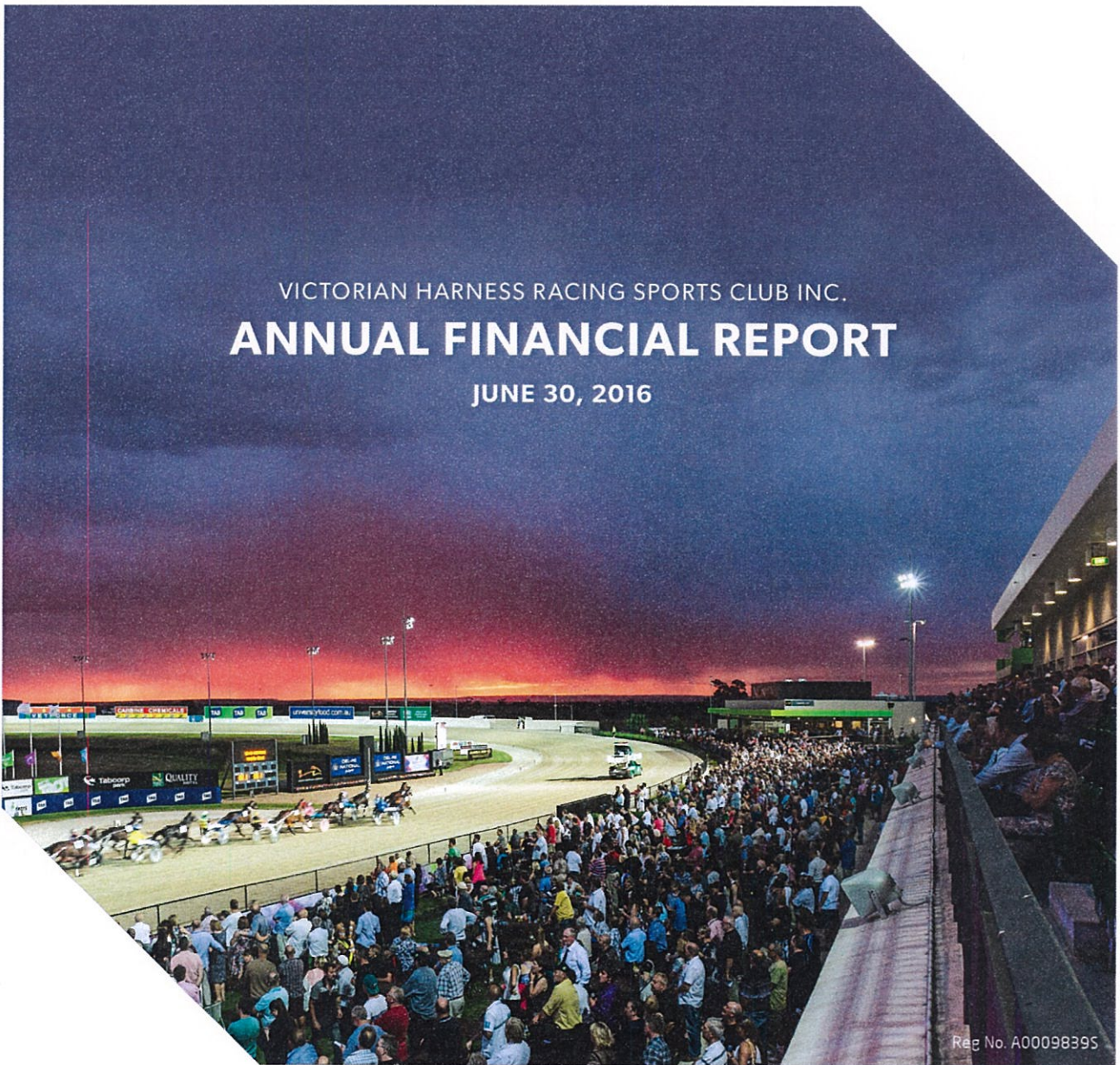


VICTORIAN HARNESS RACING SPORTS CLUB INC.  
**ANNUAL FINANCIAL REPORT**  
JUNE 30, 2016



Reg No. A0009839S



VICTORIAN HARNESS RACING SPORTS CLUB

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**Reg No. A0009839S**



VICTORIAN HARNESS RACING SPORTS CLUB Inc.

Reg No. A0009839S

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
<b>REVENUE FROM CONTINUING OPERATIONS</b>			
Subscriptions		77,803	77,567
Other revenue		16,461	20,405
<b>Total Revenue from continuing operations</b>	3	<b>94,264</b>	<b>97,972</b>
<b>EXPENSES</b>			
Depreciation and amortisation expense		(852)	(1,057)
Other expenses from operating activities		(140,695)	(171,126)
<b>Total Expenses</b>	4	<b>(141,547)</b>	<b>(172,183)</b>
<b>Loss before income tax expense from continuing operations</b>		<b>(47,283)</b>	<b>(74,211)</b>
Income Tax Expense		-	-
<b>Loss after income tax from continuing operations</b>		<b>(47,283)</b>	<b>(74,211)</b>
<b>(Loss)/Profit after income tax from discontinued operations</b>	5	<b>(30,459)</b>	<b>80,202</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>(77,742)</b>	<b>5,991</b>

The accompanying notes form part of this financial report

VICTORIAN HARNESS RACING SPORTS CLUB Inc.

Reg No. A0009839S

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016	2015
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	7	156,731	163,667
Trade and other receivables	8	1,669	3,865
Other assets	9	400	-
Assets of disposal groups classified as held or sale	10	1,606,892	1,854,199
<b>Total Current Assets</b>		<b>1,765,692</b>	<b>2,021,731</b>
<b>Non-Current Assets</b>			
Property, plant & equipment	11	4,232	5,084
<b>Total Non-Current Assets</b>		<b>4,232</b>	<b>5,084</b>
<b>Total Assets</b>		<b>1,769,924</b>	<b>2,026,815</b>
<b>Current Liabilities</b>			
Trade and other payables	12	2,416	1,604
Liabilities directly associated with assets classified as held for sale	10	1,211,920	1,391,881
<b>Total Current Liabilities</b>		<b>1,214,336</b>	<b>1,393,485</b>
<b>Total Liabilities</b>		<b>1,214,336</b>	<b>1,393,485</b>
<b>Net Assets</b>		<b>555,588</b>	<b>633,330</b>
<b>Equity</b>			
Capital Funds	13	396,414	396,414
Accumulated surplus	14	159,174	236,916
<b>Total Equity</b>		<b>555,588</b>	<b>633,330</b>

The accompanying notes form part of this financial report

VICTORIAN HARNESS RACING SPORTS CLUB Inc.

Reg No. A0009839S

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

2016	Notes	Equity at 1-Jul-15	Changes due to		Equity at 30-Jun-16
			Total comprehensive income	Transactions with owner in its capacity as owner	
Total accumulated surplus	14	236,916	(77,742)	-	159,174
Total contribution by owners - contributed capital	13	396,414	-	-	396,414
<b>Total equity at the end of the financial year</b>		<b>633,330</b>	<b>(77,742)</b>	-	<b>555,588</b>

2015	Notes	Equity at 1-Jul-14	Changes due to		Equity at 30-Jun-15
			Total comprehensive income	Transactions with owner in its capacity as owner	
Total accumulated surplus	14	230,925	5,991	-	236,916
Total contribution by owners - contributed capital	13	396,414	-	-	396,414
<b>Total equity at the end of the financial year</b>		<b>627,339</b>	<b>5,991</b>	-	<b>633,330</b>

The accompanying notes form part of this financial report

VICTORIAN HARNESS RACING SPORTS CLUB Inc.

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from members and customers		5,567,528	5,743,050
Receipts from members subscriptions		77,803	77,567
Payments to suppliers and employees		(5,719,465)	(5,923,511)
Income tax paid to the ATO		(889)	(370)
Interest received		1,085	4,118
<b>Net cash used in operating activities</b>	<b>15d</b>	<b>(73,939)</b>	<b>(99,146)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant & equipment		(22,246)	(41,849)
<b>Net cash used in investing activities</b>		<b>(22,246)</b>	<b>(41,849)</b>
<b>Net decrease in cash and cash equivalents held</b>		<b>(96,185)</b>	<b>(140,995)</b>
Cash and cash equivalents at the beginning of the financial year		556,115	697,110
<b>Cash and cash equivalents at the end of the financial year</b>	<b>15c</b>	<b>459,930</b>	<b>556,115</b>

The accompanying notes form part of this financial report

**VICTORIAN HARNESS RACING SPORTS CLUB Inc.**

**Reg No. A0009839S**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

**NOTE 1: INTRODUCTION**

The financial report is for Victorian Harness Racing Sports Club Inc as an individual entity for the year ended 30 June 2016. Victorian Harness Racing Sports Club Inc is an association incorporated and domiciled in Victoria, Australia under the Associations Incorporation Reform Act 2012. The financial statements are presented in Australian dollars and rounded to the nearest one dollar. The registered office and principal place of business is Victorian Harness Racing Sports Club Inc, 2 Ferris Rd, Melton South, Victoria, 3338.

The financial report was authorised for issue by the committee of Victorian Harness Racing Sports Club Inc on the date shown on the Statement by Members of the Committee attached to the financial statements.

The operations and principal activities of the entity during the year were to undertake licensed social, racing/sporting and recreational activities.

**Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the Associations Incorporation Reform Act 2012 of Victoria.

Victorian Harness Racing Sports Club Inc is considered to be a Not for Profit entity and has prepared the financial statements in accordance with the requirements regarding Not for Profit entities as contained in Australian Accounting Standards.

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.

**Adoption of New and Revised Standards**

All new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Victorian Harness Racing Sports Club's operations and effective for annual reporting periods beginning on 1 July 2015 have been adopted by the entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**NOTE 2: SUMMARY OF ACCOUNTING POLICIES**

The principal accounting policies adopted by Victorian Harness Racing Sports Club Inc are stated in order to assist in a general understanding of the financial report.

The following is a summary of the material accounting policies adopted by the association in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**a. Significant Judgements and Key Assumptions**

No significant judgements have been made in applying accounting policies that have a significant effect on the amounts recognised in the financial statements.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the actual results. The judgements, estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Gaming Licence Entitlements*

The liability for gaming licence entitlements is recognised and measured at the present value of estimated future cash flows to be made for all gaming licenses, based on monthly payments to VCGLR, at the reporting date. In determining the present value of the liability, estimates of discount rates and interest rates have been taken into account.

*Provisioning for Impairment of Receivables*

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the aging of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

*Estimation of useful lives of Assets*

Victorian Harness Racing Sports Club Inc. determined the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Long Service Leave Provision*

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.



**NOTE 2: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

No key assumptions have been made concerning the future and there are no other key sources of estimation uncertainty at the balance date that the Directors consider have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**b. Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the association will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Non-member income of the association is only assessable for tax, as member income is excluded under the principle of mutuality.

**c. Inventories**

Inventories consist of food and beverage stocks used at the Junction Tabaret and are measured at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at balance date using the first in first out basis.

**d. Property, Plant and Equipment**

Each class of property, plant and equipment are carried at cost less, where applicable, any accumulated depreciation.

**Plant and Equipment**

Plant and equipment is stated at cost less accumulated depreciation.

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable. If any such indication exists and where the carrying amount values exceeds the estimated recoverable amount the assets are written down to the recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

NOTE 2: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

**Depreciation**

Depreciation of plant and equipment is calculated on both the reducing balance and straight-line method at rates considered adequate to write off the plant and equipment over the period of their estimated lives.

The depreciation rates used for each class of depreciable asset are:

<i>Class of Plant and Equipment</i>	<i>Depreciation Rate</i>	
Club Plant and Equipment	7.5% - 40%	Reducing Balance
Tabaret Plant & Equipment	20% - 33.3%	Straight Line
Tabaret Furniture & Fittings	6.67% - 20%	Straight Line

**e. Capital Funds – Member’s Joining Fees**

New members may be required to pay a joining fee, which is not refundable. The movement in this account reflects fees from new members.

**f. 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.

**g. Employee Benefits**

Provision is made for the company’s liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, and annual leave which will be settled after one year, have been measured at their nominal amount. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the association to an employee superannuation fund and are charged as expenses when incurred.

**h. Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash in banks, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

**i. Revenue Recognition**

Revenue from the sale of goods is recognised upon the delivery of goods or services to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Members income and subscriptions are recognised on an accruals basis in respect of each financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**NOTE 2: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**j. Trade and Other Receivables**

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and allowance for impairment.

An allowance 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.

**k. Accounts Payable**

Accounts payable represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

**l. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

**m. Provisions**

Provisions are recognised when the Club 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 provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risk of uncertainties surrounding the obligation. Where a provision is estimated using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**n. Intangibles**

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

NOTE 2: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

**o. Discontinued Operations**

A discontinued operation is a component on the consolidated entity that has been disposed of or is classed as held for sale and that represents a separate major line of business. The results of the discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

**p. New, revised or amending Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*AASB 9 Financial Instruments*

The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. Applicable for annual reporting periods beginning on 1 Jan 2018. The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.

*AASB 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. Applicable for annual reporting periods beginning on 1 Jan 2018. The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.

VICTORIAN HARNESS RACING SPORTS CLUB Inc.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	2016	2015
<b>NOTE 3: REVENUE FROM CONTINUING OPERATIONS</b>	<b>\$</b>	<b>\$</b>
Subscriptions	77,803	77,567
Bonus Races	16,000	18,500
Other	79	-
	<b>93,882</b>	<b>96,067</b>
<b>Other Revenue</b>		
Interest received	382	1,905
	<b>382</b>	<b>1,905</b>
<b>Total Revenue from continuing operations</b>	<b>94,264</b>	<b>97,972</b>

	2016	2015
<b>NOTE 4: EXPENSES FROM CONTINUING OPERATIONS</b>	<b>\$</b>	<b>\$</b>
(Loss)/Profit before income tax from continuing operations includes the following expenses:		
<b>Depreciation</b>		
Depreciation of property, plant and equipment	852	1,057
	<b>852</b>	<b>1,057</b>
<b>Other Expenses</b>		
Audit and accounting fees	4,000	4,000
Marketing expenses	22,156	58,286
Bonus Race expense	52,500	64,500
Management service charge	50,000	50,000
Other	12,039	(5,660)
	<b>140,695</b>	<b>171,126</b>
<b>Total Expenses from continuing operations</b>	<b>141,547</b>	<b>172,183</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**NOTE 5: DISCONTINUED OPERATIONS**

On the 22<sup>nd</sup> June 2016 the consolidated entity made the decision to sell the Junction Club, the gaming venue operated by Victorian Harness Racing Sports Club Inc.

**(a) Financial performance information**

	2016	2015
	\$	\$
Gaming Commission	4,585,192	4,673,059
Other Revenue	987,150	1,060,733
<b>Total Revenue</b>	<b>5,572,342</b>	<b>5,733,792</b>
Gaming Costs	(2,298,323)	(2,276,171)
Cost of Goods Sold	(316,471)	(321,696)
Employment Costs	(1,090,662)	(1,054,275)
Communication Costs	(13,420)	(18,291)
Computer Costs	(8,852)	(9,479)
Property Costs	(994,168)	(1,030,286)
Marketing and Sponsorship Costs	(245,256)	(254,151)
Venue Costs	(86,899)	(83,927)
Management and Service Fee	(235,000)	(235,000)
Depreciation	(216,218)	(233,512)
Other Expenses	(108,174)	(103,229)
<b>Total Expenses</b>	<b>(5,613,443)</b>	<b>(5,620,017)</b>
<b>(Loss)/Profit before income tax expense</b>	<b>(41,101)</b>	<b>113,775</b>
Income Tax benefit/(expense)	10,642	(33,573)
<b>(Loss)/Profit after income tax expense from discontinued operations</b>	<b>(30,459)</b>	<b>80,202</b>

**(b) Cash flow information**

	Note	2016	2015
		\$	\$
Net cash from/(used in) operating activities	15d	(67,002)	(98,530)
Net cash from/(used in) investing activities		(22,246)	(41,849)
<b>Net increase/(decrease) in cash from discontinued operations</b>		<b>(89,248)</b>	<b>(140,379)</b>

VICTORIAN HARNESS RACING SPORTS CLUB Inc.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2016                      2015

**NOTE 6: REMUNERATION OF AUDITORS**

\$                              \$

Remuneration of the auditors for:

- Audit of the financial report                      17,900                      16,250
- Other services
  - Community Benefit Statement audit                      1,500                      1,500
  - Taxation compliances services                      4,500                      4,250

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**23,900                      22,000**

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**NOTE 7: CASH AND CASH EQUIVALENTS**

Cash at bank                      156,731                      163,667

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**156,731                      163,667**

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**NOTE 8: TRADE AND OTHER RECEIVABLES**

Accrued income                      -                      36

Trade receivables                      -                      1,531

GST Receivable                      1,669                      2,298

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**1,669                      3,865**

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**NOTE 9: OTHER ASSETS**

Prepaid Expenses                      400                      -

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**400                      -**

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VICTORIAN HARNESS RACING SPORTS CLUB Inc.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**NOTE 10: ASSETS AND LIABILITES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE**

	2016	2015
<b>Assets</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	303,199	392,447
Trade and other receivables	73,548	45,785
Inventories	26,790	28,830
Deferred tax asset	43,430	32,788
Property, plant & equipment	43,545	55,855
Intangible assets	1,112,680	1,294,341
Other assets	3,700	4,153
<b>Total Assets</b>	<b>1,606,892</b>	<b>1,854,199</b>
<b>Liabilities</b>		
Trade and other payables	714,963	544,520
Provisions	84,604	105,189
Non interest bearing liabilities	413,243	727,961
Income tax payable	(890)	14,211
<b>Total Liabilities</b>	<b>1,211,920</b>	<b>1,391,881</b>

The assets and liabilities identified above represent the assets and liabilities of Junction Club, the gaming venue operated by Victorian Harness Racing Sports Club Inc. On the 22<sup>nd</sup> June 2016 the consolidated entity made the decision to sell the Junction Club.

**NOTE 11: PROPERTY, PLANT & EQUIPMENT**

Plant & Equipment at Cost - Club	55,502	55,502
Less accumulated depreciation	(51,270)	(50,418)
<b>TOTAL WRITTEN DOWN VALUE</b>	<b>4,232</b>	<b>5,084</b>



VICTORIAN HARNESS RACING SPORTS CLUB Inc.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

(a) Movements in carrying amounts

Movement in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant & Equipment Club	Total
<b>2016</b>	\$	\$
Balance at Beginning of the year	5,084	5,084
Depreciation Expense	(852)	(852)
<b>Carrying amount at the end of the year</b>	<b>4,232</b>	<b>4,232</b>

	Plant & Equipment Club	Total
<b>2015</b>	\$	\$
Balance at Beginning of the year	6,141	6,141
Depreciation Expense	(1,057)	(1,057)
<b>Carrying amount at the end of the year</b>	<b>5,084</b>	<b>5,084</b>

	2016	2015
<b>NOTE 12: TRADE AND OTHER PAYABLES</b>	\$	\$
<b>CURRENT</b>		
Trade Payables	(102)	1,604
Accrued Expenses	2,518	-
	<b>2,416</b>	<b>1,604</b>

**NOTE 13: CAPITAL FUNDS**

	2016	2015
Schedule of Movements		
Opening Balance	396,414	396,414
	<b>396,414</b>	<b>396,414</b>

	2016	2015
<b>NOTE 14: ACCUMULATED SURPLUS</b>	\$	\$
Accumulated surplus at the beginning of the financial year	236,916	230,925
Net surplus for the year	(77,742)	5,991
	<b>159,174</b>	<b>236,916</b>

VICTORIAN HARNESS RACING SPORTS CLUB Inc.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**NOTE 15: CASH FLOW INFORMATION**

**(a) Reconciliation of Cash and Cash Equivalents from continuing operations**

Cash at Bank	156,731	163,667
<b>Closing Cash and Cash Equivalents Balance</b>	<b>156,731</b>	<b>163,667</b>

**(b) Reconciliation of Net Cash provided by Operating Activities to results after Income Tax from continuing operations**

<b>Net Result for the Year</b>	22,717	(4,211)
<b>Non-cash items</b>		
Depreciation	852	1,057
<b>Change in assets and liabilities</b>		
(Increase)/Decrease in receivables	(29,635)	11,180
(Increase) in prepayments and other current assets	(400)	-
(Decrease) in creditors and accruals	(471)	(8,640)
<b>Net Cash Provided from/(used in) Operating Activities from continuing operations</b>	<b>(6,937)</b>	<b>(614)</b>

**(c) Reconciliation of Cash and Cash Equivalents from continued and discontinued operations**

Cash and cash equivalents from continuing operations	156,731	163,668
Cash and cash equivalents from discontinued operations	303,199	392,447
<b>Closing Cash and Cash Equivalents Balance</b>	<b>459,930</b>	<b>556,115</b>

**(d) Reconciliation of Net Cash provided by Operating Activities to results after Income Tax from continued and discontinued operations**

Net Cash Provided from/(used in) Operating Activities from continued operations	(6,937)	(614)
Net Cash Provided from/(used in) Operating Activities from discontinued operations	(67,002)	(98,530)
<b>Net Cash Provided from/(used in) Operating Activities from continued and discontinued operations</b>	<b>(73,939)</b>	<b>(99,144)</b>

**NOTE 16: FINANCIAL INSTRUMENTS**

**(a) Significant accounting policies**

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, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

VICTORIAN HARNESS RACING SPORTS CLUB Inc.

Reg No. A0009839S

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

	Note	Category	Carrying amount (\$)	
			2016	2015
<b>Financial assets</b>				
Cash and cash equivalents			459,930	556,115
Trade Receivables <sup>(a)</sup>	8	Trade and other receivables	73,548	47,351
	7	N/A		
<b>Financial liabilities</b>				
Payables	14	Trade and Other Payables	572,625	370,094

Note:

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

(c) Credit risk

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

Credit risk associated with VHRSC's financial assets are considered minimal. VHRSC's main debtor at any given time is Tabcorp which is the licenced gaming operator.

Provision of impairment for financial assets is calculated based on past experience.

The carrying amount of financial assets recorded in the Financial Report, net of any allowances for losses, represents VHRSC's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Financial assets that are either past due or impaired

Currently VHRSC does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

As at the reporting date, there is no event to indicate that any of the financial assets were impaired.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. The following table discloses the ageing only of financial assets that are past due but not impaired:

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

Table 16.2: Interest rate exposure and ageing analysis of financial assets (a)												
(\$)												
	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		
<b>2016</b>												
Cash and cash equivalents	0.01%	459,930		335,997	123,933	459,930						
Receivables:												
Trade Receivables	-	-	-	-	-	-						
Accrued Income	-	51,563	-	-	51,563	51,563						
Other Receivables	-	21,985	-	-	21,985	21,985						
<b>Total</b>		<b>533,478</b>	<b>-</b>	<b>335,997</b>	<b>197,481</b>	<b>533,478</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2015</b>												
Cash and cash equivalents	0.01%	556,115		444,956	111,159	556,115						
Receivables:												
Trade Receivables	-	3,245	-	-	3,245	3,245						
Accrued Income	-	24,222	-	-	24,222	24,222						
Other Receivables	-	19,885	-	-	19,885	19,885						
<b>Total</b>		<b>603,467</b>	<b>-</b>	<b>444,956</b>	<b>158,511</b>	<b>603,467</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Note:

(a) Ageing analysis of financial assets excludes statutory financial assets (i.e. GST input tax credit recoverable).

(d) Liquidity risk

Liquidity risk arises when VHRSC is unable to meet its financial obligations as they fall due. VHRSC's policy is to settle financial obligations within 30 days and in the event of a dispute, make payments within 30 days thereafter.

VHRSC's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from accumulated reserves.

**NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)**

Maximum exposure to liquidity risk is the carrying amounts of financial liabilities.

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

**Table 16.3: Interest rate exposure and maturity analysis of financial liabilities** (\$)

	Weighted average effective interest rate %	Interest rate exposure			Nominal Amount	Maturity dates <sup>(a)</sup>						
		Carrying amount	Fixed Interest Rate	Variable interest rate		Non-interest bearing	Less than 1 month	1-3 Months	3 months – 1 year	1-5 years		
<b>2016</b>												
Payables:												
Trade Creditors		481,658	-	-	481,658				319,641	126,931	35,086	-
Other payables		90,967	-	-	90,967				70,477	20,491	-	-
		<b>572,625</b>	<b>-</b>	<b>-</b>	<b>572,625</b>				<b>390,118</b>	<b>147,422</b>	<b>35,086</b>	<b>-</b>
<b>2015</b>												
Payables:												
Trade Creditors		302,074	-	-	302,074				302,074	-	-	-
Other payables		68,020	-	-	68,020				47,530	20,490	-	-
		<b>370,094</b>	<b>-</b>	<b>-</b>	<b>370,094</b>				<b>349,604</b>	<b>20,490</b>	<b>-</b>	<b>-</b>

Note:

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

**(e) Market risk**

VHRSC's has minimal, if any, exposures to market risk in the form of interest rate risk or exposure to foreign currency and other price risks. Therefore, it has not been considered necessary to have detailed policies and processes to manage each of these risks. In the event that such risks arise in the future, management will develop the necessary policy objectives and detailed procedures to effectively manage the market risk exposure.

VHRSC considers that the carrying amount of financial assets and financial liabilities recorded in the financial report to be a fair approximation of their fair values, because of the precise and short term nature of the financial instruments as well as the expectation that they will be paid in full.

VICTORIAN HARNES RACING SPORTS CLUB Inc.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

**Sensitivity disclosure analysis**

Table 22.4 discloses the impact on net operating result and equity for each category of financial instrument held by VHRSC at year-end if the below movements were to occur.

\* A parallel shift of +1 per cent and -1 per cent in market interest rates (AUD) from year-end rates;

\* Proportional market movement of -5 per cent (depreciation) and +5 per cent (appreciation) of redemption price in Unlisted Managed Fund Units

**Table 16.4: Market risk exposure**

	Interest rate risk						Price Risk			
	-1%		1%		-5%		5%			
	(100 basis points)		(100 basis points)		(100 basis points)		(100 basis points)		(100 basis points)	
Carrying amount	Net Result	Equity	Net Result	Equity	Net Result	Equity	Net Result	Equity	Net Result	Equity
<b>2016</b>										
<b>Financial assets:</b>										
Cash and cash equivalents	(4,599)	(4,599)	4,599	4,599	-	4,599	-	-	-	-
Trade Receivables	-	-	-	-	-	-	-	-	-	-
<b>Financial liabilities:</b>										
Payables	-	-	-	-	-	-	-	-	-	-
<b>Total increase/(decrease)</b>	<b>(4,599)</b>	<b>(4,599)</b>	<b>4,599</b>	<b>4,599</b>	<b>-</b>	<b>4,599</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**VICTORIAN HARNESS RACING SPORTS CLUB**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015****NOTE 17: ASSOCIATION DETAILS**

The principal place of business of the association is:

Victorian Harness Racing Sports Club Inc.

2 Ferris Road,

Melton South VIC 3338.

Victorian Harness Racing Sports Club Inc is an Association incorporated under the Associations Incorporation Reform Act 2012 that is incorporated and domiciled in Australia.

The principal activities of the entity during the year were to undertake licensed social, racing/sporting and recreational activities.

**NOTE 18: COMMITMENTS FOR EXPENDITURE****(a) Junction Tabaret Operating Lease Commitments**

Payable:

- not later than one year	49,316	55,368
- later than one year but not later than 5 years	-	-
- later than 5 years	-	-
	<b>49,316</b>	<b>55,368</b>

**(b) Gaming Machine Operating Lease Licence Entitlements**

Payable:

- not later than one year	348,339	348,339
- later than one year but not later than 5 years	81,966	430,305
- later than 5 years	-	-
	<b>430,305</b>	<b>778,644</b>

**(c) Tabcorp Gaming Solutions (TGS) Operating Lease Service Agreement**

Payable:

- not later than one year	996,356	984,372
- later than one year but not later than 5 years	4,296,428	4,233,201
- later than 5 years	1,301,154	2,458,467
	<b>6,593,938</b>	<b>7,676,040</b>
	<b>7,073,559</b>	<b>8,510,052</b>

**VICTORIAN HARNESS RACING SPORTS CLUB Inc.**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

**NOTE 18: COMMITMENTS FOR EXPENDITURE (CONTINUED)**

- (a) A lease for the ground floor at 740 Mount Alexander Road, Moonee Ponds (to 1 August 2015) between Harness Racing Victoria and Victorian Harness Racing Sports Club. New lease agreement has yet to be signed. Currently operating on a month by month basis.
- (b) The Victorian Harness Racing Sports Club maintains 80 gaming machine entitlements to enable it to operate gaming machines at The Junction Tabaret for a period of 10 years following the cessation of the previous gaming arrangements on 15<sup>th</sup> August 2012.
- (c) On commencement of the new gaming arrangements in August 2012, the infrastructure, services and functions currently supplied by Tabcorp become the responsibility of the gaming venues. The TGS ten year agreement entered into is an all-encompassing offering covering a range of services for a daily fee per machine

**NOTE 19: EVENTS SUBSEQUENT TO BALANCE DATE**

There were no subsequent events post balance date to report on.

**NOTE 20: KEY MANAGEMENT PERSONNEL COMPENSATION**

There directors of the club are considered the key personnel and chief decision makers of the club. The directors receive no remuneration in respect of their position on the board.

**NOTE 21: RELATED PARTY TRANSACTIONS**

Directors who held office at any time during the year were:

Emilio Mazzetti (President)

Robert Merola (Vice President)

Neville Walker (Treasurer)

Carol Bass (Committee)

Joe Ivisic (Committee)

Elio Volpato (Committee)

Rob Miller (Committee) Appointed 1<sup>st</sup> October 2015, Resigned 22<sup>nd</sup> March 2016

Elizabeth Clarke (Committee) Appointed 25<sup>th</sup> September 2015

Ian Delmenico (Committee) Appointed 25<sup>th</sup> September 2015, Resigned 2th April 2016

Brett Boyd (Committee) Appointed 1<sup>st</sup> July 2015, Resigned 19<sup>th</sup> August 2015

Directors receive no remuneration or benefits from the Club. The directors pay membership fees and are involved in other transactions with the Club on the same terms and conditions as available to other club members.



**VICTORIAN HARNESS RACING SPORTS CLUB Inc.**

**Reg No. A0009839S**

**STATEMENT BY MEMBERS OF THE COMMITTEE**

In the opinion of the committee the accompanying financial report :

1. Presents a true and fair view of the financial position of Victorian Harness Racing Sports Club Inc. as at 30 June 2016 and its performance for the year ended on that date in accordance with Australian Accounting Standards, mandatory professional reporting requirements and other authoritative pronouncements of the Australian Accounting Standards Board.
2. At the date of this statement, there are reasonable grounds to believe that Victorian Harness Racing Sports Club Inc. will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Committee and is signed for and on behalf of the Committee by:

President:



Emilio Mazzetti

Treasurer:



Neville Walker

Dated this 21st day of September 2016

## INDEPENDENT AUDITOR'S REPORT

To the members of Victorian Harness Racing Sports Club Inc.

### Report on the Financial Report

We have audited the accompanying financial report of Victorian Harness Racing Sports Club Inc. which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by members of the committee.

### Committee Members' Responsibility for the Financial Report

Committee members are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Associations Incorporation Reform Act 2012*, and for such internal control as the committee members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the committee members, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.



## Opinion

In our opinion the financial report of Victorian Harness Racing Sports Club Inc. is in accordance with the Associations Incorporation Reform Act 2012 including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Accounting Standards in Australia and the Associations Incorporation Reform Act 2012.

## BDO East Coast Partnership

A handwritten version of the BDO logo, with the letters 'BDO' in a cursive, black ink style.

A handwritten signature in black ink, which appears to read 'James Mooney'.

**James Mooney**  
Partner

Melbourne, 21 September 2016

**VICTORIAN HARNESS RACING SPORTS CLUB INC.**

**DISCLAIMER**

**30 JUNE 2016**

The additional financial data presented on the following pages is in accordance with the books and records of the Victorian Harness Racing Sports Club Inc. (“the Club”), which have been subjected to auditing procedures applied in our statutory audit of the Club for the year ended 30 June 2016. It will be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on such financial data and no warranty of accuracy or of reliability is given. Neither the firm nor any member or employee of the firm undertakes responsibility of such data including any errors or omissions therein however caused.

**BDO East Coast Partnership**



James Mooney  
Partner

Melbourne, 21 September 2016

VICTORIAN HARNESS RACING SPORTS CLUB Inc.

Reg No. A0009839S

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
<b>Club Activities</b>		
<b>Income</b>		
Subscriptions	77,803	77,567
Contribution from Junction Tabaret Operations	70,000	70,000
Interest	382	1,905
Sundries	16,079	18,500
	<b>164,264</b>	<b>167,972</b>
<b>Expenditure</b>		
Trophies	350	474
Bonus Races	52,500	64,500
Telephone	-	(8,383)
Software Support and Maintenance	2,000	-
Other Marketing	13,624	11,099
Sponsorship Expenses	1,800	430
External Sponsorship	-	26,500
Advertising	705	14,705
Prizes/Giveaway	3,089	2,619
Merchandise Expense	1,760	-
Postage	2,589	2,458
Audit Fees	4,000	4,000
Entertainment	150	1,225
Minor Fixed Assets	-	694
Depreciation – Office Equipment	852	1,057
Service Level Agreement - Membership Manager	50,000	50,000
Other Operating Expenditure	8,128	805
<b>Total Expenses</b>	<b>141,547</b>	<b>172,183</b>
<b>Profit/(Loss) for the year</b>	<b>22,717</b>	<b>(4,211)</b>

VICTORIAN HARNESS RACING SPORTS CLUB Inc.

Reg No. A0009839S

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
<b>Junction Tabaret Activities</b>		
<b>Revenue</b>		
Gaming Commission	4,585,192	4,673,059
Wagering Commission	181,634	180,164
Bar Sales	546,798	563,461
Bistro Meals	199,830	256,806
EFTPOS Commission Income	22,912	21,723
TGS Licence Grant	20,491	20,491
Interest Revenue	703	2,213
Supplier Rewards Program	5,973	7,264
Keno/Barry Income	8,809	8,005
Vending Machine Income	-	606
<b>TOTAL INCOME</b>	<b>5,572,342</b>	<b>5,733,792</b>
<b>COGS</b>	<b>316,471</b>	<b>321,696</b>
<b>Gross Profit</b>	<b>5,255,871</b>	<b>5,412,096</b>
Gaming Variable Costs	2,195,843	2,268,614
Salaries and Wages	1,090,662	1,054,275
Rental	694,948	753,964
HRV Management Charge	235,000	235,000
Marketing General	4,557	5,017
Security	119,017	104,448
Light & Power	81,217	82,542
Members Discount Exp	14,751	16,101
Marketing - Bonus Points	72,424	76,443
Repairs & Maintenance	22,790	21,291
Audit Fees & Accounting Fees	21,160	15,659
Depreciation and Amortisation	216,218	233,512
Happy Hour Exp	22,631	22,670
Contracts - General	9,339	8,659
Pubtab Sky TV	1,508	1,508
Foxtel	33,076	32,116
Effective Interest of Gaming Machine Entitlements	33,621	38,470
Sponsorships	121,500	121,500

VICTORIAN HARNESS RACING SPORTS CLUB Inc.

Reg No. A0009839S

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	2016	2015
	\$	\$
<b>Junction Tabaret Activities (Continued)</b>		
Communication Costs	13,420	18,291
Water & Gas	9,296	8,001
Wagering Commission Expenses	17,292	19,109
Venue Cleaning	56,977	51,381
Computer expenses	8,852	9,479
Insurance	8,827	7,341
General Merchandise	9,635	12,344
Venue Supplies	11,542	6,837
Consultancies	11,440	10,140
Other Operating Expenditure	159,429	63,609
<b>Total Operating Expenses</b>	<b>5,296,972</b>	<b>5,298,321</b>
<b>Net Result before Income Tax</b>	<b>(41,101)</b>	<b>113,775</b>
Income Tax Benefit/(Expense)	10,642	(33,573)
<b>Net Result after Income Tax</b>	<b>(30,459)</b>	<b>80,202</b>
Contribution to Club Activities	(70,000)	(70,000)
<b>Net Result after Contribution</b>	<b>(100,459)</b>	<b>10,202</b>

