint Venture, which is now well below that received by HRV in 2012. We are in a competitive market and so as I have often spoken about, we will all need to continue to work together with an 'industry-first' mindset.

Relative to the funding and resources of other codes, the team at HRV continue to punch well above their weight delivering these positive results during what are clearly testing times. Although sometimes uncomfortable with specific changes, our hard-working industry participants have been tremendously resilient and supportive. Together we must recognise the positive outcomes already achieved and set our sights on further improvements and benefits for many people within HRV, clubs, kindred bodies and the broader harness racing community.

I am confident that by continuing to work together we will make further advances in the year ahead.

Dale G Monteith
HRV Chairman

CEO'S REPORT

Harness Racing Victoria (HRV) took significant steps forward in 2017-18, putting the industry on the right path for the future. Widespread stakeholder consultation in 2017 was essential for development of a new strategy that committed to increase the number of races and total prizemoney available to participants, whilst also aiming to increase industry profitability.

After recording losses for the last two financial years, and revenue from the Tabcorp Joint Venture expected to decline further in 2017-18, the outlook was bleak. However by working with the industry, action taken by HRV has delivered a respectable profit of $0.5m for 2017-18.

Pleasingly, HRV paid out a record total of $39.8m in prizemoney and bonuses during the 2017-18 financial year, including the introduction of winners bonuses in September/October 2017, and again in May/June 2018. An additional 140 races (4%) were run compared to the prior year, giving more people the opportunity to experience the excitement of winning a race.

In addition to the increase in total prizemoney, action was taken to support participants by releasing prizemoney sooner, and implementation of a free Industry Assistance Program (IAP) to provide a confidential, professional coaching and support service.

An exciting development arising from a renewed sponsorship agreement with Tabcorp was the creation of Trots Vision, which live streams all HRV races on our thetrots.com.au website. Trots Vision has been warmly embraced by the trots community, with its ability to tell the stories of our people, owners, breeders, trainers, drivers and of course our champion horses.

Wagering turnover increased 8% to a record $929.0m. Punters returned to Victorian trots reversing the prior declining trend, with an increase in wagering turnover commencing in the first half of 2017 and continuing throughout 2017-18. On 1 January 2018, HRV became the first standalone Australian harness jurisdiction to implement a Minimum Bet Limit policy that ensured all Wagering Service Providers (WSPs) would accept punters' bets on Victorian harness racing.

However, any industry in decline for a sustained period of time will take time to turn around, and HRV is no exception, particularly given HRV's debt levels, which constrain our ability to invest in critical areas. We therefore appreciate the support of the Victorian State Government, which provided $3.1m over two years to strengthen HRV's integrity department with full-time veterinarians and a doubling of post-race swabs.

As part of HRV's ongoing commitment to horse welfare, HRV introduced endoscopic examinations for competing horses and continued to invest in HRV's HERO (Harness Education & Rehoming Opportunities) program that transitions horses after their racing careers. In 2017-18, the 'Pat your HERO' initiative took horses to Country Cup meetings across the state, enabling a high degree of interaction between HERO horses and the community.

Collaboration with Harness Racing New South Wales (HRNSW) and Harness Racing New Zealand (HRNZ) secured the Inter Dominion Championships on a rotational basis for nine years, with a return to Victoria for the first time in ten years, starting in December 2018. At the request of HRV, the 2018 Inter Dominion (ID18) will also see the reintroduction of the Trotters Inter Dominion Championship, which will mean both pacing and trotting gaits will be featured.

The signs indicate that we have started to turn the corner, but there is still a lot more work to do. Greater investment is required in critical areas such as breeding and club infrastructure, so we welcome the Victorian State Government's inclusion of $1.0m in funding for HRV in the 2018-19 State Budget. It has already enabled HRV to announce the waiving or discounting of various foal registration costs for 2018-19, and there are a number of essential club infrastructure projects currently being considered, with a portion of the funds to be used for much-needed marketing of our sport, including ID18.

I want to acknowledge the HRV Board's support and commitment to at times difficult changes essential for the industry's future. I want to thank the dedicated HRV employees who give their all to promote the sport and ensure the daily operation of race meetings. A final word of respect goes to the passionate owners, breeders, trainers, drivers and country club officials and volunteers. Given the diverse range of views in the industry, there are likely to be occasions when you will have had differing thoughts on changes that need to be made. I sincerely hope that the improved performance already evident gives you confidence that the industry's future is now more secure and that we remain committed to our objective to maximise returns to the stakeholders who contribute so much to our industry.

David Martin
HRV CEO

CONSULTATION

In accordance with the *Racing Act 1958*, HRV has consulted widely with harness racing industry participants to achieve some important outcomes.

The Harness Racing Advisory Council (HRAC) advises the HRV Board on matters concerning harness racing and facilitates consultation between the Board and harness racing participants. Minutes are taken and provided for the Board to review. HRAC members contributed to a significant number of agreed actions being implemented, showing the value of the HRAC process.

The HRAC consists of independent members, HRV Board members and representatives from the following organisations who work together with an 'industry first' focus, with minutes recorded and provided to all attendees for formal approval.

- Elizabeth Clarke, Chair / HRV Board
- Danny Frawley, HRV Board (with alternate Peter Watkinson)
- Paul James, Association of Victorian Country Harness Racing Clubs Inc
- Terry Lewis, Harness Breeders Victoria
- Carol Bass, Victorian Harness Racing Sports Club (representing Owners)
- Lance Justice, Victorian Harness Racing Trainers and Drivers Association
- Anne-Maree Conroy, Victorian Square Trotters Association
- Maxine Brain
- Grant Campbell
- Terry Suhan
- Clinton Welsh

As occurred in 2017, extensive industry consultation process was undertaken in the first half of 2018 with the industry organisations listed above, as well as public consultation sessions held in Shepparton, Mildura, Hamilton, Melton, Cranbourne, Ararat and Bendigo involving hundreds of interested people.

With forums attended by a mixture of HRV Board and Management representatives, attendees were able to discuss the HRV strategy and any other matter they wished to raise. A look to the longer-term was provided with consultation regarding a future with increased on-track stabling in Victoria.

COMMUNITY ENGAGEMENT

Harness racing directly contributes $380m in economic value and 5,000 plus jobs to Victoria; and for many Victorian communities, harness racing provides a point of social connection where hobbyists and professionals meet to compete in a sport that they love.

There are 48 harness racing clubs across Victoria that enable participants to engage in the industry within a variety of roles such as trainers, drivers, stablehands, veterinarians, track maintenance personnel, country club officials, judges, photographers, caterers and many more.

HRV is proud of its continual support of the Teal Pants campaign for the Women's Cancer Foundation, dedicated to funding ovarian cancer research in Australia. HRV donated $200 for every Victorian winner driven by a female driver during the campaign which raised a final tally of $31k (up from $12k in the previous year).

HRV also made contributions through various campaigns towards charities Fight MND, the Prostate Cancer Foundation, the Royal Children's Hospital Good Friday Appeal and Make-A-Wish.

HRV's Melton facility in partnership with Melton City Council commits grants to community groups and education providers within the City of Melton. The grants provide funding to support those leading projects and initiatives with a community benefit in the areas of community support, capital / infrastructure / equipment and school welfare.

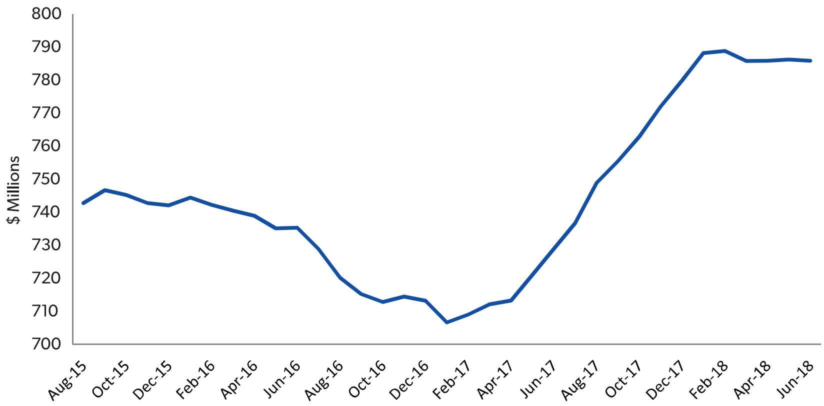
FINANCIAL PERFORMANCE

After a couple of challenging years for HRV 2017-18, was a year which saw a turnaround in a number of important wagering KPIs. The HRV Group recorded a consolidated profit for the year of $0.5m, which follows a loss of $1.7m in the prior year. The increase in profitability for the Group was driven by an increase in wagering revenue and a record profit delivered from Tabcorp Park Melton and higher racefield fee income arising from the running of additional races and an increase in the average turnover per race from interstate TABs and corporate bookmakers which is the direct result of running in preferred timeslots, both combined with an increase in racefield fees.

Total revenue for the year increased 3% to $85.0m in 2017-18 from $82.7m last year, with wagering revenue increasing by 2% to $60.3m from $58.9m. Tabcorp Joint Venture revenue decreased by 4% or $1.8m to $43.4m, and was offset by a $3.2m increase of fees from other wagering service providers, such as corporate bookmakers and interstate TABs.

Wagering turnover on Victorian harness product grew on an overall and a per-race basis in 2017-18, partly due to a 4% increase in the number of races run. Overall $929.0m was wagered, increasing 8% compared to $863.7m the previous year, with seven of the past 12 months recording growth in excess of 13%.

Wagering Turnover - Rolling 12 Months



	2017-18	2016-17
Victorian TAB	$164.1m	$167.9m
Interstate TABs	$277.4m	$280.4m
Corporate Bookmakers	$344.4m	$278.6m
Betting Exchange	$55.1m	$46.1m
International	$ 88.0m	$90.7m

HRV received 71% of total revenue from wagering, with an additional $13.9m of revenue coming from Tabcorp Park Melton. Expenditure for the financial year remained stable at $84.5m compared to $84.4m in 2016-17, with all expenses categories tightly controlled. The highest expense item is stakemoney, which increased $0.7m on 2016-17 to a record $39.8m.

HRV's Balance Sheet remains strong. As at 30 June 2018, HRV has a favourable Net Asset position of $39.7m, largely attributable to the value of Land and Buildings at the Tabcorp Park racing venue site and surrounding vacant land of $70.5m. HRV has a year-end net debt of $26.9m, which is down from $28.0m in the previous year. Annual principal repayments of this debt continue to be made at $1.5m.

Cash Assets at 30 June 2018 was $2.7 million as all excess cash has been applied to the Line of Credit within the Treasury Corporation Victoria (TCV) Short Term Line of Credit facility assisting HRV to reduce its interest expense. Total Assets of $81.9 million have increased from the equivalent period last year at $81.7 million. Current Liabilities have decreased from $23.1 million at 30 June 2017 to $23.0 million at 30 June 2018. Total liabilities over the year decreased from $42.5 million to $42.2 million.

FINANCIAL REVIEW OF OPERATIONS AND FINANCIAL CONDITIONS

Five year financial summary

	2018	2017	2016	2015	2014
	$'000	$'000	$'000	$'000	$'000
Tabcorp revenue	43,354	45,159	46,772	49,584	48,154
Other revenue	41,635	37,570	37,304	35,385	31,932
Total revenue	**84,989**	**82,729**	**84,076**	**84,969**	**80,086**
Stake money expense	(39,797)	(39,124)	(39,592)	(38,282)	(36,351)
Other expenses	(44,690)	(45,300)	(44,699)	(42,629)	(42,428)
Net profit / (loss)	**502**	**(1,695)**	**(215)**	**4,058**	**1,307**
Cash assets	2,652	1,320	993	484	4,103
Total assets	81,881	81,682	82,428	66,859	69,692
Current liabilities	(22,962)	(23,136)	(20,082)	(17,034)	(21,380)
Total liabilities	**(42,151)**	**(42,454)**	**(41,505)**	**(40,522)**	**(47,413)**

FUTURE OUTLOOK

After a successful 2017-18 the challenge is to continue improving the industry in 2018-19, a situation made more difficult by the impact of smaller foal numbers from previous years. As in 2017-18, HRV will be seeking to maximise opportunities for the existing horse population and will continue to implement initiatives that encourage greater participation.

With support from the State Government, HRV will waive or discount foal registration costs in 2018-19 and will invest in much needed club infrastructure. A significant focus will be placed on marketing to re-engage followers who have drifted away from the sport, and to attract new fans.

A feature of the year ahead will be HRV hosting the Inter Dominion for the first time in ten years, which coincides with reinstatement of the Trotters Inter Dominion, as requested by HRV. The HRV team is working with the Tabcorp Park, Ballarat and Cranbourne Clubs on this fantastic opportunity to showcase our sport.

After increasing in 2017-18, total stakemoney will increase again in 2018-19. There will be more prizemoney for elite horses competing at the Inter Dominion level, and for horses competing in restricted races, which will all be increased to $4,000 effective 1 September 2018. The popular winner's bonus will be set at $500 for all $4,000 and $5,000 races in September and October.

To further support participants, minimum benefits under the state-wide sulky fund have increased and personal accident insurance has been extended to all volunteer stablehands who are no longer required to contribute $95 to purchase separate insurance cover. HRV will continue to seek opportunities such as this to improve the livelihood of all industry participants.

HERO
HARNESS EDUCATION & REHOMING OPPORTUNITES

A joint initiative between HRV and the Victorian State Government via the Victorian Racing Industry Fund, HERO has made exciting progress since its inception in July 2015. In its third year, the program made its first steps toward becoming self-funding with $46k in income generated through horse sales. This achievement coincided with the engagement of Cobe Lodge Limited as a HERO Registered Retrainer.

In 2017-18, 180 horses were either re-educated and rehomed, had commenced training in preparation for rehoming or were registered on the HERO waiting list, compared to 178 in the previous 12 months. This comprised a mixture of horses that hadn't achieved success on the track, and others that were very successful for their owners.

The HERO program continued to be very popular as an engaging attraction throughout the 2017-18 Country Cups carnival, via the "Pat Your HERO" campaign, enabling the public to interact with retired Standardbreds and learn more about their life during and after racing.

The HERO Pony Club Project, an offset of "Pat Your HERO", tapped into an important life-after-racing market and helped to break down outdated stereotypes surrounding the breed.

HERO gained mainstream media coverage through a very emotive HERO story in the Herald Sun in January about the "love-at-first-sight" friendship between former track record-breaking pacer, The Culture, and a 5-year-old-girl, further highlighting the success and value of the HERO program.

HERO continues to enjoy extraordinary support from all sectors of the Victorian harness racing industry and is now challenged with facilitating ongoing growth and development to ensure its services can meet the expectations of Standardbred breeders, owners and trainers and the wider community.

PEOPLE AND CULTURE

A key HRV strategic theme has been to improve the overall welfare of participants and sustainability of the industry's future. An Industry Assistance Program was launched in August 2017, offering free confidential coaching and support for all industry participants, including club personnel and their eligible family members. Early indications are that the program is being well received across the industry.

HRV established an online education program for licenced persons to underpin implementation of our animal welfare strategy, based on our newly developed 'Industry Animal Welfare Framework'. This is a mandatory program aimed at improving the skills of licensed persons resulting in higher animal welfare standards across our industry. This program was developed with the financial assistance of the Victorian Government.

A program was created targeting an improvement in the sustainability of our industry given an ageing population. This program was designed specifically to promote harness racing as a viable career pathway for new entrants. 'The Pony Trots Scholarship Program' was launched in 2017, and provides financial and educational assistance for young people to consider a career in harness racing.

In recent months, HRV has been actively working on an enterprise agreement with the stewards' panel. The negotiation will result in an agreement to implement new career pathways and better work-life balance. When it is implemented it will contribute to improved talent attraction and retention.

HRV has contributed to the development of new industry capability with the establishment of veterinary and risk management functions. The new veterinary capability is improving compliance and animal welfare outcomes, whilst the risk management capability is already assisting HRV to identify and mitigate risks across the industry.

HRV has also continued to work collaboratively with Trots Clubs Victoria to develop a program which will be delivered online and via webinar across the club network throughout the year. It is planned that this program will deliver resources and new industry capability within the club network with an emphasis on good governance practices.

INTEGRITY

In a continued effort to enhance the integrity of harness racing in Victoria, HRV developed and implemented a number of key initiatives in 2017-18.

Drug testing at race meetings increased, with post-race swabs doubled and human samples and 'out of competition' drug testing increased by 50%. HRV would like to acknowledge the assistance of the Victorian Government in providing financial support to conduct these greater levels of testing.

HRV continued its close working relationship with the Sports Integrity Intelligence Unit (SIIU) of Victoria Police to monitor and address potential threats to the integrity of the industry. A number of investigations were undertaken, with one criminal conviction for race fixing and a subsequent prosecution by the HRV Racing Appeals and Disciplinary (RAD) Board, resulting in a 16-year disqualification for a licensed participant.

HRV continued to proactively conduct surveillance and inspections to prevent, deter and detect prohibited pre-race treatment of competing horses. This resulted in a number of pre-race treatment offences being detected and successfully prosecuted before the RAD Board and Victorian Civil Administrative Tribunal (VCAT).

During 2017-18 a stable inspection framework was developed, outlining expectations and procedures to ensure accountability and transparency, assisting both licensed participants and HRV.

HRV also continues to maintain strong relationships with Racing Victoria Limited, Greyhound Racing Victoria, the Royal Society for the Prevention of Cruelty to Animals (RSPCA), the Racing Integrity Commissioner and other harness racing jurisdictions to ensure that a robust integrity system operates within Victoria.

In 2017-18 the HRV RAD Board process was streamlined, with licensed participants provided a limited brief of evidence at the time of the charges being laid, with licensed participants given 14 days to respond as to their intention to plead guilty or not guilty. This process has significantly reduced timeframes for serious offences to be heard before the RAD Board, which results in a more efficient use of resources.

HRV introduced the first publication of its 'Integrity Matters' newsletter in February 2018. This publication is delivered via Trots Media to highlight the importance of integrity in harness racing and includes key integrity news articles and information relevant to the integrity of our sport.

ANIMAL WELFARE

HRV appointed three full-time veterinarians during 2017-18, who strengthened our existing veterinarian presence at race meetings. The HRV veterinarians were also extensively involved in the microchipping of foals in Victoria, which was undertaken for the first time in 2017-18.

In February 2018 the HRV veterinarians trialled post-race endoscopic examinations at the Bendigo Harness Racing Club and at Tabcorp Park Melton. Endoscopy positively impacts on both horse welfare and performance by providing additional information to industry participants and earlier identification of potential horse welfare issues.

An Animal Welfare officer is now working with veterinarians to review policies and procedures for the promotion of health and welfare of Standardbreds. This role will also collate and maintain data relating to horse welfare considerations and prepare and deliver presentations to key stakeholders on animal welfare strategies.

HRV in collaboration with Bendigo Harness Racing Training Centre (BHRTC) developed an Animal Welfare Training Module for all licensed participants for the 2018-19 racing season. The training module is based on the HRV Animal Welfare Framework, which outlines expectations for the Standardbred horse and includes guidelines for trainers, a policy for racing in hot weather and a race-day veterinary examination policy, all of which will assist trainers and industry participants.

RACING OPERATIONS

In 2017-18, HRV ran more races than in any of the previous five years, thereby reversing the declining trend from prior years. These additional races, combined with an increase in the average wagering per race, resulted in a record level of wagering turnover of $929.0m.

In September and October 2017, $750 bonuses were offered for winners of all $3,500 and $5,000 races, resulting in 5-6% more individual horses participating in those months compared to the same months in 2016.

Throughout the year, where nominations were strong, races were frequently split to encourage greater participation. New racing products were introduced to provide opportunities for horses of varying abilities. These initiatives resulted in a record $39.8m in total stakemoney and Vicbred bonuses being paid to participants across the industry.

KEY INDICATORS	2018	2017	2016	2015	2014
Meetings (TAB)	432	457	461	455	455
Meetings (non TAB)	1	2	2	2	1
Races	3,863	3,723	3,830	3,806	3,820
Horses raced	3,819	3,903	3,963	4,058	4,039
Nominations	50,360	48,777	49,051	52,987	51,531
Starters	32,902	33,081	34,129	35,239	35,698
Drivers	658	681	723	748	762
Trainers	1,090	1,141	1,196	1,224	1,247
Stablehands	1,154	1,168	1,174	1,206	1,219
Sires	57	67	75	72	79
Foals (i)	1,663	1,819	1,848	1,865	2,215
Namings	1,145	1,178	1,295	1,440	1,466
Services	3,202	3,232	3,065	2,839	3,269

(i) Determination of foal is any Vicbred foal, regardless of birth location.


RACING
1720 METRES
Mobile Start
0:07.2
TROTS VISION

MARKETING

HRV's marketing team provided strategic and tactical plans and measurable outcomes in the areas of Media & Communications, Community & Participation, Ownership, Brand, Wagering and Sponsorship.

Strategies capitalise on the sport's strengths of its regional reach and strong participation levels across life stages and demographics to increase community interest and mainstream appeal, as well as attendance, sponsorship and wagering. Marketing initiatives also integrated plans with industry stakeholders such as Victorian Harness Racing Sports Club, Harness Breeders Victoria, Victorian Trainers & Drivers Association and the newly rebranded Trots Clubs Victoria.

In the area of Media & Communications, the major initiative was the creation of Trots Vision which was launched in June 2018 on thetrots.com.au. Trots Vision live streams all HRV races, and has been warmly welcomed by punters, participants and anyone who loves the trots.

The Victorian industry website was relaunched in March 2018 with a new look and name – thetrots.com.au. The new site allows HRV to better direct traffic from social media and to embed audio podcast and video content, thereby creating stronger databases to better understand and communicate with our customers.

In preparation for hosting the 2018 Inter Dominion, a new ID18 website – ID18.com.au – was created as the one-stop shop for everything ID18, including dining packages, raceday information, race history and programming, transport and accommodation.

HRV announced an extension to our longstanding partnership with Tabcorp as HRV's exclusive wagering partner and sponsor for all 28 Victorian harness racing clubs conducting TAB meetings across the state and online with exclusive signage and digital rights. HRV also announced a partnership with Alabar Bloodstock as HRV's official digital video partner supporting the new digital and social media strategies.

A breadth of promotional and operational activity was implemented around major events, including Summer of Glory, Breeders Crown, Vicbred Super Series, and Trots Country Cups Carnivals. Off the track, the Gordon Rothacker Medal has become the trots night of nights and 2017 was no different as Jim O'Sullivan became the 17th Gordon Rothacker Medal recipient. The popular horseman had his name immortalised, etched alongside an illustrious list of legendary harness luminaries at a gala function at Crown's Palladium room.

HRV also staged the inaugural TAB Summer of Glory Breakfast of Champions at Tabcorp Park Melton. HRV invited all industry participants to attend the breakfast, with the entertainment being a live outside broadcast of RSN's Racing Pulse program.

HRV delivered the media strategy and advertising campaigns promoting the 2017-18 Trots Country Cups carnival, encompassing a mix of press, digital, outdoor, radio and TV in collaboration with the 28 country clubs. The campaigns were designed to increase awareness and profile of cup day events in local communities and reinforce the trots as an entertainment option in regional Victoria.

In line with our role to develop and promote the next generation of participants, HRV operated and promoted the pony trots program with a new pony trots committee to ensure the ongoing success of this important program. A new pony trots website ponytrotsvic.com.au was launched as the key source of information and promotion of all pony trots activities as well as creating an advertising platform and providing participants with the ability to nominate online. Two young recipients were selected for the Pony Trot Scholarship Program in which they received accreditation toward their schooling as well as a cash grant to contribute to any equipment needed to further their involvement in the sport.

OTM (Own the Moment) TV was launched by HRV with a special TAB Breeders Crown feature. Throughout the Summer of Glory, owners enjoyed the OTM marquee at Melton, which is in a prime location at the winning post.

STATEMENT OF EXPECTATIONS

The Minister for Racing issued a new Statement of Expectations for the period from 1 January 2018 to 30 June 2019.
The table below highlights HRV's actions and the measures of success set by the Minister. HRV is well advanced in achieving these objectives.

MINISTERIAL STATEMENT OF EXPECTATIONS - IMPLEMENTATION AND MONITORING STRATEGY 2018-19

EXPECTATIONS	ACTIONS AND MEASURE OF SUCCESS
Improved timelines	
• Make it easier for participants to submit required data online	Harness racing participants in Victoria have traditionally submitted licensing forms to HRV in hardcopy. HRV has developed an online form to allow participants to submit licensing information electronically. HRV trialled the online form in 2017 prior to a full roll out for the 2018 licence renewal process. HRV will encourage its use by providing a discounted licence fee for online submission. This change forms part of HRV's transition to more efficient digital services. As a first step, HRV is aiming to have 30% of participants submitting online licensing forms by 31 December 2018.
• Reduce the time taken to finalise racing disciplinary matters	HRV recognises the importance of an efficient disciplinary system but notes that these processes can be frustrating for participants that are directly or indirectly affected. Whilst the time taken to finalise individual matters depends on the circumstances of a case, HRV will seek to make improvements to those processes within its control. To reduce the time taken to finalise swab results, HRV will implement a Service Level Agreement (SLA) with Racing Analytical Services Limited by 31 October 2018. The SLA will establish requirements to reduce the time taken to complete swab analysis from an average of 15 days in September 2017 to 11 days by December 2018. HRV will also implement an 'Early Plea Resolution Procedure' to facilitate the efficient resolution of Racing Appeals and Disciplinary Board where a participant indicates that they will plead guilty to a charge. This will streamline the process for all involved without infringing on a licensed participants right to contest an allegation. HRV will continue to review its processes to identify further opportunities to streamline disciplinary processes.
Risk-based strategies	
• Improve HRV's inspection and swabbing programs to focus on areas of greatest risk to the achievement of regulatory outcomes	HRV currently conducts pre-race and post-race swabs to test for prohibited substances. The government has provided HRV with an additional $3.1million over two years to strengthen its testing regime which will result in a doubling of the number of post-race swabs in 2017-18. HRV will conduct six monthly reviews of swab results to identify the areas of greatest integrity risk and use this information to adjust its swabbing program accordingly. The reviews will be submitted to the HRV Integrity Council as part of informing a risk based approach to regulation.
Compliance related assistance and advice	
• Increase awareness and understanding amongst participants of their obligations as harness racing participants (including animal welfare requirements)	HRV will consult with the harness racing industry and key stakeholders to develop an Animal Welfare Framework. The Framework will set out HRV's expectations of participants around the welfare of horses. The Framework will include, but not be limited to, rules and standards about training, transportation, stabling, veterinary inspections and harness equipment. The Framework will be used as a basis for an on-line training module to increase participant awareness of rules and industry standards. The online training module will be rolled out by 31 December 2018.
• Increase awareness and understanding amongst participants of harness racing penalty framework	HRV will utilise publications such as Harness Racer to increase participants understanding of the existing penalty framework and advise them of updates. The 'Integrity Matters' section of Harness Racer will share insights from participants to promote good conduct and behaviour.

Incentive based regulation • Collect data to evaluate regulatory outcomes and inform incentive-based regulatory approaches	There are 48 harness racing clubs in Victoria that conduct trials and race meetings regulated by HRV. HRV will monitor and support the governance and financial performance of clubs through a funding model that incentivises good governance and utilises a needs-based funding model. Where required, strategies for improvement will be developed and linked to HRV funding. HRV will establish an industry induction program for new club committee members to support the industry's country clubs with the succession and welcoming of new committee members. The induction program began in March 2018 and helps increase governance standards across the industry.
Cooperation amongst regulators • Develop strategies to enhance cross-code collaboration and improve regulatory outcomes	The Victorian Racing Industry (VRI) forum, consisting of membership from the three Victorian racing codes, is ensuring a strong racing industry into the future. HRV will work with Racing Victoria and Greyhound Racing Victoria to identify good regulatory practice, share lessons and explore data sharing opportunities.
Accountability and transparency • Collect and publish data on integrity and animal welfare outcomes	HRV currently collects and publishes data on integrity and animal welfare outcomes. HRV will review its existing data and reporting and identify opportunities for improvement. HRV will provide this report to the HRV Integrity Council. Following finalisation of the review and feedback from the Integrity Council, HRV will implement key recommendations with the aim of increasing transparency and improving operational performance.

REPORT OF OPERATIONS

STATUTORY INFORMATION

In accordance with *Financial Management Act 1994*, I am pleased to present the Report of Operations for HRV for the year ending 30 June 2018.

Dale G Monteith
Chairman
29 August 2018

OBJECTIVES, FUNCTIONS AND ACTIVITIES

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

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

ORGANISATIONAL STRUCTURE AND CORPORATE GOVERNANCE ARRANGEMENTS

HRV is led by a seven member Board which reports to the Minister for Racing and an Executive Management Team.

MINISTER FOR RACING

The Hon. Martin Pakula, MP

MEMBERS OF HARNESS RACING VICTORIA BOARD

Dale G Monteith (Chairman)
Elizabeth Clarke (Deputy Chair)
Dr Catherine Ainsworth
Jane Brook
Brett Clothier (ceased 7 July 2017)
Danny Frawley
Peter Watkinson
Adam Kilgour (appointed 2 February 2018)

MEMBERS OF HARNESS RACING VICTORIA EXECUTIVE MANAGEMENT TEAM

David Martin (Chief Executive Officer)
Luke Spano (General Manager Finance)
Brent Fisher (General Manager Integrity)
Andrew English (General Manager Marketing)
Isabella Galati (Manager People & Culture)
John Briffa (General Counsel & Company Secretary)
Glen McGoldrick (General Manager – RISE)
Gayle Harvey (General Manager – Tabcorp Park Melton)

AUDIT AND RISK COMMITTEE

The Audit and Risk Comittee 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;
- Assist the Board in reviewing the effectiveness of HRV's internal control environment covering:
    - Effectiveness and efficiency of operations;
    - Reliability of financial reporting; and
    - Compliance with applicable laws and regulations.

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.

Comparative Workforce Data

The following table discloses the head count of all active HRV employees, employed in the last full pay period in June of the current reporting period (2018), and in the last full pay period of the previous reporting period (2017). The table also discloses the full-time equivalent (FTE) based on total working hours for the full pay period in 2018 and 2017.

	June 2018							**June 2017**						
			Ongoing			**Casual**				**Ongoing**			**Casual**	
	All employees (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE	All employees (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
Gender														
Women	132	65	43	10	47	79	18	135	65	46	8	46	81	19
Men	138	77	62	1	57	75	20	137	78	60	1	54	76	24
Self-described	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Age														
15-24	43	14	5	-	3	38	11	57	25	11	-	13	46	12
25-34	64	37	32	2	28	30	9	61	25	30	1	14	30	11
35-44	40	31	21	3	27	16	4	39	17	24	2	13	13	4
45-54	49	30	27	2	25	20	5	47	33	24	3	28	20	5
55-64	47	24	17	3	19	27	5	44	32	16	2	23	26	9
65+	27	6	3	1	2	23	4	24	11	1	1	9	22	2
Executives	9	7	9	-	7	-	-	7	9	7	-	8	-	1
Management / Professional	23	19	21	2	19	-	-	20	21	19	1	19	-	2
Administrative	30	25	25	4	25	1	-	28	25	23	5	24	-	1
Hospitality	101	54	25	5	30	71	24	99	50	25	3	25	71	25
Race day	107	37	25	-	23	82	14	118	38	32	-	24	86	14
Total employees	**270**	**142**	**105**	**11**	**104**	**154**	**38**	**272**	**143**	**106**	**9**	**100**	**157**	**43**

OCCUPATIONAL HEALTH AND SAFETY

HRV 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.

SUBSEQUENT EVENTS

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.

COMPLIANCE WITH BUILDING ACT 1993

HRV 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*.

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, John Briffa. During 2017-18, there were no requests received by HRV.

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. HRV is not a tax funded general Government service and does not adopt any pricing principles utilising a net competitive advantage. Approximately 51% 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 and government grants.

ENVIRONMENTAL IMPACTS

HRV has overseen the continued use of active reactor (electronic dimming) technology at three harness racing venues which has resulted in an average of a 15% reduction in energy and corresponding greenhouse gas emissions for the track lighting systems. Clubs continue to investigate methods of reducing costs with a further two clubs having installed solar panelling which has enabled considerable power savings and reduced greenhouse gas emissions.

Clubs continue to work with HRV to provide the most cost effective methods of track maintenance with multiple clubs using products such as canola oil, polo citrus and other dust suppressants to provide an optimum cushioned surface as well as significant savings in the application of water to tracks and a relative reduction in the diesel consumption used for track machinery.

HRV in conjunction with VRIF continues to support clubs in the upgrading of water trucks. The purpose built units complete with proficient spray systems and booms have been responsible for a significant decrease in water usage and fuel savings. Clubs also continue to maximise water storage opportunities to assist in reducing the cost of the water supplies.

OFFICE BASED ENVIRONMENTAL IMPACTS

HRV has adopted a tougher stance on sending statements to participants. Statements are now emailed opposed to being printed and sent via traditional mail, this has seen a dramatic reduction in the use of paper and delivered savings in postage costs.

HRV has further reduced its paper usage for RAD Board hearings. An amendment to the HRV RAD Board rules was introduced to allow matters to be heard on a summary basis if a person pleads guilty to the charge(s) on the summary alone. A summary brief represents a 90% reduction in paper required compared to a full brief.

HRV has also developed online forms for licence renewals further reducing the reliance on paper forms. In 2018-19 HRV will transition more paper based forms online in an effort to reduce the environmental impact.

PROTECTED DISCLOSURES ACT 2012

HRV is committed to the aims and objectives of the *Protected Disclosures Act 2012*. 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.

HRV 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** in 2017-18 to which VIPP applied.

There were no contracts **completed** in 2017-18 to which VIPP applied.

CONSULTANCIES

During the year, HRV had nine consultancies that cost in excess of $10,000 excluding GST. The total expenditure incurred during 2017-18 in relation to these consultancies is $400,478 (excluding GST). Details of individual consultancies are outlined below.

Consultant	Purpose Of Consultancy	Total Approved Project Fee	Expenditure 2017-18 (Excluding GST)	Future Expenditure (Excluding GST)
Kerry Freer Events	Inter Dominion 2018 project consultant	11,114	11,114	35,000
Nielson Sports Pty Ltd	Sponsorship / media valuation	13,200	12,000	-
Pitcher Partners Corporate Finance (Vic) Pty Ltd	Valuation of RISE	24,750	22,500	-
Gemba Group Pty Ltd	Revenue modelling & strategic planning	27,720	25,200	-
Jardine Loyd Thompson Pty Ltd	Valuation of land & buildings	50,001	45,455	-
Coffey Services Australia Pty Ltd	Melton landfill audit	54,240	49,309	-
Business Olympian Group Pty Ltd	Standard Directions policies and procedures & risk management work	58,300	53,000	-
TBS Consulting Group	Interim General Manager RISE	96,089	87,353	13,500
Tonkin & Taylor Pty Ltd	Landfill monitoring of Melton site	104,002	94,547	-

ADDITIONAL INFORMATION AVAILABLE ON REQUEST

In compliance with the requirements of the Ministerial Directions of the Minister for Finance, details in respect of the information items below have been retained by HRV and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the Freedom of Information requirements, if applicable).

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

ATTESTATION FOR COMPLIANCE WITH MINISTERIAL STANDING DIRECTION 5.1.4

I, Dale G Monteith, on behalf the Board, certify that Harness Racing Victoria has complied with the applicable Standing Directions of the Minister of Finance under the *Financial Management Act 1994* and Instructions.

Dale G Monteith
Chairman
Harness Racing Victoria
29 August 2018

DISCLOSURE INDEX

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

Legislation Requirement

Financial statements	Page reference
Declaration	75

SD 5.2.2 Declaration in financial statements

Legislation Requirement
Ministerial Directions & Financial Reporting Directions

Other requirements under Standing Directions 5.2

SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	28 - 74
SD 5.2.1(a)	Compliance with Ministerial Directions	28 - 74
SD 5.2.1(b)	Compliance with Model Financial Report	28 - 74

Other disclosures as required by FRDs in notes to the financial statements (i)

FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	59 - 62
FRD 103F	Non Financial Physical Assets	53
FRD 110A	Cash Flow Statements	31 & 64
FRD 112D	Defined Benefit Superannuation Obligations	63

Note:

(i) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure.

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

COMPREHENSIVE OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Notes	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000	Parent Entity 2018 $'000	Parent Entity 2017 $'000
CONTINUING OPERATIONS					
INCOME FROM TRANSACTIONS					
Tabcorp income		43,354	45,159	43,354	45,159
Other revenue		41,635	37,570	27,742	25,084
Total income from transactions	2	**84,989**	**82,729**	**71,096**	**70,243**
EXPENSES FROM TRANSACTIONS					
Stakemoney expense		(39,797)	(39,124)	(39,797)	(39,124)
Employee benefits		(14,085)	(14,120)	(9,268)	(9,373)
Depreciation and amortisation expense		(2,185)	(2,109)	(1,715)	(1,666)
Finance costs		(682)	(1,171)	(681)	(1,153)
Other expenses		(27,582)	(27,897)	(19,318)	(20,514)
Total expenses from transactions	2	**(84,331)**	**(84,421)**	**(70,779)**	**(71,830)**
Net result from transactions (net operating balance)		**658**	**(1,692)**	**317**	**(1,587)**
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT					
Bad and doubtful debt expense		(145)	(6)	(78)	(9)
Gain / (loss) on sale of property, plant and equipment	2(a)	(11)	3	(11)	3
Total other economic flows included in net result		**(156)**	**(3)**	**(89)**	**(6)**
Net result		**502**	**(1,695)**	**228**	**(1,593)**
Comprehensive result - total change in net worth	19	**502**	**(1,695)**	**228**	**(1,593)**

The accompanying notes form part of these financial statements.

BALANCE SHEET
AS AT 30 JUNE 2018

		Consolidated Entity		Parent Entity	
	Notes	2018	2017	2018	2017
		$'000	$'000	$'000	$'000
CURRENT ASSETS					
Cash and cash equivalents	**25(a)**	2,652	1,320	1,616	465
Receivables	**4**	7,041	6,771	6,564	6,541
Other financial assets	**5**	-	16	-	16
Inventories	**7**	98	101	-	-
Other assets	**6**	722	550	540	465
Total current assets		**10,513**	**8,758**	**8,720**	**7,487**
NON CURRENT ASSETS					
Property, plant and equipment	**8**	69,336	70,671	68,865	70,084
Receivables	**4**	-	-	3,919	3,839
Other financial assets	**5**	-	23	-	505
Investments	**9**	1,082	1,082	1,429	1,429
Intangible assets	**10**	950	1,148	-	-
Total non current assets		**71,368**	**72,924**	**74,213**	**75,857**
TOTAL ASSETS		**81,881**	**81,682**	**82,933**	**83,344**
CURRENT LIABILITIES					
Payables	**11**	6,925	5,846	5,799	5,200
Provisions	**12**	2,531	2,286	2,071	1,826
Interest bearing liabilities	**13**	10,918	11,969	10,918	11,969
Non-interest bearing liabilities	**14**	-	88	300	300
Prepaid income	**15**	852	770	628	492
Other liabilities	**16**	1,736	2,177	1,728	2,158
Total current liabilities		**22,962**	**23,136**	**21,444**	**21,945**
NON CURRENT LIABILITIES					
Interest bearing liabilities	**13**	16,077	16,076	16,077	16,076
Prepaid income	**15**	1,054	1,404	1,054	1,404
Provisions	**12**	195	236	141	191
Other liabilities	**16**	1,863	1,602	1,863	1,602
Total non current liabilities		**19,189**	**19,318**	**19,135**	**19,273**
TOTAL LIABILITIES		**42,151**	**42,454**	**40,579**	**41,218**
NET ASSETS		**39,730**	**39,228**	**42,354**	**42,126**
EQUITY					
Contributed capital	**17**	9,174	9,174	9,174	9,174
Reserves	**18**	29,889	29,889	29,889	29,889
Accumulated surplus	**19**	667	165	3,291	3,063
TOTAL EQUITY		**39,730**	**39,228**	**42,354**	**42,126**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Consolidated Entity		Reserves	Accumulated Surplus	Contributed Capital	Total
		$'000	$'000	$'000	$'000
	Notes	18	19	17	
Balance at 1 July 2016		**29,889**	**1,860**	**9,174**	**40,923**
Net result for the year		-	(1,695)	-	(1,695)
Balance at 30 June 2017		**29,889**	**165**	**9,174**	**39,228**
Net result for the year		-	502	-	502
Balance at 30 June 2018		**29,889**	**667**	**9,174**	**39,730**

Parent Entity		Reserves	Accumulated surplus	Contributed capital	Total
		$'000	$'000	$'000	$'000
	Notes	18	19	17	
Balance at 1 July 2016		**29,889**	**4,656**	**9,174**	**43,719**
Net result for the year		-	(1,593)	-	(1,593)
Balance at 30 June 2017		**29,889**	**3,063**	**9,174**	**42,126**
Net result for the year		-	228	-	228
Balance at 30 June 2018		**29,889**	**3,291**	**9,174**	**42,354**

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Consolidated Entity		Parent Entity	
	Notes	2018	2017	2018	2017
		$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts from operations		92,573	88,712	76,918	74,328
Payments to suppliers, employees & industry		(88,772)	(88,126)	(74,030)	(75,349)
Interest received		-	5	3	47
Interest paid		(682)	(1,171)	(681)	(1,153)
Net cash from / (used in) operating activities	**25(b)**	**3,119**	**(580)**	**2,210**	**(2,127)**
Cash flows from investing activities					
Payments for property, plant and equipment		(691)	(742)	(533)	(347)
Proceeds from the sale of property, plant and equipment		26	3	26	3
Net cash used in investing activities		**(665)**	**(739)**	**(507)**	**(344)**
Cash flows from financing activities					
Proceeds from loan repayments		17	120	17	120
Proceeds from non-interest bearing liabilities		-	-	-	507
Repayment of gaming machine entitlements		(88)	(363)	-	-
Proceeds / (repayments) of interest bearing liabilities		(1,051)	1,889	(569)	2,057
Proceeds of non-interest bearing liabilities		-	-	-	30
Net cash from / used in financing activities		**(1,122)**	**1,646**	**(552)**	**2,714**
Net increase in cash and cash equivalents held		**1,332**	**327**	**1,151**	**243**
Cash and cash equivalents at the beginning of the financial year		1,320	993	465	222
Cash and cash equivalents at the end of the financial year	**25(a)**	**2,652**	**1,320**	**1,616**	**465**

The accompanying notes form part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following explains the significant accounting policies that have been adopted in the preparation of these financial statements by HRV ("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

During the year 2017-18 reporting period, there were no new standards adopted.

(c) Objectives and Funding

The Parent entity's objectives are to administer, develop and promote HRV. 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 HRV Board on 29 August 2018.

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 HRV'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(t).

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 2018 and the comparative information presented for the year ended 30 June 2017.

(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 2018. 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Scope and Presentation of Financial Statements (continued)

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.

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

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

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

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

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

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

(g) Events After Reporting Date

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

(h) Goods and Services Tax (GST)

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

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

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

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

(i) Income from Transactions

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

The Group recognises income when the amount of income can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of income is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Income is recognised for the major business activities as follows:

- Tabcorp income is 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income from Transactions (continued)

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 2018, for futurity series to be conducted in 2018-19 are brought to account as a current liability. Fees and contributions received for series to be run after 30 June 2019 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 including wages and salaries, superannuation, fringe benefits tax, leave entitlements, redundancy payments and work cover premiums. These are recognised when incurred, except for contributions in respect of defined benefits plans. Employer superannuation expenses in relation to employees who are members of defined benefit superannuation plans are described below.

Superannuation – State Superannuation Defined Benefit Plans
The amount recognised in the Comprehensive Operating Statement in relation to employer contributions for members of defined benefit superannuation plans is simply the employer contributions that are paid or payable to these plans during the reporting period. The level of these contributions will vary depending upon the relevant rules of each plan, and is based upon actuarial advice.
The Department of Treasury and Finance (DTF) in their Annual Financial Statements recognise on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans. DTF's Annual Financial Statements contains more detailed disclosures in relation to these plans.

Depreciation and Amortisation
Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is generally calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

The following estimated useful lives are used in the calculation of depreciation and they have not changed from the previous year.

- Buildings (40 years);
- Building Improvements (40 years);
- Track (25 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); and
  - Software (3-10 years).

Intangible assets with finite useful lives are amortised as an expense on a systematic (typically straight line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period.

Interest Expense
Interest expense is 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; and
- The increase in financial liabilities and non employee provisions due to the unwinding of discounts to reflect the passage of time.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Expenses from Transactions (continued)

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

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

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

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

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

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

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

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

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as another economic flow, except to the extent that the write down can be debited to an asset revaluation surplus amount applicable to that class of asset.
If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in the prior years.

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

Net Gain / (Loss) on Financial Instruments
Net gain / (loss) on financial instruments includes:

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

(k) Financial Instruments

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

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

The following refers to financial instruments unless otherwise stated.

Categories of Non-Derivative Financial Instruments

Loans and Receivables
Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs.

Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(l)), 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial Instruments (continued)

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

Investments are classified in the following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables; and
- Available for sale financial assets.

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

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

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

Radio 3UZ unit trust is an unlisted trust and its units are not readily traded in an open market. The value of the broadcasting licence (which is an intangible asset) owned by 3UZ Pty Ltd is extremely difficult to measure reliably because of the infrequent sale of radio broadcasting licences. Accordingly, the Group's investment in Radio 3UZ unit trust has been brought to account at cost. Details in relation to investments are disclosed in Note 9.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Assets (continued)

- Has transferred substantially all the risks and rewards of the asset, or
- Has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Impairment of Financial Assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes financial difficulties of the debtor, default payments, and changes in debtor credit ratings. All financial assets, except those measured at fair value through the Comprehensive Operating Statement, are subject to annual review for impairment. Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and allowance for doubtful receivables are classified as "other economic flows" in the net result.

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

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

Property, Plant and Equipment

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

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

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

Revaluations of Non Current Physical Assets

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

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

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

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

The capitalisation threshold for non-current physical assets is $1,000 (excluding GST). The threshold applies to each individual item acquired or constructed. Non-current physical assets with a purchase price and associated costs of acquisition of $1,000 (excluding GST) and over, are to be capitalised. Items with a purchase price and associated costs of acquiring the item of less than $1,000 (excluding GST), are not capitalised but are written off as an expense as acquired.

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 acquirer'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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Assets (continued)

computer software and development costs (where applicable). In the case of the Group, intangibles are limited to the value of gaming machine entitlements.
Intangible assets are initially recognised at cost. 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. The useful life of the gaming machine entitlements is August 2012 to August 2022. The amortisation rate used is 10%. 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.

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.

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

Interest Bearing Liabilities
Interest bearing liabilities are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in net result over the period of the interest bearing liability using the effective interest rate method.

Prepaid Income
Monies and deposits received in respect of sponsorships and future bookings are recognised as prepaid income in the Balance Sheet as the Group is required to provide the service to clients after balance date.

Provisions
Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.
The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rates that reflects the time value of money and risks specific to the provision. When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Gaming Machine Entitlements
Gaming Machine Entitlements liability has been brought to account based on the present value of future payments which are required under the purchase arrangements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Liabilities (continued)

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. HRV has applied AASB 119 *Employee benefits*. The standard changed the definition of short term employee benefits. Short term employee benefits are defined as benefits expected to be wholly settled within twelve months after the end of the reporting period in which the employees render the related service.

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

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

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

(ii) Long service leave

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

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

The components of this current LSL liability are measured at:

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

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

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

(iii) Employee benefits on-costs

Employee benefits on-costs such as payroll tax, workers compensation and superannuation are recognised and included with provisions for employee benefits.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for those benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Development Fund

Development fund liabilities are brought to account as expenses and a liability is recognised in the year that the funding is approved by the Group and the Group has an obligation to make payment to external parties.

Other Liabilities

Industry contributions received relating to a particular futurity series are carried forward in the Balance Sheet until the year that each series is conducted when they are brought to account in the Comprehensive Operating Statement as revenue. Fees and contributions received prior to 30 June 2018, for futurity series to be conducted in 2018-19 are brought to account as a current liability. Fees and contributions received for series to be run after 30 June 2019 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 income 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.

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

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

Impairment of Non-Financial Assets Other than Goodwill

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Critical Accounting Estimates and Assumptions (continued)

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

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

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

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

(u) AASBs Issued that are Not Yet Effective

Certain new AASBs have been published that are not mandatory for the 30 June 2018 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 2018, 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 2018. Standards and Interpretations that are not applicable to the Group have been omitted. The Group has not early adopted these standards.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) AASB's issued that are not yet effective (continued)

STANDARD/ INTERPRETATION	SUMMARY	APPLICABLE FOR ANNUAL REPORTING PERIODS BEGINNING ON:	IMPACT ON PUBLIC SECTOR ENTITY FINANCIAL STATEMENTS
AASB 9 Financial Instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise expected impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. The initial application of AASB 9 is not expected to significantly impact the financial positon however there will be a change to the way financial instruments are classified and new disclosure requirements.
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. There is no significant impact for the group arising from the proposed change of AASB 15.
AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 January 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on Balance Sheet.	1 January 2019	The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the Balance Sheet and will be recognised as right of use assets with a corresponding lease liability. In the Operating Statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge. There will be no change for lessors as the classification of operating and finance leases remains unchanged. There is no significant impact for the group arising from the proposed change of AASB 16.
AASB 1058 Income of Not-for-Profit Entities	AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 Contributions. The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context. AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.	1 January 2019	The current revenue recognition for grants is to recognise revenue up front upon receipt of the funds. This may change under AASB 1058, as capital grants for the construction of assets will need to be deferred. Income will be recognised over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognised at a point in time for acquisition of assets. The revenue recognition for operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants). Only after that analysis would it be possible to conclude whether there are any changes to operating grants. The impact on current revenue recognition of the changes is the phasing and timing of revenue recorded in the profit and loss statement is not expected to have a material impact.

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 net current liability position as at 30 June 2018 of $12.449m (2017 - $14.378m) for HRV (the consolidated entity) and $12.724m (2017 - $14.458m) for the authority (parent entity), the financial report is prepared on a going concern basis. The Board believe the going concern basis is appropriate based on the following factors:

- Harness Racing Victoria ('HRV') has a total of $33.077m unsecured loan facility available from Treasury Corporation Victoria ('TCV') (including a short-term variable line of credit facility of $17.0m). As at 30 June 2018, only $26.995 million was drawn down and recorded as liability, with $6.082 million available to HRV as unused funding facility.

- Treasurer has provided an irrevocable and unconditional guarantee of up to $35.3 million that guarantees TCV the due and punctual payment of obligations as set out in the loan agreement if HRV are unable to meet its loan repayment obligations. This guarantee remains in full force and effect until all monies due and payable or contingently due or liable to be paid have been paid or satisfied in full.

- During 2017-18, the consolidated entity recorded a profit of $0.502m (2017: loss of $1.695m) and generated positive cash inflows from operating activities of $3.119m (2017: cash outflows of $0.580m) by implementing initiatives to improve revenues, operational profitability and cash flow.

These factors provide the Board with assurance and comfort that the going concern basis is appropriate for HRV in the preparation of this financial report.

NOTE 2. INCOME AND EXPENSES FROM TRANSACTIONS

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Income				
Tabcorp income	43,354	45,159	43,354	45,159
Other income				
Racefield fees	16,969	13,737	16,969	13,737
Registered bookmakers fees	9	11	9	11
Gaming commission	7,204	6,654	-	-
Food & beverage	4,232	4,206	-	-
Accommodation	1,201	1,191	-	-
Other venue revenue	362	378	-	-
Sponsorship, advertising & events	1,488	1,205	803	1,182
RISE IT charges	1,079	944	-	-
Grants	2,219	1,233	2,183	1,233
Registration & licencing fees	1,618	1,840	1,618	1,840
Raceday fees	363	425	363	425
Fines & appeals	225	208	225	208
Country club contributions to stakemoney	715	892	715	892
Futurities income				
- Vicbred revenue	728	779	728	779
- Breeders Crown	1,294	1,318	1,294	1,318
- Race series subsidies	1,098	1,106	1,098	1,106
Sky new media fees	23	15	23	15
Property income	-	649	685	1,314
Industry programs	117	138	117	138
Management & service fee	81	195	333	449
Interest	-	1	3	43
Other income	610	445	576	394
Total other income	**41,635**	**37,570**	**27,742**	**25,084**
Total income	**84,989**	**82,729**	**71,096**	**70,243**

NOTE 2. INCOME AND EXPENSES FROM TRANSACTIONS (CONTINUED)

	Consolidated Entity		Parent Entity	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Expenses				
Stakemoney				
Metropolitan stakes	13,822	14,487	13,822	14,487
Country stakes	21,058	20,102	21,058	20,102
Drivers fees	38	16	38	16
Vicbred win bonuses	4,039	3,694	4,039	3,694
Vicbred breeder bonuses	840	825	840	825
Total stakemoney	**39,797**	**39,124**	**39,797**	**39,124**
Employee benefits				
Post employee benefits				
Defined contribution superannuation expense	997	1,056	619	657
Defined benefits superannuation expense	44	42	44	42
Salaries, wages and long service leave	13,044	13,022	8,605	8,674
Employee benefits	**14,085**	**14,120**	**9,268**	**9,373**
Depreciation and amortisation expense (refer Note 8 and 10)	**2,185**	**2,109**	**1,715**	**1,666**
Finance costs	**682**	**1,171**	**681**	**1,153**
Other expenses				
Country club funding	5,256	5,497	5,256	5,497
Marketing & sponsorship expenses	1,970	1,930	1,060	1,533
Vision & audio	3,089	3,216	3,089	3,216
Property costs	2,520	3,009	901	1,475
Development fund (refer Note 20)	1,095	1,468	1,095	1,468
Gaming costs	3,677	3,376	-	-
Cost of goods sold	1,373	1,440	-	-
Fields & form comments	652	663	652	663
Swabs	771	535	771	535
Timing & photo finish	45	40	45	40
Registration	636	666	636	666
Integrity & licensing	288	430	288	430
Communication costs	137	163	86	112
Computer costs	455	414	512	467
Training facilities	40	40	40	40
Insurance	1,057	916	1,035	891
Consulting / legal fees	1,130	935	965	861
Other expenses	3,391	3,159	2,887	2,620
Total other expenses	**27,582**	**27,897**	**19,318**	**20,514**
Total expenses from transactions	**84,331**	**84,421**	**70,779**	**71,830**

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

	Consolidated Entity		Parent Entity	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Gross proceeds	26	3	26	3
Carrying amount of assets disposed	(37)	-	(37)	-
Profit / (loss) on sale of assets	**(11)**	**3**	**(11)**	**3**

NOTE 3. REMUNERATION OF AUDITORS

Victorian Auditor-General's Office - audit of the financial report	65	69	35	37
Internal audit	32	41	32	41
Other audit services	2	4	-	-
Total remuneration of auditors	**99**	**114**	**67**	**78**

NOTE 4. RECEIVABLES

Current				
Contractual				
Trade receivables (a)	1,159	2,035	1,001	1,910
Provisions for doubtful debts	(206)	(137)	(133)	(130)
Net trade receivables	**953**	**1,898**	**868**	**1,780**
Accrued income	496	527	353	476
Net accrued income	**496**	**527**	**353**	**476**
Tabcorp distribution receivable	5,031	3,937	5,031	3,937
Commission / distribution receivable	112	-	-	-
Intercompany receivables	-	-	37	58
Sundry debtors	86	42	-	-
Statutory				
Goods and services tax (GST) recoverable	363	367	275	290
Net other receivables	**5,592**	**4,346**	**5,343**	**4,285**
Total current receivables	**7,041**	**6,771**	**6,564**	**6,541**
Non current				
Contractual				
Intercompany receivables	-	-	3,919	3,839
Total current receivables	**-**	**-**	**3,919**	**3,839**
Total receivables	**7,041**	**6,771**	**10,483**	**10,380**

NOTE 4. RECEIVABLES (CONTINUED)

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Movement in the provision for doubtful debts (a)				
Balance at the beginning of the year	(139)	(178)	(130)	(166)
Amounts recovered during the year	83	76	83	69
Increase in allowance recognised in profit or loss	(153)	(37)	(86)	(33)
Reversal of provision for receivables written off during the year as uncollectible	3	-	-	-
Balance at end of the year	**(206)**	**(139)**	**(133)**	**(130)**

(a) Movement in the provision for doubtful debts

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 $153,000 increase in provision was recognised in the operating result for the current financial year.

(b) Aging analysis of receivables

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

(c) Nature and extent of risk arising from receivables

Please refer to Note 27(c) and 27.4(a) for the nature and extent of credit risk and market risk arising from receivables.

NOTE 5. OTHER FINANCIAL ASSETS

Current				
Loan - Geelong Harness Racing Club Inc	-	16	-	16
Total other current financial assets	**-**	**16**	**-**	**16**
Non current				
Loan - Geelong Harness Racing Club Inc	-	23	-	23
Loan - HRV Management Ltd ATF Melton Entertainment Trust	-	-	-	482
Total other non current financial assets	**-**	**23**	**-**	**505**
Total other financial assets	**-**	**39**	**-**	**521**

(a) Aging analysis of other financial assets

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

(b) Nature and extent of risk arising from other financial assets

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

NOTE 6. OTHER ASSETS - CURRENT

Prepayments	722	550	540	465
Total other current assets	**722**	**550**	**540**	**465**

NOTE 7. INVENTORIES

Food at cost	19	23	-	-
Beverage at cost	79	78	-	-
Total inventories	**98**	**101**	**-**	**-**

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

Consolidated Entity

	Freehold land	Buildings	Building improvements	Plant and equipment	Melton track	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2017-18 Year						
Gross carrying amount						
Balance as at 1 July 2017	**26,960**	**40,495**	**1,251**	**12,060**	**3,048**	**83,815**
Additions	-	25	-	664	-	689
Disposals / writeoffs	-	-	-	(37)	-	(37)
Balance as at 30 June 2018	**26,960**	**40,520**	**1,251**	**12,687**	**3,048**	**84,467**
Accumulated depreciation						
Balance as at 1 July 2017	**-**	**(1,229)**	**(1,224)**	**(10,519)**	**(172)**	**(13,144)**
Depreciation expense	-	(1,232)	(1)	(582)	(172)	(1,987)
Balance as at 30 June 2018	**-**	**(2,461)**	**(1,225)**	**(11,101)**	**(344)**	**(15,131)**

Consolidated Entity

	Freehold land	Buildings	Building improvements	Plant and equipment	Melton track	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2016-17 Year						
Gross carrying amount						
Balance as at 1 July 2016	**26,960**	**40,313**	**1,224**	**11,529**	**3,048**	**83,074**
Additions	-	183	27	531	-	741
Balance as at 30 June 2017	**26,960**	**40,495**	**1,251**	**12,060**	**3,048**	**83,815**
Accumulated depreciation						
Balance as at 1 July 2016	**-**	**-**	**(1,224)**	**(10,010)**	**-**	**(11,234)**
Depreciation expense	-	(1,229)	-	(509)	(172)	(1,910)
Balance as at 30 June 2017	**-**	**(1,229)**	**(1,224)**	**(10,519)**	**(172)**	**(13,144)**
Net book value						
As at 30 June 2017	26,960	39,266	27	1,541	2,876	70,671
As at 30 June 2018	**26,960**	**38,059**	**26**	**1,586**	**2,704**	**69,336**

NOTE 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Parent Entity

	Freehold land	Buildings	Building improvements	Plant and equipment	Melton track	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2017-18 Year						
Gross carrying amount						
Balance as at 1 July 2017	**26,960**	**40,495**	**1,251**	**8,218**	**3,048**	**79,972**
Additions	-	25	-	508	-	533
Disposals / writeoffs	-	-	-	(37)	-	(37)
Balance as at 30 June 2018	**26,960**	**40,520**	**1,251**	**8,689**	**3,048**	**80,468**
Accumulated depreciation						
Balance as at 1 July 2017	**-**	**(1,229)**	**(1,224)**	**(7,262)**	**(172)**	**(9,888)**
Depreciation expense	-	(1,232)	(1)	(310)	(172)	(1,715)
Balance as at 30 June 2018	**-**	**(2,461)**	**(1,225)**	**(7,572)**	**(344)**	**(11,602)**

Parent Entity

	Freehold land	Buildings	Building improvements	Plant and equipment	Melton track	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2016-17 Year						
Gross carrying amount						
Balance as at 1 July 2016	**26,960**	**40,312**	**1,224**	**8,081**	**3,048**	**79,625**
Additions	-	183	27	137	-	347
Balance as at 30 June 2017	**26,960**	**40,495**	**1,251**	**8,218**	**3,048**	**79,972**
Accumulated depreciation						
Balance as at 1 July 2016	**-**	**-**	**(1,224)**	**(6,998)**	**-**	**(8,222)**
Depreciation expense	-	(1,229)	-	(265)	(172)	(1,666)
Balance as at 30 June 2017	**-**	**(1,229)**	**(1,224)**	**(7,262)**	**(172)**	**(9,888)**
Net book value						
As at 30 June 2017	26,960	39,266	27	955	2,876	70,084
As at 30 June 2018	**26,960**	**38,059**	**26**	**1,117**	**2,704**	**68,865**

NOTE 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Consolidated entity		Parent entity	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Aggregate depreciation and amortisation allocated during the year was as follows:				
Buildings at fair value	1,232	1,229	1,232	1,229
Building improvements at fair value	1	-	1	-
Plant and equipment at fair value	582	510	310	265
Melton complex at fair value	172	172	172	172
Gaming entitlements amortisation	198	198	-	-
	2,185	**2,109**	**1,715**	**1,666**

Valve of freehold land				
Freehold land - 28 - 52 Ferris Road Melton	2,678	2,678	2,678	2,678
Freehold land - 92 -134 Abey Road Melton (Lot 1)	15,411	15,411	15,411	15,411
Freehold land - 92 -134 Abey Road Melton (Lot 2)	8,871	8,871	8,871	8,871
	26,960	**26,960**	**26,960**	**26,960**

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 in 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).

NOTE 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Consolidated Fair Value measurement hierarchy of Assets as at 30 June 2018

	Carrying amount as at 30 June 2018	Carrying amount as at 30 June 2017	Fair Value measurement at end of reporting period using:					
			Level 1		Level 2		Level 3	
			2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Land at fair value								
Non specialised land	-	-	-	-	-	-	-	-
Specialised land	26,960	26,960	-	-	26,960	26,960	-	-
Total land at fair value	**26,960**	**26,960**	**-**	**-**	**26,960**	**26,960**	**-**	**-**
Buildings at fair value								
Non specialised land	-	-	-	-	-	-	-	-
Specialised land	38,059	39,266	-	-	-	-	38,059	39,266
Total buildings at fair value	**38,059**	**39,266**	**-**	**-**	**-**	**-**	**38,059**	**39,266**
Building improvements at fair value								
Non specialised plant and equipment	-	-	-	-	-	-	-	-
Specialised plant and equipment	26	27	-	-	-	-	26	27
Total building improvements at fair value	**26**	**27**	**-**	**-**	**-**	**-**	**26**	**27**
Plant, equipment at fair value								
Non specialised plant and equipment	-	-	-	-	-	-	-	-
Specialised plant and equipment	1,586	1,541	-	-	-	-	1,586	1,541
Total plant and equipment at fair value	**1,586**	**1,541**	**-**	**-**	**-**	**-**	**1,586**	**1,541**
Melton track fair value								
Non specialised plant and equipment	-	-	-	-	-	-	-	-
Specialised plant and equipment	2,704	2,876	-	-	-	-	2,704	2,876
Total Melton track at fair value	**2,704**	**2,876**	**-**	**-**	**-**	**-**	**2,704**	**2,876**

In 2016, HRV were required to obtain a valuation for the parcels of land being 28 - 52 Ferris Road Melton and Lot 1 and 2 at 2 -134 Abey Road Melton. The valuation was conducted by 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 Road Melton. The valuation was conducted by Donald Cant Watts Corke on behalf of the Valuer-General Victoria. For financial reporting purpose these valuations were prepared with reference to AASB 116 *Property Plant and Equipment*; AASB *136 Impairment of Assets*; and 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 current replacement cost methodology was applied to the Harness Racing complex and its 25.3 hectares of environment. Given the facility does not have a liquid and active market whilst the residual land (81.7 hectares) has an active and liquid market.

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

NOTE 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Description of Significant Unobservable Inputs to Level 3 Valuations

Asset class	Valuation technique	Significant unobservable inputs	2018 Range (weighted average)	Observable / unobservable inputs	Sensitivity of fair value measurement to changes in significant unobservable inputs
Specialised buildings	Current 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	Current 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	Current replacement cost	Cost per unit	Weighted average $500 - $50,000 per unit ($14,709 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	Current replacement cost	Cost per unit	Weighted average $500 -$500,000 per unit ($1,125,524 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	Current replacement cost	Cost per unit	Weighted average $100- $35,000 per unit ($187,121 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	Current replacement cost	Cost per unit	Weighted average $1,000-$500,000 per unit ($201,468 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	Current replacement cost	Cost per unit	Weighted average $1,000 - $1,800,000 per unit ($1,069,338 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	Current 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	Current Replacement cost	Cost per metre	$3500 - $2000 per Metre ($3,221 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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'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 RSN 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 $1.1m.

NOTE 10. INTANGIBLE ASSETS

Goodwill	132	132	-	-
Gaming machine entitlements	1,983	1,983	-	-
Accumulated amortisation	(1,165)	(967)	-	-
Total intangible assets	**950**	**1,148**	**-**	**-**

Opening balance	1,148	1,347	-	-
Additions	-	-	-	-
Amortisation	(198)	(198)	-	-
Closing balance	**950**	**1,148**	**-**	**-**

(a) Description of the Group's goodwill

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

(b) Impairment test for goodwill

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

(c) Key assumptions used

	2018	**2017**
Growth rate used	2%	2%
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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current payables				
Contractual - unsecured				
Trade creditors	3,476	3,517	2,774	2,888
Intercompany payables	-	-	93	447
Development fund accruals	180	205	180	205
Sundry creditors and accruals	3,269	2,124	2,752	1,660
Total current payables	**6,925**	**5,846**	**5,799**	**5,200**
Total payables	**6,925**	**5,846**	**5,799**	**5,200**

(a) Maturity analysis of payables

Please refer to table 27.3 in Note 27 for the aging analysis of payables.

(b) Nature and extent of risk arising from payables

Please refer to Note 27.3 for the nature and extent of risks arising from payables.

NOTE 12. PROVISION

Current				
Employee benefits				
Annual leave				
Unconditional and expected to wholly settle within 12 months	506	465	374	325
Unconditional and expected to wholly settle after 12 months	144	196	134	177
Long service leave				
Unconditional and expected to wholly settle after 12 months	1,281	1,206	1,045	986
Provisions related to employee benefit on-costs				
Unconditional and expected to wholly settle within 12 months	95	87	63	55
Unconditional and expected to wholly settle after 12 months	231	228	199	196
State-wide sulky fund	83	65	83	65
Provision for aggregate insurance	173	22	173	22
Bonus points liability	18	17	-	-
Total current provision	**2,531**	**2,286**	**2,071**	**1,826**
Non current				
Employee benefits	167	201	121	163
Provisions related to employee benefit on-costs	28	35	20	28
Total non current provision	**195**	**236**	**141**	**191**
Total provisions	**2,726**	**2,522**	**2,212**	**2,017**

NOTE 12. PROVISION (CONTINUED)

(b) Movement in provisions

	Employee benefits	On-costs	Statewide sulky fund	Bonus points liability	Aggregate insurance	Total
	2018	2018	2018	2018	2018	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated Entity						
Opening balance	**2,068**	**350**	**64**	**18**	**22**	**2,522**
Additional provisions recognised	907	153	33	43	218	1,354
Reductions arising from payments / other sacrifices of future economic benefits	(918)	(156)	(15)	(42)	(67)	(1,198)
Unwind of discount and effect of changes in the discount rate	41	7	-	-	-	48
Closing balance	**2,098**	**354**	**82**	**19**	**173**	**2,726**
Current	1,931	326	82	19	173	2,531
Non current	167	28	-	-	-	195
Total provisions	**2,098**	**354**	**82**	**19**	**173**	**2,726**
Parent Entity						
Opening balance	**1,652**	**278**	**64**	**-**	**22**	**2,017**
Additional provisions recognised	689	116	34	-	218	1,057
Reductions arising from payments / other sacrifices of future economic benefits	(700)	(118)	(15)	-	(67)	(900)
Unwind of discount and effect of changes in the discount rate	33	6	-	-	-	39
Closing balance	**1,674**	**282**	**83**	**-**	**173**	**2,212**
				-		
Current	1,553	262	83	-	173	2,071
Non current	121	20	-	-	-	141
Total provisions	**1,674**	**282**	**83**	**-**	**173**	**2,212**

NOTE 13. INTEREST BEARING LIABILITIES

	Consolidated Entity		Parent Entity	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Unsecured - TCV loan facility	10,918	11,969	10,918	11,969
Total current interest bearing liability	**10,918**	**11,969**	**10,918**	**11,969**
Non current				
Unsecured - TCV loan facility	16,077	16,076	16,077	16,076
Total non current interest bearing liability	**16,077**	**16,076**	**16,077**	**16,076**
Total interest bearing liabilities	**26,995**	**28,045**	**26,995**	**28,045**

(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 27.3 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	33,077	31,538	33,077	31,538
Financial guarantee	-	29	-	-
Business card limit	99	99	39	39
Total facilities amount	**33,176**	**31,666**	**33,116**	**31,577**
Amount of facility unused	**6,159**	**3,579**	**6,099**	**3,519**

On 30 June 2014, the Treasurer on behalf of the State of Victoria under the *Borrowings and Investment Powers Act 1987* has provided an irrevocable and unconditional guarantee for up to $35.3m in favour of Treasury Corporation Victoria (TCV) that guarantees TCV the due and punctual payment of obligations as set out in the loan agreement in the event that HRV are unable to meet its obligations under the Unsecured TCV Loan Facility. The guarantee shall be a continuing guarantee and indemnity shall remain in full force and effect until all monies due and payable or contingently due or liable to be paid have been paid or satisfied in full.

NOTE 14. NON-INTEREST BEARING LIABILITIES

Current				
RISE funding agreement	-	-	300	300
Gaming machine entitlements (d)	-	88	-	-
Total non interest bearing liabilities	**-**	**88**	**300**	**300**

(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 27.3 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) 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current				
Tabcorp Melton sponsorship	351	351	351	351
Other revenue invoiced in advance	501	419	277	141
Total current prepaid income	**852**	**770**	**628**	**492**
Non current				
Tabcorp Melton sponsorship	1,054	1,404	1,054	1,404
Total non current prepaid income	**1,054**	**1,404**	**1,054**	**1,404**
Total prepaid income	**1,906**	**2,174**	**1,682**	**1,896**

NOTE 16. OTHER LIABILITIES

Current				
Vicbred fees invoiced in advance	547	728	547	728
Breeders Crown fees invoiced in advance	1,089	1,292	1,089	1,292
Other	100	157	92	138
Total current other liabilities	**1,736**	**2,177**	**1,728**	**2,158**
Non current				
Vicbred fees invoiced in advance	365	180	365	180
Breeders Crown fees invoiced in advance	1,418	1,348	1,418	1,348
Other	80	74	80	74
Total non current other liabilities	**1,863**	**1,602**	**1,863**	**1,602**
Total other liabilities	**3,599**	**3,779**	**3,591**	**3,760**

NOTE 17. CONTRIBUTED CAPITAL

Contributed capital	9,174	9,174	9,174	9,174
Total contributed capital	**9,174**	**9,174**	**9,174**	**9,174**

NOTE 18. RESERVES

Asset revaluation reserve				
Balance at beginning of financial year	29,889	29,889	29,889	29,889
Balance at end of financial year	**29,889**	**29,889**	**29,889**	**29,889**

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

NOTE 19. ACCUMULATED SURPLUS / (DEFICIT)

Accumulated surplus at the beginning of the financial year	165	1,860	3,063	4,656
Net operating surplus / (deficit)	502	(1,695)	228	(1,593)
Accumulated surplus at the end of the financial year	**667**	**165**	**3,291**	**3,063**

NOTE 20. DEVELOPMENT FUND

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

During the year ended 30 June 2018 expenditure on the following projects was incurred. No comparative for 2017 is shown due to the nature of the program. Each year the projects receiving funding change therefore making any comparative not applicable.

		2018 **$'000**
Ararat	Water tanks	9
Boort	Light pole relocation	90
	Horse wash	8
Charlton	Tractor	38
	Multipurpose facility development project	50
Cranbourne	Training centre	71
Geelong	Cooling and heating replacement	24
Horsham	Machinery shed extension	4
Kilmore	Water truck	29
Maryborough	Septic system upgrade and solar power	30
Mildura	Kitchen facilities upgrade	20
Stawell	Replace three steward towers	45
Swan Hill	Access path	20
Terang	Undercover stabling	200
Wangaratta	Raceday stalls	1
HRV	Owners facility upgrades at Ballarat, Cobram, Geelong , Gunbower, St Arnaud and Yarra Valley	66
	Track maintenance program	172
	Development fund costs	34
	Saddle cloths	16
	Asbestos audit	24
	Occupational health & safety rectifications	80
	Occupational health & safety audit	36
	Track maintenance supervisor	28
Total development fund expenses		**1,095**

NOTE 21. RESPONSIBLE PERSONS

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994 (FMA)*, the following disclosures are made regarding responsible persons for the reporting period.

Responsible Minister:
The Minister for Racing is The Hon. Martin Pakula, MP.

Governing Board:
Dale G Monteith (Board Chairman)
Elizabeth Clarke (Deputy Chair)
Dr Catherine Ainsworth
Jane Brook
Brett Clothier (resigned 7 July 2017)
Daniel Frawley
Peter Watkinson
Adam Kilgour (appointed 2 February 2018)

Accountable Officer:
David Martin (Chief Executive Officer)

The following persons were directors of the subsidiaries:
Dale G Monteith (Board Chairman)
Elizabeth Clarke (Deputy Chair)
Catherine Ainsworth
Jane Brook
Brett Clothier (resigned 7 July 2017)
Adam Kilgour (appointed 2 February 2018)
Daniel Frawley
Peter Watkinson
Dougall McBurnie (resigned 22 March 2018)
Cesare Tizi (resigned 22 March 2018)

Remuneration
Remuneration received or receivable by the Accountable Officer in connection with the management of the Group and HRV during the reporting period was in the range: $310,000 - $319,999 ($140,000 - $149,999 in 2016-17).

Total remuneration, by $10,000 band, for responsible persons

Income band	**2018**	**2017**
$0 to $10,000	1	2
$10,001 to $20,000	2	-
$20,001 to $30,000	4	7
$30,001 to $40,000	2	-
$50,001 to $60,000	-	1
$60,001 to $70,000	1	-
$110,000 to $120,000	-	1
$140,001 to $150,000	-	1
$290,001 to $300,000	-	1
$310,001 to $320,000	1	-
Total number	**11**	**13**
Total remuneration $'000	**583**	**780**

NOTE 22. EXECUTIVE OFFICERS REMUNERATION

Remuneration of executives

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits

Include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits

Include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits

Include long service leave, other long service benefits or deferred compensation.

Termination benefits

Include termination of employment payments, such as severance packages.

Remuneration of executive officers	**Total remuneration**	
Parent Entity	**2018**	**2017**
Remuneration	**$'000**	**$'000**
Short-term benefits	1,208	1,191
Post-employment benefits	106	126
Other long-term benefits	36	15
Termination benefits	115	603
Total remuneration (i)	**1,465**	**1,935**
Total number of executives (ii)	**10**	**12**
Total annualised employee equivalent (AEE) (iii)	**7**	**12**

Remuneration of executive officers	**Total remuneration**	
Consolidated	**2018**	**2017**
Remuneration	**$'000**	**$'000**
Short-term benefits	1,416	1,445
Post-employment benefits	126	158
Other long-term benefits	38	20
Termination benefits	115	711
Total remuneration (i)	**1,695**	**2,335**
Total number of executives (ii)	**12**	**15**
Total annualised employee equivalent (AEE) (ii)	**8**	**15**

i. Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB 119 *Employee Benefits*.

ii. The total number of executive officers includes persons who meet the definition of key management personnel (KMP) under AASB 124 *Related Party Disclosures* and are also reported within the related parties note disclosure.

iii. Annualised employee equivalent is based on the time fraction worked during the reporting period.

NOTE 23. RELATED PARTY TRANSACTIONS

(a) Parent entity

The Parent entity within the Group is Harness Racing Victoria.

(b) Subsidiaries & related party transactions

The following entities have been consolidated into the Group's financial statements pursuant to the determination made by the Minister for Finance under section 53(1)(b) of the *Financial Management Act 1994 (FMA)*:

- HRV Management Ltd;
- Melton Entertainment Trust; and
- Racing Information Services Enterprise.

Related parties of the Group include:

- All key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- All cabinet ministers and their close family members; and
- All departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial state ments.

All related party transactions have been entered into on arm's length basis.

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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Transactions with MET & RISE Pty Ltd				
Rental income	-	-	685	665
Goods and services received by HRV			251	252
Goods and services provided to HRV	-	-	585	762
Finance interest income	-	-	3	42
Balances:				
Receivables	-	-	3,956	3,896
Other financial assets	-	-	-	482
Payables	-	-	93	447
Other current liabilities	-	-	300	300

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

(c) 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) David Martin (Chief Executive Officer) is a director of Vic Racing Pty. Ltd. This company is an industry body and is not personal or family related; and

(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 23. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel information (KMP)

The KMP of HRV is detailed below:

Governing Board:

Dale G Monteith (Board Chairman)
Elizabeth Clarke (Deputy Chair)
Dr Catherine Ainsworth
Jane Brook
Brett Clothier (resigned 7 July 2017)
Daniel Frawley
Peter Watkinson
Adam Kilgour (appointed 2 February 2018)

Accountable Officer:

David Martin (Chief Executive Officer)

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' financial report.

Remuneration of KMP	**Total remuneration**	
Parent Entity	**2018**	**2017**
Remuneration	**$'000**	**$'000**
Short-term benefits	482	423
Post-employment benefits	36	36
Termination benefits	-	281
Other long-term benefits	1	2
Total remuneration (i)	**519**	**741**
Total number of KMP (ii)	**9**	**8**

The following persons were directors of the subsidiaries:

Dale G Monteith (Board Chairman)
Elizabeth Clarke (Deputy Chair)
Catherine Ainsworth
Jane Brook
Brett Clothier (resigned 7 July 2017)
Adam Kilgour (appointed 2 February 2018)
Daniel Frawley
Peter Watkinson
Dougall McBurnie (resigned 22 March 2018)
Cesare Tizi (resigned 22 March 2018)

Remuneration of KMP	**Total remuneration**	
Consolidated	**2018**	**2017**
Remuneration	**$'000**	**$'000**
Short-term benefits	546	461
Post-employment benefits	36	36
Termination benefits	-	281
Other long-term benefits	1	2
Total remuneration (i)	**583**	**780**
Total number of KMP (ii)	**11**	**13**

i. Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB 119 *Employee Benefits*.

ii. The total number of executive officers includes persons who meet the definition of KMP under AASB 124 *Related Party Disclosures* and are also reported within the related parties note disclosure.

NOTE 24. SUPERANNUATION ARRANGEMENTS

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

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

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

(a) Funds

- Permanent employees before 1 January 1995 - State Superannuation Fund (New Scheme) – Defined Benefit Scheme.
- Permanent employees after 1 January 1995 - 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 9.5%. The Victorian Superannuation Fund contributions are based on the Commonwealth Government Superannuation Guarantee and Board directives.

(c) Employer contributions made during the financial year:

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
State superannuation fund	44	42	44	42
Victorian superannuation fund	414	366	338	296
Host Plus superannuation fund	170	234	6	25
Various other funds as nominated by the employee	413	456	275	336
Total contributions	1,041	1,098	663	699

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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
(a) Reconciliation of cash and cash equivalents				
Deposits at call	2,367	1,025	1,616	465
Cash assets on hand	285	295	-	-
Closing cash and cash equivalents balance	**2,652**	**1,320**	**1,616**	**465**
(b) Reconciliation of the net result for the year to the net cash from operating activities				
Net result for the year	**502**	**(1,695)**	**228**	**(1,593)**
Add / (deduct) non-cash items:				
Depreciation / amortisation of non-current assets	2,185	2,109	1,715	1,666
Loss on sale of property, plant and equipment	11	-	11	-
Doubtful debts	68	(40)	4	(36)
Other non-cash items	24	-	24	-
Change in assets and liabilities:				
Increase in receivables	(201)	(911)	(107)	(2,081)
(Increase) / decrease in other current assets	(169)	190	(76)	180
Decrease in other non-current assets	-	691	-	691
Increase / (decrease) in accounts payable & other liabilities	494	(592)	216	(618)
Increase / (decrease) in provisions	205	(332)	195	(336)
Net cash provided by / (used in) operating activities	**3,119**	**(580)**	**2,210**	**(2,127)**

(c) Loan Facilities

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

NOTE 26. LEASES

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Non-cancellable operating leases				
Not longer than one year	158	164	158	164
Longer than 1 year and not longer than 5 years	149	86	149	86
Total non-cancellable operating leases	**307**	**250**	**307**	**250**

Disclosure as lessee - operating leases

Operating leases relate to the following items:

- Motor vehicle fleet with lease terms ranging between 1 and 3 years; and
- Office equipment with lease terms ranging between 1 and 5 years.

Operating lease relates to the racetrack and entertainment complex owned by HRV, which is leased to the Melton Entertainment Trust. The lease term expires on 15 August 2022 with annual increase of CPI or 3%, whichever is greater per annum.

Disclosure as lessor				
Non-cancellable operating leases				
Not longer than one year	-	-	706	685
Longer than 1 year and not longer than 5 years	-	-	2,246	2,952
Total non-cancellable operating leases	**-**	**-**	**2,952**	**3,637**

NOTE 27. FINANCIAL INSTRUMENTS

(a) Significant accounting policies

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

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

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

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Table 27.1: Categorisation of financial instruments

	Note	Category	Consolidated Entity		Parent Entity	
			2018	2017	2018	2017
			$'000	$'000	$'000	$'000
Financial assets						
Cash and cash equivalents	**25a**	N/A	2,652	1,320	1,616	465
Receivables (i)	**4**	Loans and receivables	6,678	6,404	10,208	10,090
Other financial assets - loans	**5**	Loans and receivables	-	39	-	521
Investments (iii)	**9**	Available for sale	1,082	1,082	1,429	1,429
Financial liabilities						
Payables (ii)	**11**	Financial liabilities	6,925	5,846	5,799	5,200
Interest bearing liabilities	**13**	Financial liabilities	26,995	28,045	26,995	28,045
Non Interest bearing liabilities	**14**	Financial liabilities	-	88	300	300

Note:

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

(c) Credit risk

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

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

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

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

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

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

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

	Note	Financial institutions $'000	Credit rating of financial institution	Other $'000	Total $'000
2018					
Contractual financial assets					
Cash and cash equivalents	**25a**	2,367	AA-	285	2,652
Receivables	**4**	-	-	6,678	6,678
Other financial assets - loans	**9**	-	-	1,082	1,082
Investments		**2,367**	**-**	**8,045**	**10,412**
2017					
Contractual financial assets					
Cash and cash equivalents	**25a**	1,025	A-1+	295	1,320
Receivables	**4**	-	-	6,404	6,404
Other financial assets - loans	**5**	-	-	39	39
Investments	**9**	-	-	1,082	1,082
Total contractual financial assets		**1,025**	**-**	**7,820**	**8,845**

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

	Note	Financial institutions $'000	Credit rating of financial institution	Other $'000	Total $'000
2018					
Contractual financial assets					
Cash and cash equivalents	**25a**	1,616	AA-	-	1,616
Receivables	**4**	-	-	10,208	10,208
Investments	**9**	-	-	1,429	1,429
Total contractual financial assets		**1,616**	**-**	**11,637**	**13,253**
2017					
Contractual financial assets					
Cash and cash equivalents	**25a**	465	A-1+	-	465
Receivables	**4**	-	-	10,090	10,090
Other financial assets - loans	**5**	-	-	521	521
Investments	**9**	-	-	1,429	1,429
Total contractual financial assets		**465**	**-**	**12,040**	**12,505**

At balance date, the 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 22 February 2018.

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.

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

The following table discloses the ageing only of financial assests that are past due and not impaired:

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

	Weighted average effective interest rate	Carrying amount	Interest rate exposure: Fixed interest rate	Interest rate exposure: Variable interest rate	Interest rate exposure: Non-interest bearing	Not past due and not impaired	Past due but not impaired: 31-60 days	Past due but not impaired: 61-90 days	Past due but not impaired: 91-120 days	Past due but not impaired: >121 days	Impaired financial assets
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018											
Cash and cash equivalents	**0.1%**	**2,652**	**-**	**2,367**	**285**	**2,652**	**-**	**-**	**-**	**-**	**-**
Receivables:											
Trade debtors	-	953	-	-	953	407	151	361	(50)	84	-
Tabcorp distribution	-	5,031	-	-	5,031	5,031	-	-	-	-	-
Accrued income	-	496	-	-	496	496	-	-	-	-	-
Other receivables	-	86	-	-	86	86	-	-	-	-	-
Investments:											
Investment in 3UZ Pty Ltd	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**10,300**	**-**	**2,367**	**7,933**	**9,754**	**151**	**361**	**(50)**	**84**	**-**
2017											
Cash and cash equivalents	**0.1%**	**1,320**	**-**	**1,025**	**295**	**1,320**	**-**	**-**	**-**	**-**	**-**
Receivables:											
Trade debtors	-	1,899	-	-	1,899	1,330	170	47	189	163	-
Tabcorp distribution	-	3,937	-	-	3,937	3,937	-	-	-	-	-
Accrued income	-	527	-	-	527	527	-	-	-	-	-
Other receivables	-	42	-	-	42	42	-	-	-	-	-
Other financial assets:											
Loans	-	39	-	-	39	39	-	-	-	-	-
Investments:											
Investment in 3UZ Pty Ltd	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**8,846**	**-**	**1,025**	**7,821**	**8,277**	**170**	**47**	**189**	**163**	**-**

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

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

	Weighted average effective interest rate	Carrying amount	Interest rate exposure			Not past due and not impaired	Past due but not impaired				Impaired financial assets
			Fixed interest rate	Variable interest rate	Non-interest bearing		31-60 days	61-90 days	91-120 days	>121 days	
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018											
Cash and cash equivalents	0.1%	1,616	-	1,616	-	1,616	-	-	-	-	-
Receivables:											
Trade debtors	-	868	-	-	868	393	86	343	(36)	82	-
Tabcorp distribution	-	5,031	-	-	5,031	5,031	-	-	-	-	-
Accrued income	-	353	-	-	353	353	-	-	-	-	-
Intercompany debtors	-	3,956	-	-	3,956	221	184	140	94	3,318	-
Investments:											
Investment in subsidiaries	-	347	-	-	347	347	-	-	-	-	-
Investment in 3UZ Pty Ltd	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**13,253**	**-**	**1,616**	**11,637**	**9,043**	**270**	**483**	**58**	**3,400**	**-**
2017											
Cash and cash equivalents	0.1%	465	-	465	-	465	-	-	-	-	-
Receivables:											
Trade debtors	-	1,780	-	-	1,780	1,370	150	38	189	33	-
Tabcorp distribution	-	3,937	-	-	3,937	3,937	-	-	-	-	-
Accrued income	-	476	-	-	476	476	-	-	-	-	-
Intercompany debtors	-	3,897	-	-	3,897	118	143	113	118	3,404	-
Other financial assets:											
Loans	6.3%	521	482	-	39	521	-	-	-	-	-
Investments:											
Investment in subsidiaries	-	347	-	-	347	347	-	-	-	-	-
Investment in 3UZ Pty Ltd	-	1,082	-	-	1,082	1,082	-	-	-	-	-
Total		**12,505**	**482**	**465**	**11,556**	**8,314**	**293**	**151**	**307**	**3,437**	**-**

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

d) Liquidity risk

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

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

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 (ii)

	Weighted average effective interest rate	Interest rate exposure					Maturity dates (i)			
		Carrying amount	Fixed interest Rate	Variable interest rate	Non-interest bearing	Nominal amount	Less than 1 month	1-3 mths	3 mths – 1 year	1-5 years
	%	'$000	'$000	'$000	'$000	'$000	'$000	'$000	'$000	'$000
2018										
Payables:										
Trade creditors	-	3,476	-		3,476	3,476	3,127	343	6	-
Other payables	-	3,449	-	-	3,449	3,449	3,449	-	-	-
Interest bearing liabilities:										
Unsecured - TCV loan facility	2.1%	26,995	-	26,995	-	26,995	-	-	10,918	16,077
Total		**33,920**	**-**	**26,995**	**6,925**	**33,920**	**6,576**	**343**	**10,924**	**16,077**
2017										
Payables:										
Trade creditors	-	3,517	-	-	3,517	3,517	2,844	670	3	-
Other payables	-	2,329	-	-	2,329	2,329	2,329	-	-	-
Interest bearing liabilities:										
Unsecured - TCV Loan facility	5.4%	28,045	-	28,045	-	28,045	-	-	11,969	16,076
Non Interest bearing liabilities:										
Gaming machine entitlements	-	88	-	-	88	88	-	88	-	-
Total		**33,979**	**-**	**28,045**	**5,934**	**33,979**	**5,173**	**758**	**11,972**	**16,076**

Note:

(i) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities.

(ii) 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 (ii)

	Weighted average effective interest rate	Interest rate exposure					Maturity dates (i)			
		Carrying amount	Fixed interest Rate	Variable interest rate	Non-interest bearing	Nominal amount	Less than 1 mth	1-3 mths	3 mths – 1 year	1-5 years
	%	'$000	'$000	'$000	'$000	'$000	'$000	'$000	'$000	'$000
2018										
Payables:										
Trade creditors	-	2,774	-	-	2,774	2,774	2,516	253	5	-
Intercompany payables	-	93	-	-	93	93	38	55	-	-
Other payables	-	2,932	-	-	2,932	2,932	2,932	-	-	-
Interest bearing liabilities:										
Unsecured - TCV loan facility	2.1%	26,995	-	26,995	-	26,995	-	-	10,918	16,077
Total		**32,794**	**-**	**26,995**	**5,799**	**32,794**	**5,486**	**308**	**10,923**	**16,077**
2017										
Payables:										
Trade creditors	-	2,888	-	-	2,888	2,888	2,271	617	-	-
Intercompany payables	-	447	-	-	447	447	366	81	-	-
Other payables	-	1,865	-	-	1,865	1,865	1,865	-	-	-
Interest bearing liabilities:										
Unsecured - TCV loan facility	5.4%	28,045	-	28,045	-	28,045	-	-	11,969	16,076
Total		**33,245**	**-**	**28,045**	**5,200**	**33,245**	**4,502**	**698**	**11,969**	**16,076**

Note:
(i) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities.
(ii) 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.

Equity price risk

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

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

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

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

Table 27.4a: The Group market risk exposure

		Foreign exchange risk				Interest rate risk			
		-5%		5%		-1%		1%	
						(100 basis points)		(100 basis points)	
	Carrying amount	**Net result**	**Equity**	**Net result**	**Equity**	**Net result**	**Equity**	**Net result**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2018									
Contractual financial assets:									
Cash and cash equivalents [i]	2,652	8	8	(8)	(8)	(3)	(3)	3	3
Receivables	6,678	-	-	-	-	-	-	-	-
Investments	1,082	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	6,925	-	-	-	-	-	-	-	-
Interest bearing liabilities	26,995	-	-	-	-	109	109	(109)	(109)
Total impact		**8**	**8**	**(8)**	**(8)**	**106**	**106**	**(106)**	**(106)**
2017									
Contractual financial assets:									
Cash and cash equivalents [i]	1,320	7	7	(7)	(7)	(1)	(1)	1	1
Receivables	6,404	-	-	-	-	-	-	-	-
Other financial assets	39	-	-	-	-	-	-	-	-
Investments	1,082	-	-	-	-	-	-	-	-
Contractual financial liabilities:									
Payables	5,846	-	-	-	-	-	-	-	-
Interest bearing liabilities	28,045	-	-	-	-	87	87	(87)	(87)
Non interest bearing liabilities	88	-	-	-	-	-	-	-	-
Total impact		**7**	**7**	**(7)**	**(7)**	**86**	**86**	**(86)**	**(86)**

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

Table 27.4b: The Parent market risk exposure

		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
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018									
Financial assets:									
Cash and cash equivalents (i)	1,616	8	8	(8)	(8)	(2)	(2)	2	2
Receivables	10,208	-	-	-	-	-	-	-	-
Investments	1,429	-	-	-	-	-	-	-	-
Financial liabilities:									
Payables	5,799	-	-	-	-	-	-	-	-
Interest bearing liabilities	26,995	-	-	-	-	109	109	(109)	(109)
Total increase / (decrease)		**8**	**8**	**(8)**	**(8)**	**107**	**107**	**(107)**	**(107)**
2017									
Financial assets:									
Cash and cash equivalents (i)	465	7	7	(7)	(7)	(1)	(1)	1	1
Receivables	10,090	-	-	-	-	-	-	-	-
Other financial assets	521	-	-	-	-	-	-	-	-
Investments	1,429	-	-	-	-	-	-	-	-
Financial liabilities:									
Payables	5,200	-	-	-	-	-	-	-	-
Interest bearing liabilities	28,045	-	-	-	-	120	120	(120)	(120)
Total increase / (decrease)		**7**	**7**	**(7)**	**(7)**	**119**	**119**	**(119)**	**(119)**

Note:
(i) Cash and cash equivalents includes AUD$151,039 in cash held in a New Zealand bank account (NZD$164,854 @ exchange rate of 0.9162 at 30 June 2018).

(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 LIABILITIES

Letter of comfort – Melton Entertainment Trust:

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 2019. As at balance date HRV believes that the performance of the Trust will be sufficient for it to meet its external obligations in its own right.

NOTE 29. COMMITMENTS FOR EXPENDITURE

	Consolidated Entity		Parent Entity	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Other expenditure commitments				
Tabcorp gaming solutions service agreement (i)				
Payable:				
Not longer than one year	1,129	1,107	-	-
Longer than 1 year and not longer than 5 years	3,752	4,932	-	-
	4,881	**6,039**	**-**	**-**
Total other expenditure commitments (inclusive of GST)	**4,881**	**6,039**	**-**	**-**
Total commitments for expenditure (inclusive of GST)	**4,881**	**6,039**	**-**	**-**
Less GST recoverable from the Australian Taxation Office	(444)	(549)	-	-
Total capital expenditure commitments (exclusive of GST)	**4,437**	**5,490**	**-**	**-**

(i) On commencement of the gaming arrangements in 2012, the infrastructure, services and functions currently supplied by Tabcorp become the responsibility of the gaming venues. The Tabcorp Gaming Solutions package entered into is an all-encompassing offering covering a range of services for a daily fee per machine currently at $34.24 with an annual CPI increase.

Freehold land

HRV entered into a Section 173 agreement with the Melton Shire Council on the 26 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. A further extension was agreed to in July 2017 extending the time to 30 June 2021 and 30 June 2022 respectively.

NOTE 30. SUBSEQUENT EVENTS

No material subsequent events have occurred since balance date.

NOTE 31. SUBSIDIARIES

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

Name of entity	Country of incorporation	Equity Holding
RISE 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.

DECLARATION IN THE FINANCIAL STATEMENTS

The attached financial statements for Harness Racing Victoria have been prepared in accordance with Direction 5.2 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 2018 and financial position of the entity at 30 June 2018.

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 29 August 2018.

Dale G Monteith
CHAIRMAN

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

David Martin BE (Hons), MBA, CPEng
CHIEF EXECUTIVE OFFICER

Luke Spano CPA
GENERAL MANAGER FINANCE

Melbourne, 29 August 2018

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

To the Board of Harness Racing Victoria

Opinion	I have audited the consolidated financial report of Harness Racing Victoria (the authority) and its controlled entities (together the consolidated entity) which comprises the: • consolidated entity and authority balance sheet as at 30 June 2018 • consolidated entity and authority comprehensive operating statement for the year then ended • consolidated entity and authority statement of changes in equity for the year then ended • consolidated entity and authority cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • declaration in the financial statements. In my opinion the financial report presents fairly, in all material respects, the financial positions of the consolidated entity and the authority as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975.* My staff and I are independent of the consolidated entity and the authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Board's responsibilities for the financial report	The Board of the authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Board is responsible for assessing the consolidated entity's and authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

Auditor’s responsibilities for the audit of the financial report

As required by the *Audit Act 1994,* my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

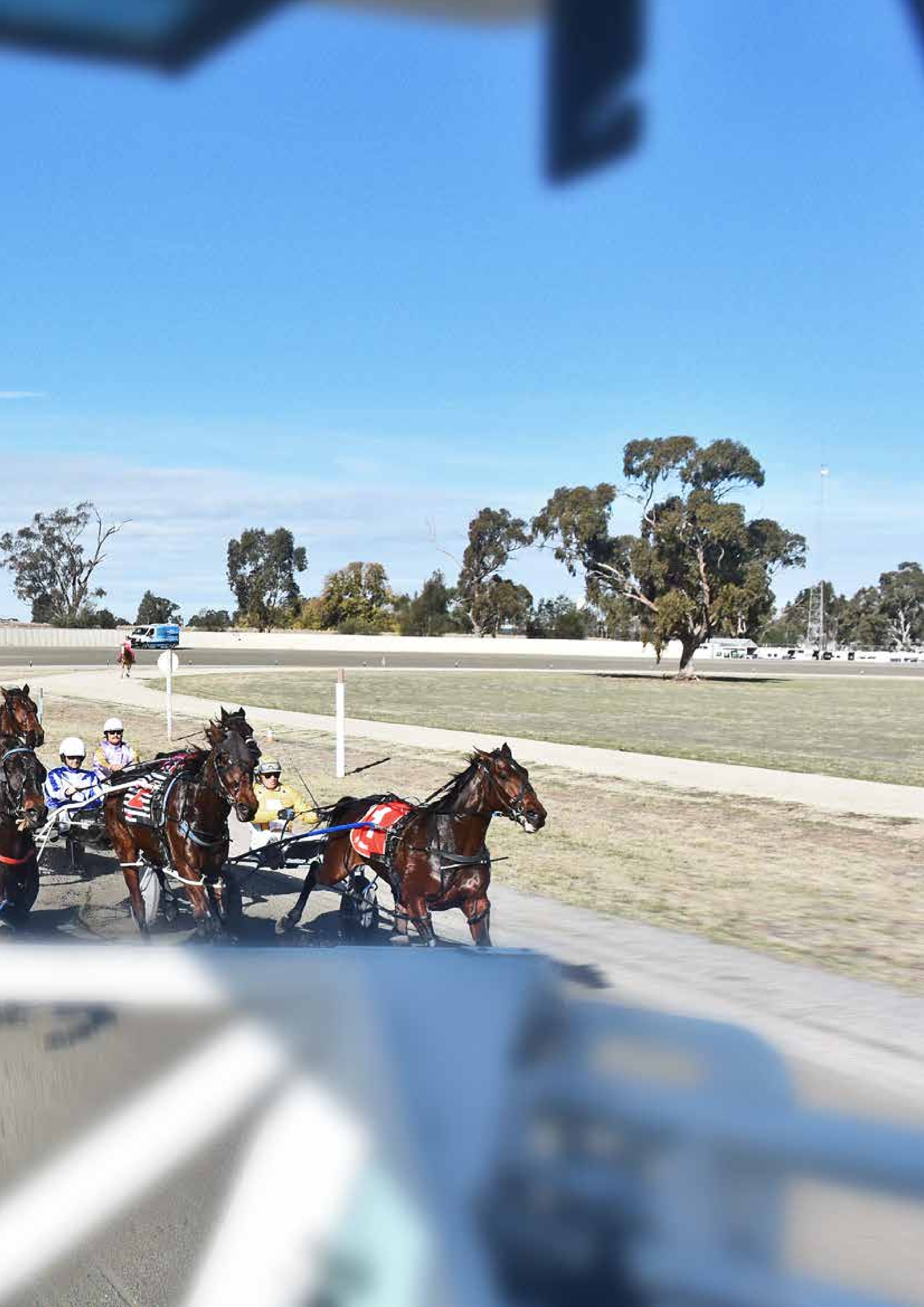
- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's and the authority’s internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's and the authority’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the authority to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity and the authority to express an opinion on the financial report. I remain responsible for the direction, supervision and performance of the audit of the consolidated entity and the authority. I remain solely responsible for my audit opinion.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

T. Dt

MELBOURNE
3 September 2018

Travis Derricott
as delegate for the Auditor-General of Victoria



HARNESS RACING VICTORIA

HARNESS RACING VICTORIA
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

ABN 22 764 910 853