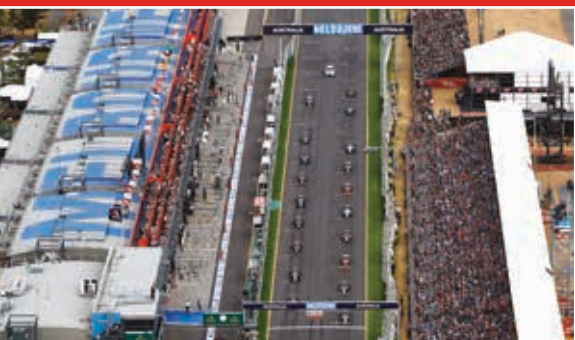




# 2014 ANNUAL REPORT



## Annual Report 2014

### Report of Operations

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## 1. Report of the Chairman

Soon after the closing of the financial year came the momentous news Melbourne had been waiting for: our city will host the Australian round of the FIA Formula One World Championship™ for a further five-year period from 2016 until 2020.

The announcement in early August confirmed the unique contribution Melbourne has made to the Grand Prix scene since hosting its first race in 1996. More importantly, it gives the capital city and the State of Victoria many more years of unrivalled access to global markets in tourism and the events industry, which are widely acknowledged as key contributors to Victoria's economy.

We have claimed sporting supremacy for our city for many years now. In 2014, the world officially agreed with us when Melbourne was named '2014 Global Sports Business Ultimate Sports City'. How could such a distinction have been earned without the cachet that Grand Prix racing brings to Victoria?

The figures support the case: 4.39 million<sup>1</sup> viewers in capital cities across Australia, an estimated crowd of more than 300,000 people from overseas, interstate and Victoria attending the event at Albert Park and a season's tally of more than 450 million viewers in 185 countries and territories<sup>2</sup>. It's undeniable. Our city and our State reap huge benefits from hosting major events of global interest such as Formula One.

The broadcast of our event on free-to-air and pay TV platforms throughout Europe at breakfast and Asia at lunchtime is an invaluable advertisement of our wonderful city. Hosting the opening round of the FIA Formula One World Championship™ season only adds to the exposure.

While relishing Melbourne's enthusiasm for motorsport, we also remember with sadness, the passing of one of Grand Prix racing's greatest figures, Sir Jack Brabham, and the skiing accident which left modern F1 champion Michael Schumacher, so many times a race winner at Albert Park, fighting for his life.

On-track, thanks to high profile international sponsorship, top quality racing and a healthy dose of sporting controversy, the Australian Grand Prix Corporation was again able to deliver two world class events – one in the heart of Melbourne with the 2014 Formula 1® Rolex Australian Grand Prix and the other on Victoria's dramatic coastline with the 2013 Tissot Australian Motorcycle Grand Prix. Both events attracted large crowds of trackside spectators and a significant worldwide television audience in 2013-14.

### 2014 Formula 1® Rolex Australian Grand Prix

For Australian fans there was a significant changing of the guard when Formula One racing returned to Melbourne for the 19<sup>th</sup> time. Mark Webber was here – but in the new role of commentator and analyst, after calling a halt to his distinguished racing career at the end of his 12<sup>th</sup> season.

None of us will ever forget the immediate impact Webber made when claiming the unlikeliest of World Championship points in his unfancied Minardi on debut in 2002. His career included 13 pole positions, 19 fastest race laps and nine Grand Prix victories and we are grateful to him both for those racing memories and for his unfailing support for his home event.

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<sup>1</sup> OzTAM 5 CITYMETRO, TEN, Regional TAM, Combined East Coast Mainland Aggregate Markets. March 14 – 16 2014

<sup>2</sup> Formula One Management media report, 2013

But a new local hero has arrived to take Webber's place in the hearts of Australians. Exactly 50 races after making his Formula One debut in 2011, West Australian Daniel Ricciardo was promoted from the Scuderia Toro Rosso team to Red Bull Racing – to occupy the seat vacated by his compatriot. Little did we know, Daniel was due to be the central figure in one of the biggest controversies ever seen at Albert Park.

For once, however, cars rather than star drivers were front of mind as the new season approached. What effect would the radical overhaul of the sport's regulations have on the racing? Keen to showcase its relevance to 'real world' motoring, Formula One had switched to new, hybrid engine technology which puts a premium on fuel consumption and usage.

It was the use of fuel – allegedly excessive – which cost Daniel Ricciardo a brilliant second place in his maiden race for the World Championship winning Red Bull Racing team. Fans were thrilled to see Ricciardo on the Albert Park podium and mystified when the new regulations saw him excluded from the final results.

But Ricciardo's ever smiling impact on our event cannot be overstated and we were among the first to salute his achievement when he claimed a maiden victory in Canada later in the season. He then built on this success like a true champion in the making with stunning victories in Hungary and Belgium – a clear signal to the competition that he could match it with the sport's finest and win convincingly.

The wind of change had also been blowing through Australia's own favourite national category, V8 Supercars, and the races at Albert Park provided ample demonstration of its new look. Michael Caruso took pole position for Nissan; while Shane van Gisbergen won the first three races for Holden, the young New Zealander was denied a clean sweep by compatriot Scott McLaughlin's Volvo – the first time the Swedish marque had triumphed at Albert Park in 17 years.

Two victories in three starts made Warren Luff the dominant force in the popular Porsche Carrera Cup series at Albert Park, his own clean sweep denied only by a first-race flourish from Steven Richards.

With enduringly popular categories like the Mazda3 Celebrity Challenge and Shannon's Historic Demonstration, the 2014 Formula 1® Rolex Australian Grand Prix again demonstrated its broad appeal as an estimated aggregate crowd of 314,900 people<sup>3</sup> flocked to the lakeside circuit to enjoy events on and off the race-track.

### **2013 Tissot Australian Motorcycle Grand Prix**

Before Ricciardo ran into controversy at Albert Park, a young man who has taken the MotoGP world by storm had already suffered the same fate at Phillip Island on two wheels instead of four.

Marc Marquez arrived at the Bass Strait circuit as World Championship leader in his first season in the premier class of motorcycle racing. He left still in the lead – but with an important lesson learned as part of his personal apprenticeship at the top level. Marquez, who was only 20 in 2013, was disqualified from the race, which had been shortened to 19 laps following concerns over the durability of the tyres supplied by Bridgestone.

Phillip Island in fact made MotoGP history: after staging the first wet weather flag-to-flag race in 2006, it hosted the first dry weather flag-to-flag event in 2013. With a mandatory pit stop in place, Marquez and his Repsol Honda team suffered a breakdown in communications which saw the young rider stay out on track for one lap too long before coming into the pits.

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<sup>3</sup> AGPC estimated attendance figures 2014

In the end a brilliant mid-race switch by Yamaha's Jorge Lorenzo was the key to the Spaniard's first success in the premier category at Phillip Island, coming home ahead of Marquez's teammate Dani Pedrosa and the evergreen Valentino Rossi on the second works Yamaha.

In fact, the Island witnessed the Spaniards climb atop the podium three times over. Pol Espargaro claimed his fifth victory of 2013 in the Moto2 category, calling it "the greatest day of my life", while Alex Rins produced a storming finish to win the Moto3 race from compatriots Maverick Viñales and Luis Salom.

Like Albert Park, Phillip Island offers Australian fans plenty of opportunities to watch their home grown favourites as well as the stars of international racing. Wayne Maxwell was a popular winner of the Superbike series in 2013, though Glenn Allerton claimed the opening race of the three. In Supersports, Queenslanders Aiden Wagner produced a fine clean sweep of the three races for Yamaha.

While the estimated overall crowd figure of 77,200<sup>4</sup> reflected the absence of Australia's double World Champion Casey Stoner, now retired from racing, there is good news on that front with the rise of Townsville youngster Jack Miller.

Miller ran as high as second in the Moto3 category at Phillip Island in 2013, eventually finishing fifth. But his performances earned him a transfer to the World Championship winning Red Bull KTM Ajo team for 2014; at the time of writing Miller was leading the World Championship standings with over half of the season gone.

His presence, like Ricciardo's in Formula One, is sure to generate renewed and ongoing interest in the event. As has been amply demonstrated in countries like Great Britain and Germany, and here at home thanks to Stoner and Webber, having a local star among the front running riders and drivers is the single most important factor in increasing enthusiasm for and attendance at national events.

### **Gone but never forgotten**

In recent years Albert Park racegoers have become accustomed to seeing Sir Jack Brabham defy ill-health in order to be one of the guests of honour at a circuit and an event which he loved so much.

It was with great sadness that we learned of Sir Jack's passing on 19 May 2014, at his Queensland home. In a sporting world dogged by hyperbole, it is no exaggeration to call Sir Jack one of the giants of his chosen field of endeavour.

First winning the Formula One World Championship in 1959 and backing up the following year, Jack Brabham, as he then was, cemented his place in the history books when he won the 1966 world title in a Brabham Repco – the only man to achieve that feat in a car of his own manufacture.

In all, he contested 126 World Championship races, winning 14 of them, the first in Monaco in 1959, and the last in South Africa in 1970.

Sir Jack Brabham ranks alongside Sir Donald Bradman in Australia's sporting pantheon; it is particularly pleasing to the Australian Grand Prix Corporation that his contribution to the sport will be forever remembered at the Formula 1<sup>®</sup> Australian Grand Prix with the winner's trophy named in his honour. This recognition follows the unveiling of two bronze busts, at the 2014 event, of Sir Jack and his fellow World Champion Alan Jones.

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<sup>4</sup> AGPC estimated attendance figures 2013

No less saddening but far more shocking was the news that broke late in December 2013. Like Sir Jack, Michael Schumacher is synonymous with some of the greatest achievements in Grand Prix history – in fact he is, statistically speaking, the most successful driver in the World Championship's 65-year history.

Many of those statistics were compiled at Albert Park: three pole positions, three fastest race laps and four race victories, all with the Ferrari team with which his name is so closely identified with. The seven-time World Champion and his family are constantly in our thoughts.

### **Acknowledgements**

Perhaps the most pleasant duty a Chairman can fulfil is that of acknowledging the outstanding contribution made by those around him to the success of their business.

My Deputy Chairman John Harnden AM, and Board members Laura Anderson, Michael Doohan AM, Patrick Flannigan, Gillian Franklin, Mark Green, Alan Oxley and Ken Ryan AM, have been exemplary in their dedication to the success of these events and inspirational to the hard-working team of Australian Grand Prix Corporation staff members and suppliers.

With the Formula 1® Australian Grand Prix safely secured until 2020, we look forward to its most significant milestone yet - two golden decades of Formula One in Melbourne. What an enormous achievement for the State of Victoria, and the team at the Australian Grand Prix Corporation. The hard work and commitment to excellence shown over the past 19 years is something to be immensely proud of, and to celebrate.



**Ronald J Walker AC CBE**  
Chairman

## 2. General Information

### a. Introduction

The Australian Grand Prix Corporation is a statutory authority established pursuant to the *Australian Grands Prix Act 1994 (Vic)* (as amended) ("AGP Act").

The Corporation is subject to the direction and control of the Minister administering the AGP Act, the Minister for Tourism and Major Events, The Honourable Louise Asher MP.

### b. Mission Statement

Our mission is to provide Melbourne and Victoria with world class international motorsport events that deliver increased promotional and economic benefits to the State of Victoria.

### c. Vision Statement

To stage the best international events.

### d. Functions and Strategic Priorities

#### Functions

The functions of the Corporation are:

- To negotiate, enter into and vary agreements under which Formula One events are held;
- To undertake and facilitate the organisation, conduct, management and promotion of Formula One events and Motorcycle Grand Prix events;
- To establish at Albert Park a temporary motor racing circuit and supporting facilities for Formula One events;
- To do all other things necessary for or in connection with the conduct and financial and commercial management of each Formula One event by the Corporation;
- With the consent of the Minister, to negotiate and enter into an agreement for the holding of, and to undertake the organisation, conduct, management and promotion of, a motor sport event approved by the Minister; and
- Such other functions as are conferred on the Corporation under the AGP Act or any other Act.

The strategic priorities and associated supporting strategic objectives of the Australian Grand Prix Corporation are as follows:

- **Promote Melbourne and Victoria through the events**
  - To ensure local and global branding of Melbourne and Victoria.
  - To drive national and international awareness of the events, Melbourne and Victoria.
  - To integrate the events into tourism strategies developed by the Victorian Government and its agencies.
  - To cement Melbourne's reputation as the centre of major events by delivering a world-class event experience to all intrastate, interstate and international visitors.
  - To contribute to the growth of the local economy by providing opportunities to showcase Victorian businesses.
  - To contribute to the growth of the Victorian major events industry by providing employment and business development opportunities among related organisations.
  
- **Maximise revenues and minimise costs**
  - To continually improve our competitive position among other major events to increase return on investment.
  - To offer patrons compelling and value for money, product and event content.
  - To implement robust financial review and control processes, and keep costs under constant scrutiny
  - To foster a culture of shared responsibility for financial performance throughout the organisation.
  
- **Deliver events safely and to the highest standards**
  - To establish and deploy clearly articulated safety management systems and event management plans.
  - To maintain and continually evaluate an active risk register.
  - To foster a culture of shared responsibility for event safety and quality among our people, contractors, agencies, partners and suppliers.
  - To ensure our people, contractors, agencies, partners and suppliers clearly understand and deliver against our expectations of 'highest standards'.
  
- **Increase attendances at the events**
  - To expand national and international awareness of the event.
  - To drive ticket sales through clearly defined and implemented sales and marketing communications strategies.
  - To fully understand our customers and what they want and expect from the event.
  - To keep the events fresh and compelling by continually challenging, refreshing and improving content and products.
  
- **Provide an exceptional event experience**
  - To exceed patron expectations in product mix and event content.
  - To surprise and delight patrons by continually reviewing, refreshing and improving product and event content.
  - To provide patrons with exceptional basic needs, safety, social interaction, communication and entertainment.
  
- **Build positive event brand perceptions**
  - To increase positive public support for the events.
  - To build a brand identity which is consistent, recognisable and sustainable in the long term.
  - To engage with the community at large to promote the positive attributes and benefits of the events.

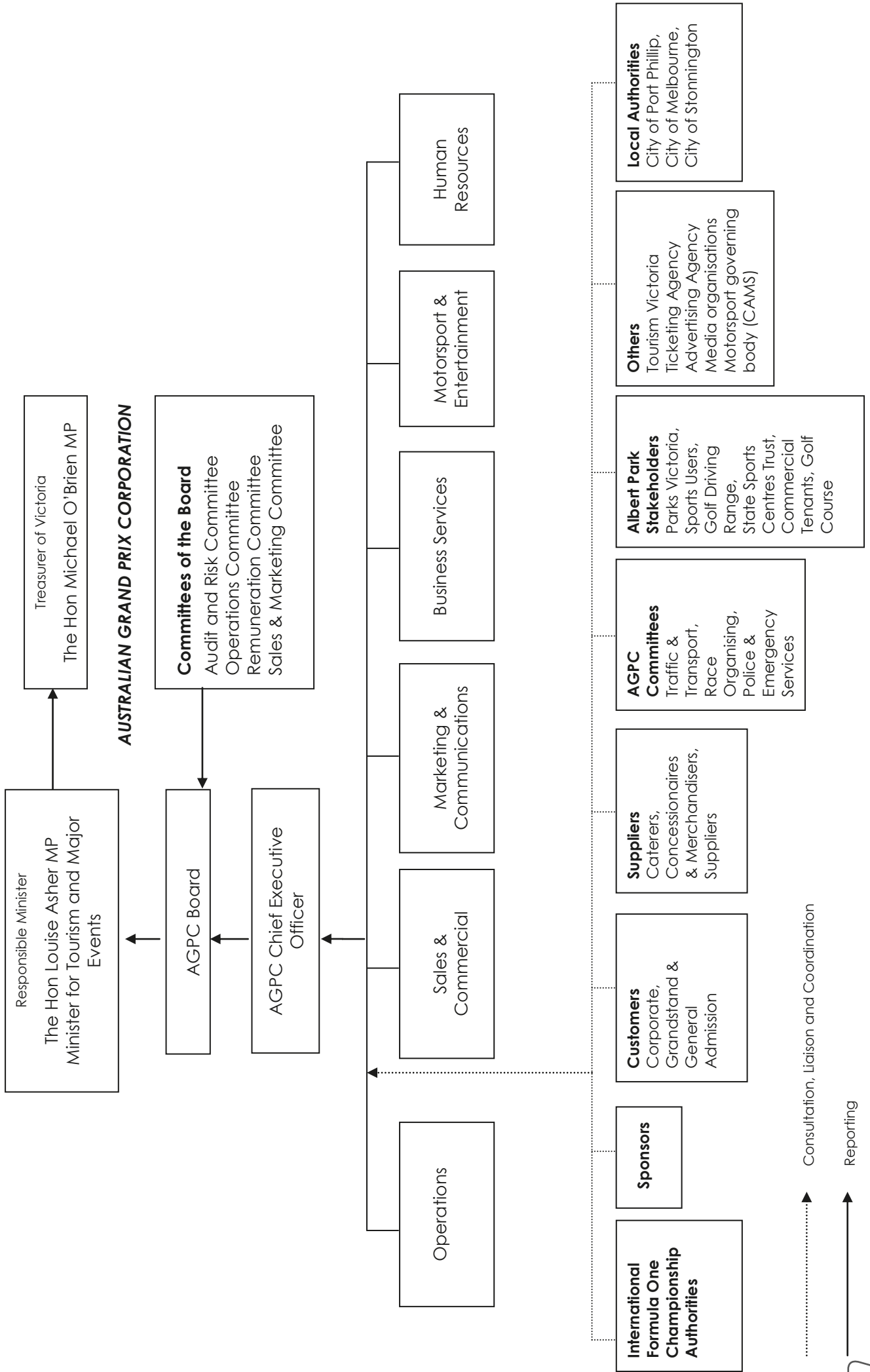


- To establish a “Brand Identity” that is sustainable, long term.
  - To increase and leverage the following of the sports (Formula 1 and MotoGP) among core customer segments.
  - To be considered a good community citizen, minimising our impact on the people and regions in which we operate.
- **Empower and support our staff**
    - To provide leadership and vision through clearly articulated strategies, objectives and behaviours.
    - To enhance the skills, professionalism and capabilities of our people.
    - To encourage our people to succeed, providing them with guidance, support and resources.
    - To minimise staff turnover and retain organisational IP and knowledge.

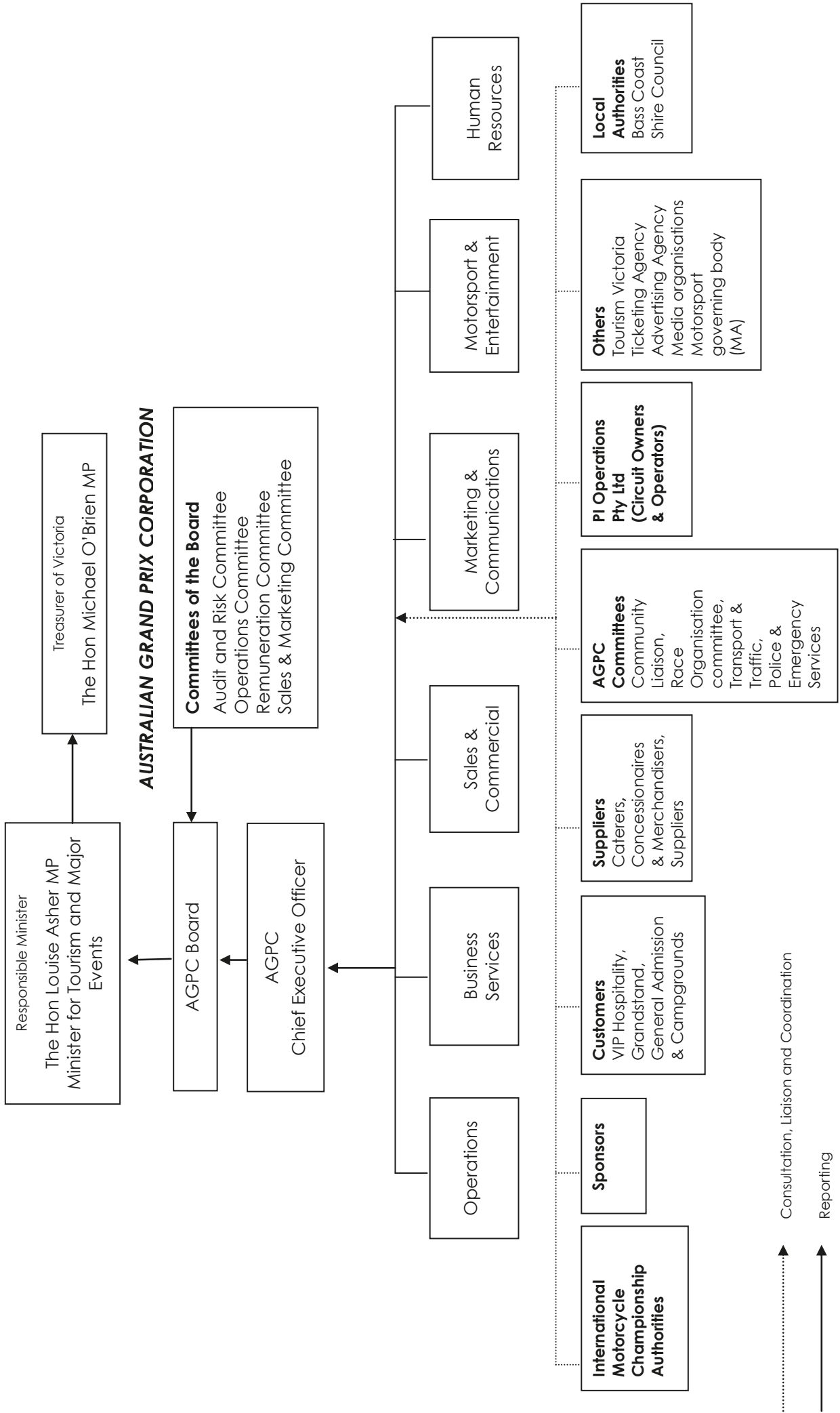
These strategic priorities define the way the Corporation will deliver both the Formula 1® Australian Grand Prix and the Australian Motorcycle Grand Prix. Each is supported by a set of initiatives and specific tactical elements that are reviewed for each event on an annual basis.

The reporting and consultative structures of the Formula 1® Australian Grand Prix and the Australian Motorcycle Grand Prix are set out on the following pages.

# Reporting & Consultative Structure – Formula One Grand Prix



**Reporting & Consultative Structure – Motorcycle Grand Prix**



## e. Administrative Structure

### Members of the Corporation

The Members of the Corporation act in an honorary capacity.

The Members of the Corporation as at 30 June 2014 are:

#### • Ronald J Walker AC CBE – Chairman



Mr Walker is a prominent Australian businessman, and has been Chairman of the Australian Grand Prix Corporation since its inception in 1994. He is Chairman of the Formula One Promoters' Association, and a Member of the Formula One Commission; and Chairman of Evolve Development.

A former Lord Mayor of Melbourne serving two terms, Mr Walker established one of Australia's largest private chemical companies, and was co-founder and Joint Managing Director of Hudson Conway Limited, and co-founder of Crown Limited. Mr Walker was Chairman of Fairfax Media from 2004 to 2009, Chairman of the Melbourne 2006 Commonwealth Games Corporation for seven years; Chairman of the Victorian Major Events Company for ten years; a Director of Football Federation Australia for nine years; and a Trustee of the National Gallery of Victoria for eight years. Mr Walker was Chairman of the O'Brien Institute and Foundation at St Vincent's Hospital Melbourne for 20 years, and was a Founding Director of the Australian Tissue Engineering Centre.

In 1977 Mr Walker was made a Commander of the Order of the British Empire for services to the Commonwealth. He became an Officer of the Order for Australia (AO) for service to the community in 1987, and was appointed a Companion of the Order of Australia (AC) in 2003 for services to business, arts, tourism and the community, and for raising the profile of Australia internationally with significant benefit for tourism and employment.

#### • John Harnden AM – Deputy Chairman



Mr Harnden has extensive experience in the delivery of world-class sporting, tourism and entertainment events, as well as the capital projects that often accompany them. He was appointed to the board of the Australian Grand Prix Corporation on 8 August 2006 and appointed Deputy Chairman of the Australian Grand Prix Corporation on 27 March 2007.

Mr Harnden is currently the Chief Executive Officer of the ICC Cricket World Cup 2015, one of the world's largest sporting events and which in 2015 will be held across Australia and New Zealand.

His previous roles include Chief Executive Officer of the South Australian Cricket Association, Village Roadshow International Theme Parks, the Melbourne 2006 Commonwealth Games Corporation and the Australian Grand Prix Corporation.

Mr Harnden has served on a number of boards in the sporting and tourism areas and has also been involved in a range of engineering projects, including the management and design of Formula One Grand Prix circuits around the world.

Originally from Adelaide, Mr Harnden was awarded the Member of the Order of Australia for his services to sport in the staging of the Commonwealth Games.

- **Laura Anderson**



Ms Anderson is a leading international advisor to industry, defence and government and an active supporter of community and philanthropic organisations. She is an Independent Company Director of SVI Global. She is a Fellow of the Chartered Institute of Transport and the Foundation for the Advancement of Science and Technology in Schools. Ms Anderson is Chairman of the Melbourne Fashion Festival, The Good Foundation and The CEO Circle. She was the National Partner in Charge of Strategy and Development for KPMG Australia and founding Partner of KPMG's Risk and Advisory Services for Industry Practice. She was a Board Member of the Just Group where she was Chairman of the Risk Committee. Ms Anderson is a Governor of the American Chamber of Commerce, a Board Member of the American Australian Association, a member of the Australian Institute of Company Directors and the National Association of Corporate Directors in Washington D.C.

- **Michael (Mick) Doohan AM**



Mr Doohan is a Grand Prix motorcycle road racing World Champion, who won five consecutive 500 cc World Championships – 1994, 95, 96, 97 & 98. From 2000 – 2005, Mr Doohan served as General Manager of Racing for Honda Racing Corporation and was a consultant from 2000 – 2008 to Dorna Sports. Since 2010 Mr Doohan has been an academy member of Laureus and more recently the Chairman and Director of Competition for the Australian Karting Association Ltd. Mr Doohan has served on a number of boards including Rally Australia Pty Limited and the Confederation of Australian Motor Sports Limited. He was awarded the Member of the Order of Australia in recognition of service to the sport of motorcycle racing in 1996 and received an Australian Sports Medal in 2000. He was inducted into the Sport Australia Hall of Fame in 2009.

- **Patrick J Flannigan**



Mr Flannigan has over 25 years of experience in infrastructure services and has held senior roles in both private and publicly listed companies. He recently founded Utility Services Group in 2011 serving as the Chief Executive Officer and Managing Director. Mr Flannigan established his own business, Integrated Maintenance Services in 2000 and was the founding Managing Director and Chief Executive Officer of Service Stream Ltd for six years from 2003. He managed network construction as NBN Co's Head of Construction from 2009 to early 2011. Mr Flannigan holds Board positions with Australia's national broadband network designer, builder and operator, NBNCo, and the not for profit organisation supporting young people in Melbourne's West, Western Chances. He is Fellow of the Australian Institute of Management and a Fellow of the Australian Institute of Company Directors.

- **Gillian Franklin**



Ms Franklin is recognised as one of Australia's most innovative entrepreneurs having quickly established a multi-million dollar business in the highly competitive cosmetic industry. An award winning businesswoman with over 20 years experience in strategic leadership and consumer marketing, she is Managing Director of her own company, The Heat Group Pty Ltd, which represents, amongst others, the Procter & Gamble cosmetic brands in Australia. Ms Franklin has previously held Managing Director and General Management positions for some of Australia's leading consumer companies, including Creative Brands and Revlon. Ms Franklin is also on the Boards of ACCORD, the CTFAA (Cosmetic Toiletry Fragrance Association of Australia) and the Melbourne Theatre Company (MTC). Ms Franklin recently held Board positions with CEDA (Committee for Economic Development of Australia), the Microsurgery Foundation and was the Chairman of Neopec.

- **Mark Green**



Mr Green is the Managing Partner of Minter Ellison's Melbourne office and International business, which includes responsibility for the firm's offices in London, Hong Kong, Shanghai, Beijing and Ulaanbaatar. His practice includes corporate advisory and related structuring matters, specialising in cross-border transactions. He also advises a range of Australian and international clients and government entities on international taxation and finance issues. He has developed close working relationships with many international organisations across key industry sectors and advises them on investment opportunities primarily in Australia and North and South East Asia. Mr Green also serves as the Chairman of Safetrac Pty Ltd, Boardtrac Pty Ltd, Textura Australasia and the Australia Mongolia Business Council.

- **Alan Oxley**



Mr Oxley is one of Australia's leading strategic advisers on international trade, investment and sustainability, and the Asian region. He runs Melbourne-based ITS Global, a consultancy on global issues. Mr Oxley was a diplomat for 20 years representing Australia in Singapore and at the United Nations in New York. He was Australian Ambassador to the GATT, the predecessor of the World Trade Organisation. Currently Mr Oxley is Chairman of the Australian APEC Centre at RMIT University and is Chairman of World Growth, an international development NGO.

- **Ken Ryan AM**



Mr Ryan was appointed to the Board of the Australian Grand Prix Corporation on 8 August 2006. Mr Ryan was the Regional General Manager Victoria and Southern Australia for Qantas. He worked for Qantas for 18 years in a range of senior management positions including Group General Manager Marketing, Head of Corporate Development, and Chief Executive's Representative, Asia. Mr Ryan is also a Board Member of Victorian Major Events Corporation and Toll Holdings Ltd and a Commissioner of the Australian Sports Commission. He was made a Member of the Order of Australia in June 2012 for service to the community through his support for Children's and Youth Charities Tourism and Sport.

## **Audit and Risk Committee membership and roles**

The Audit and Risk Committee consists of the following members:

- Gillian Franklin (Chair)
- Alan Oxley
- Mark Green

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

1. review and report independently to Members on the Annual Report and all other financial information published by the Corporation;
2. assist the Management of the Corporation in reviewing the effectiveness of the internal control environment;
3. determine the scope of the internal audit function and ensure that its resources are adequate and used effectively, including coordination with the external auditors; and
4. oversee the effective operation of the risk management framework.

## **Management of the Corporation as at 30 June 2014**

### **Chief Executive Officer – Andrew Westacott**

#### **General Manager – Business Services – Peter Hough**

Responsibilities include government liaison, statutory and management reporting, financial modelling and financial operations, legal, information technology and office management and administration.

#### **General Manager – Motorsport & Entertainment – Craig Fletcher**

Responsibilities include motorsport and all on-track and off-track entertainment.

#### **General Manager – Operations – Ashley Davies**

Responsibilities include engineering, circuit planning, event presentation, event and venue operations, traffic and transport, cleaning and waste, credentials, Parks Victoria and local council liaison, community relations, disability services and catering.

#### **General Manager – Sales and Commercial – Corina Black**

Responsibilities include corporate hospitality, grandstand and general admission ticket sales, sponsorship and licensing.

#### **General Counsel – Prataal Raj**

Responsibilities include management of the legal affairs of the Corporation, the structuring and formation of the Corporation's commercial arrangements and ensuring the Corporation meets its statutory and broader governance obligations.

#### **Group Manager – Marketing – Misha Horsnell**

Responsibilities include event marketing and promotions, advertising and tourism.

#### **Group Manager – PR, Media and Communications – Natalie Cerny**

Responsibilities include public relations campaigns, media and corporate communications.

#### **Group Manager – Safety and Risk – Wes Lloyd**

Responsibilities include development of safety measures, insurance and risk management.

#### **Human Resources Manager – Miranda Crawley**

Responsibilities include human resources, recruitment, staff welfare and training.



## f. Workforce Data

The number of personnel employed by the Corporation as at 30 June 2014 was 63\* (2013: 57).

| Aggregate Workforce Data<br>Employment Status | 2014      |           |            | 2013      |           |           |
|---|-----------|-----------|------------|-----------|-----------|-----------|
|   | Male      | Female    | Total      | Male      | Female    | Total     |
| Permanent                                     | 23        | 29        | 52         | 23        | 29        | 52        |
| Fixed term contractors                        | 4         | 7         | 11         | 3         | 2         | 5         |
| <b>Total</b>                                  | <b>27</b> | <b>36</b> | <b>63*</b> | <b>26</b> | <b>31</b> | <b>57</b> |

\* Includes five members of staff on parental leave along with two long-term contractors employed as a result of a departmental restructure following the departure of a General Manager.

The Corporation undertakes programs to ensure that the human and financial costs of occupational injury and illness to its staff are reduced. Initiatives undertaken during the year ended 30 June 2014 to help reduce injuries included:

- Update and regular review of the Corporation's risk register;
- Conduct of regular risk workshops;
- Staff training on safety management;
- Event emergency management exercises;
- The identification of a team of dedicated nominated first aid officers;
- First aid training and first aid equipment availability;
- Event inductions for all staff;
- Identification and resolution of all office-based occupational hazards;
- Safety inspection of the Altona storage site;
- Improved processes for event safety management; and
- Increased reporting on hazards and incidents.

### Industrial Relations

With the introduction of the Fair Work Act 2009 the Corporation continues to develop and implement revised employment conditions and policies to align with various changes to workplace legislation.

Employee contracts include a standard grievance and dispute resolution procedure. All such matters are addressed by the Chief Executive Officer and can be escalated to the Chair of the Remuneration Committee of the Board if required.

In the event of any strike, standard stand-down provisions are incorporated into all employee contracts. There was no time lost due to industrial disputes during the period.

### Equal Opportunity

The Corporation is an equal opportunity employer.

## **g. Freedom of Information**

### **Freedom of Information**

The *Freedom of Information Act 1982* allows the public a right of access to documents held by the Australian Grand Prix Corporation (**AGPC**). For the 12 months ending 30 June 2014, AGPC received two applications.

### **Making a request**

Requests for access to documents under the *Freedom of Information Act 1982* should be addressed to the Freedom of Information Officer, Australian Grand Prix Corporation, Level 5, 616 St Kilda Road, Melbourne, 3004 or via email [foi@grandprix.com.au](mailto:foi@grandprix.com.au)

Requests must satisfy the formal requirements set out in the *Freedom of Information Act 1982*. In particular, applicants should ensure that the request provides sufficient information concerning the document as is reasonably necessary to enable the responsible officer of the Corporation to identify the document. Where a request does not comply with the necessary requirements, the applicant will be so advised and given the opportunity to reformulate the request.

Upon receipt of the request the Corporation will endeavour to provide a response as soon as practicable and, in any case, not later than 45 days after the day on which the Corporation receives the request.

The types of documents to which access will not be granted are detailed in Part 4 of the *Freedom of Information Act 1982* and Section 49 of the *Australian Grands Prix Act 1994*. Where access is denied, applicants will be given reasons. Applicants may then apply to the FOI Commissioner to review the decision. Further appeals to the Ombudsman or the Victorian Civil and Administrative Tribunal can be made in accordance with the procedures set out in the *Freedom of Information Act 1982*.

Further information regarding Freedom of Information can be found on FOI Online [www.foi.com.au](http://www.foi.com.au)

### **Charges**

Requests for access must be accompanied by a \$26.50 application fee as at 1 July 2014 (\$25.70 as at 30 June 2013). Further charges for the supply of documents in relation to freedom of information requests are made in accordance with the *Freedom of Information Act 1982* and the *Freedom of Information (Access Charges) Regulations 2004*.

### **Categories of Documents**

The Corporation maintains records and files incorporating documents relating to general administrative matters, the Formula One event at Albert Park and the Motorcycle Grand Prix held at Phillip Island. All records and files are maintained at the Corporation's premises in Melbourne or at an external offsite storage provider's premises.

The Corporation also maintains two websites at [www.grandprix.com.au](http://www.grandprix.com.au) and [www.motogp.com.au](http://www.motogp.com.au) and produces promotional newsletters for sending to subscribers.

## **h. Multicultural Policy**

The Corporation endeavours to promote policies applicable to a culturally and linguistically diverse society. The Corporation promotes events throughout ethnic communities.

### 3. Financial Information

#### a. Summary of Financial Results

##### Formula One Australian Grand Prix

The 2014 Formula 1® Rolex Australian Grand Prix was held on 13 – 16 March 2014. The privilege of hosting the opening round of the FIA Formula One Championship season allows the Corporation to showcase Melbourne and Victoria worldwide.

An estimated attendance of 314,900 over the four-day event represented the second largest crowd in eight years. The success of the Thursday Community Day was paramount to this result, with proceeds donated to the Corporation's Official Charity, the Royal Children's Hospital's Good Friday Appeal.

Despite continued growth in the revenue between 2010 and 2013, 2014 proved to be challenging from a sales perspective in a competitive Melbourne marketplace. The Corporation also experienced adversity in driving sales revenue due to the retirement of Mark Webber and the dominance of Sebastian Vettel in the previous season. However, Australian Daniel Ricciardo challenged the world's best. The undeniable appeal of this young talent will be beneficial to the event for years to come.

The expenditure relating to the event increased over the previous year, due to contracted commitments.

As shown in the table below, the government investment for the 2014 Formula 1® Rolex Australian Grand Prix was \$59.975 million.

| Formula One Grand Prix   | Future Events<br>\$'000 | 2014 Event<br>\$'000 | 2013 Event<br>\$'000 | 2012 Event<br>\$'000 | 2011 Event<br>\$'000 | 2010 Event<br>\$'000 |
|--|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Sales Revenue  | -                       | <b>29,255</b>        | 30,250               | 27,896               | 26,462               | 24,576               |
| Total Revenue  | -                       | <b>38,291</b>        | 40,080               | 36,366               | 33,402               | 31,095               |
| Total Expenditure  | -                       | <b>(98,266)</b>      | (90,751)             | (93,022)             | (83,452)             | (80,349)             |
| Operating Surplus/(Deficit) before Government Investment, Depreciation & Unrealised Exchange Gain/(Loss) | -                       | <b>(59,975)</b>      | (50,671)             | (56,656)             | (50,050)             | (49,254)             |
| Government Investment  | -                       | <b>59,975</b>        | 50,671               | 56,656               | 50,050               | 49,254               |

##### Capital Works Activities

The total capital allocation by the government for the 2013-14 financial year was \$1.131 million (2012-13 \$1.160 million). The 2013-14 capital works expenditure relates to works conducted under licence from Parks Victoria that included:

- Various improvements to the pit building including extension of brick pathway and upgrading of sewer works
- Trenching and conduit installation for underground electrical power
- Various asphalt works at the Albert Park circuit for improved pedestrian and vehicle access
- Installation of plaque recognising the staging of the Grand Prix in Albert Park
- Park improvement and event infrastructure works

## Australian Motorcycle Grand Prix

The 2013 Tissot Australian Motorcycle Grand Prix was held on 18 - 20 October 2013.

Following significantly increased revenue in 2012, the Corporation faced the challenge of life after Casey Stoner, and the absence of this prominent Australian rider had a significant impact on total revenue. Similar patterns were experienced following the end of the Wayne Gardner and Mick Doohan eras respectively.

As such, the Government investment for the 2013 Tissot Australian Motorcycle Grand Prix was \$11.272 million, as costs were maintained at a level consistent with the 2012 event.

While there was a decrease in attendance, the Australian Motorcycle Grand Prix remains the largest international sporting event in Regional Australia; its economic and cultural impact on the community continues to be a significant and integral contributor to the region's fiscal health.

| <b>Motorcycle Grand Prix<br/>- Result by Event</b>                 | <b>Future<br/>Events<br/>\$'000</b> | <b>2013<br/>Event<br/>\$'000</b> | <b>2012<br/>Event<br/>\$'000</b> | <b>2011<br/>Event<br/>\$'000</b> | <b>2010<br/>Event<br/>\$'000</b> |
|--|-------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Sales Revenue  | -                                   | <b>5,328</b>                     | 9,947                            | 7,012                            | 6,172                            |
| Total Revenue  | -                                   | <b>7,236</b>                     | 12,601                           | 8,782                            | 7,583                            |
| Total Expenditure  | -                                   | <b>(18,508)</b>                  | (18,548)                         | (15,368)                         | (14,204)                         |
| Operating Result before<br>Government Investment &<br>Depreciation | -                                   | <b>(11,272)</b>                  | (5,947)                          | (6,586)                          | (6,621)                          |
| Government Investment  | <b>4,183</b>                        | <b>11,272</b>                    | 5,947                            | 6,586                            | 6,621                            |

| <b>Motorcycle Grand Prix<br/>- Result by Financial Year</b>        | <b>2013/14<br/>\$'000</b> | <b>2012/13<br/>\$'000</b> | <b>2011/12<br/>\$'000</b> | <b>2010/11<br/>\$'000</b> | <b>2009/10<br/>\$'000</b> |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Sales Revenue  | <b>5,328</b>              | 9,947                     | 7,012                     | 6,172                     | 7,276                     |
| Total Revenue  | <b>7,236</b>              | 12,601                    | 8,782                     | 7,583                     | 8,656                     |
| Total Expenditure  | <b>(18,508)</b>           | (18,548)                  | (15,368)                  | (14,204)                  | (13,926)                  |
| Operating Result before<br>Government Investment &<br>Depreciation | <b>(11,272)</b>           | (5,947)                   | (6,586)                   | (6,621)                   | (5,270)                   |
| Government Investment  | <b>9,515</b>              | 7,817                     | 8,277                     | 5,105                     | 6,758                     |

## b. Consultancy Services

### Details of consultancies over \$10,000

| Consultant    | Purpose of consultancy  | Total approved project fee (exc. GST) | Expenditure 2013-14 (exc. GST) | Future expenditure (exc. GST) |
|---------------|-------------------------|---------------------------------------|--------------------------------|-------------------------------|
| Go To Pty Ltd | Strategic advice        | \$13,200                              | \$13,200                       | -                             |
| KPMG          | Foreign exchange advice | \$12,000                              | \$12,000                       | -                             |
| Mills Oakley  | Employment advice       | \$14,210                              | \$14,210                       | -                             |
| RightStrategy | Risk Assessment audit   | \$45,031                              | \$45,031                       | -                             |

### Details of consultancies under \$10,000

In 2013-14, the total for the consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000, was \$7,000.

## c. Members' Meetings

The number of Members' meetings and the number of meetings attended by each of the Members of the Corporation during the financial year are:

|                           | No. of Meetings attended | No. of Meetings Held |
|---------------------------|--------------------------|----------------------|
| Mr Ronald J Walker AC CBE | 7                        | 7                    |
| Mr John Harnden AM        | 7                        | 7                    |
| Ms Laura Anderson         | 6                        | 7                    |
| Mr Mark Green             | 6                        | 7                    |
| Mr Patrick Flannigan      | 6                        | 7                    |
| Mr Michael Doohan AM      | 5                        | 7                    |
| Ms Gillian Franklin       | 5                        | 7                    |
| Mr Alan Oxley             | 7                        | 7                    |
| Mr Ken Ryan AM            | 3                        | 7                    |

## d. Building Act 1993

In accordance with Section 48(1) of the Australian Grands Prix Act 1994, nothing in the Building Act 1993 applies to the carrying out of works authorised by and in accordance with the Australian Grands Prix Act 1994 or at the request of the Corporation in the declared area.

The Corporation has however undertaken to comply with the specifications of the Building Act 1993 wherever practicable.

#### e. Victorian Industry Participation Policy Act 2003

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 (VIPP). Departments and public bodies are required to apply VIPP in all tenders over \$3 million in metropolitan Melbourne and \$1 million in regional Victoria.

Contracts commenced to which VIPP applied:

- During 2013-14, the Corporation commenced two multi-year contracts totalling approximately \$7.57 million across the total life of the contracts to which VIPP applied.
- The two contracts are in Metropolitan Melbourne.
- The following benefits to the Victorian economy in terms of skills and technology transfer from these contracts include:
  - Maintenance of a permanent workforce in Victoria, drawn from local communities;
  - Ensuring a reasonable quota of apprentices for ongoing training purposes including OH&S and food safety training; and
  - Training in safe work practices, environmentally responsible processes and increased skill base.

#### Disclosure of Major Contracts

During the year ended 30 June 2014, the Corporation did not enter into a contract greater than \$10 million dollars in total value.

#### f. Available Information

Information contained in this report has been prepared in accordance with the *Financial Management Act 1994* and is available to the Minister for Tourism and Major Events, The Honourable Louise Asher MP, the public on request and from the Corporation's web site – [www.grandprix.com.au](http://www.grandprix.com.au).

#### g. Details of advertising expenditure (campaigns with a media spend of \$150,000 or greater)

|  |   |                             | (\$'000's)   |  |   |   |
|--|---|-----------------------------|--|--|---|---|
| Name of Campaign                             | Campaign summary  | Start/End date              | Advertising (Media) Expenditure 2013-2014<br>(excluding GST) | Creative and campaign development Expenditure 2013-2014<br>(excluding GST) | Print and collateral Expenditure 2013-2014<br>(excluding GST) | Other Campaign Expenditure 2013-2014<br>(excluding GST) |
| 2014 Formula 1® Rolex Australian Grand Prix  | Television capital cities and regional, print, magazines, radio and outdoor, public relations, communications and digital web | September 2013 – March 2014 | \$1,715  | \$414  | \$140   | \$170   |
| 2013 Tissot Australian Motorcycle Grand Prix | Television capital cities and regional, print, magazines, radio and outdoor, public relations, communications and digital web | July 2013 - October 2013    | \$509  | \$160  | \$174   | \$90  |

#### **h. Disclosures under the Protected Disclosure Act 2012**

|  | 2013-14<br>Number | 2012-13<br>Number |
|--|-------------------|-------------------|
| <b>The number of assessable disclosures made to the Department and notified to IBAC from 1 July 2013 – 30 June 2014:</b> |                   |                   |
| Assessable disclosures   | -                 | -                 |

Employees and/or officers of the Australian Grand Prix Corporation have been made aware of the Protected Disclosure Act 2012 through internal communication processes as well as the guidelines on how to report disclosures to the Independent Broad-based Anti-corruption Commission.

Disclosures of improper conduct or detrimental action by the Australian Grand Prix Corporation or any of its employees and/or officers may be made directly to the Independent Broad-based Anti-corruption Commission:

Level 1, North Tower, 459 Collins Street  
Melbourne, VIC 3000  
Phone: 1300 735 135  
Internet: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

#### **Further information**

The Protected Disclosure Policy and Procedures, which outline the system for reporting disclosures of improper conduct or detrimental action by the Australian Grand Prix Corporation or any of its employees and/or officers, are available on the Department of State Development, Business and Innovation's website.

## i. Disclosure Index

The Annual Report of the entity is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of compliance with statutory requirements.

| Legislation   | Requirement  | Page |
|---|--|------|
| <b>Ministerial Directions</b>                                 |  |      |
| <b>Report of Operations</b>                                   |  |      |
| <u>Charter and Purpose</u>                                    |  |      |
| FRD 22E   | Manner of establishment and Relevant Ministers   | 6    |
| FRD 22E   | Objectives, functions, powers and duties   | 6    |
| FRD 22E   | Nature and range of services provided  | 6    |
| <u>Management &amp; Structure</u>                             |  |      |
| FRD 22E   | Organisational structure   | 9    |
| <u>Financial &amp; other information</u>                      |  |      |
| FRD 22E   | Statement of workforce data and merit and equity                                       | 16   |
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| FRD 22E   | Significant changes in financial position during the year                              | 18   |
| FRD 22E   | Operational objectives   | 6    |
| FRD 22E   | Major changes or factors affecting achievement of objectives                           | 18   |
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| FRD 22E   | Application and operation of the <i>Freedom of Information Act 1982</i>                | 17   |
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| FRD 22E   | Details of consultancies over and under \$10,000                                       | 20   |
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| FRD 22E   | Occupational health and safety   | 16   |
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| <b>Financial Statements</b>                                   |  |      |
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| <u>Other disclosures in notes to the financial statements</u> |  |      |
| FRD 21B   | Responsible person and executive officer disclosures                                   | 62   |
| <b>Legislation</b>  |  |      |
| Freedom of Information Act 1982                               |  | 17   |
| Building Act 1993   |  | 20   |
| Victorian Industry Participation Policy Act 2003              |  | 21   |
| Protective Disclosure Act 2012                                |  | 22   |

Dated at Melbourne on 26 August 2014  
Signed in accordance with a resolution of Members



**Ronald J Walker AC CBE**  
**Chairman**



## **4. Financial Statements**

### **For the Year Ended 30 June 2014**

## Comprehensive Operating Statement For the Financial Year Ended 30 June 2014

|   | Notes | 2014<br>\$000's       | 2013<br>\$000's      |
|---|-------|-----------------------|----------------------|
| <b>Income from transactions</b>                             |       |                       |                      |
| Formula One Grand Prix                                      |       | 99,549                | 98,401               |
| Motorcycle Grand Prix                                       |       | 12,568                | 15,942               |
| Future Grands Prix  |       | 4,183                 | 7,258                |
| <b>Total income from transactions</b>                       | 2     | <u>116,300</u>        | <u>121,601</u>       |
| <b>Expenses from transactions</b>                           |       |                       |                      |
| Formula One Grand Prix                                      |       | (101,254)             | (94,141)             |
| Motorcycle Grand Prix                                       |       | (18,709)              | (19,042)             |
| Future Grands Prix  |       | -                     | (592)                |
| <b>Total expenses from transactions</b>                     | 2,3   | <u>(119,963)</u>      | <u>(113,775)</u>     |
| <b>Net result from transactions (Net operating balance)</b> |       | <u><b>(3,663)</b></u> | <u><b>7,826</b></u>  |
| <b>Other economic flows included in net result</b>          |       |                       |                      |
| Net gain/(loss) on financial instruments                    |       | (5,228)               | (6,974)              |
| Net gain/(loss) on sale of non-financial assets             |       | (455)                 | 184                  |
| <b>Total other economic flows included in net result</b>    | 2,3,7 | <u>(5,683)</u>        | <u>(6,790)</u>       |
| <b>Net result</b>   |       | <u><b>(9,346)</b></u> | <u><b>1,036</b></u>  |
| <b>Other economic flows - other comprehensive income</b>    |       |                       |                      |
| <b>Items that will not be reclassified to net result</b>    |       |                       |                      |
| Transfer to cash flow hedge reserve                         | 15    | <u>3,481</u>          | <u>10,764</u>        |
| <b>Comprehensive result</b>                                 |       | <u><b>(5,865)</b></u> | <u><b>11,800</b></u> |

The comprehensive operating statement is to be read in conjunction with the notes to and forming part of the financial statements set out in pages 29 to 67

## Balance Sheet as at 30 June 2014

|                                     | Notes | 2014<br>\$000's | 2013<br>\$000's |
|-------------------------------------|-------|-----------------|-----------------|
| <b>Assets</b>                       |       |                 |                 |
| <b>Financial assets</b>             |       |                 |                 |
| Cash and deposits                   | 5     | 12,587          | 19,281          |
| Receivables                         | 6     | 770             | 1,113           |
| <b>Total financial assets</b>       |       | <u>13,357</u>   | <u>20,394</u>   |
| <b>Non-financial assets</b>         |       |                 |                 |
| Infrastructure, plant and equipment | 8     | 8,674           | 10,481          |
| Intangible assets                   | 9     | 221             | 390             |
| Other non-financial assets          | 10    | 1,024           | 590             |
| <b>Total non-financial assets</b>   |       | <u>9,919</u>    | <u>11,461</u>   |
| <b>Total assets</b>                 |       | <u>23,276</u>   | <u>31,855</u>   |
| <b>Liabilities</b>                  |       |                 |                 |
| Payables                            | 11    | 2,558           | 2,573           |
| Provisions                          | 12    | 749             | 766             |
| Deferred income                     | 13    | 3,259           | 3,322           |
| Derivatives                         | 14    | 7,159           | 9,778           |
| <b>Total liabilities</b>            |       | <u>13,725</u>   | <u>16,439</u>   |
| <b>Net assets</b>                   |       | <u>9,551</u>    | <u>15,416</u>   |
| <b>Equity</b>                       |       |                 |                 |
| Contributed capital                 | 15a   | 10,739          | 10,739          |
| Cashflow Hedge Reserve              | 15b   | (7,159)         | (10,640)        |
| Asset Revaluation Reserve           | 15c   | 3,224           | 3,224           |
| Accumulated surplus                 | 15d   | 2,747           | 12,093          |
| <b>Net worth</b>                    |       | <u>9,551</u>    | <u>15,416</u>   |
| Commitments for expenditure         | 18    |                 |                 |
| Contingent assets and liabilities   | 19    |                 |                 |

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out in pages 29 to 67

**Statement of Changes in Equity  
For the Financial Year Ended 30 June 2014**

|  | Notes     | Cash flow<br>hedge<br>reserve | Asset<br>revaluation<br>reserve | Contributed<br>capital | Accumulated<br>surplus | Total         |
|--|-----------|-------------------------------|---------------------------------|------------------------|------------------------|---------------|
|  |           | \$000's                       | \$000's                         | \$000's                | \$000's                | \$000's       |
| <b>Balance at 1 July 2012</b>            |           | (21,404)                      | 3,224                           | 10,739                 | 11,057                 | 3,616         |
| Net result for year                      | 15d       | -                             | -                               | -                      | 1,036                  | 1,036         |
| Transfer to cash flow hedge<br>reserve   | 15b       | 10,764                        | -                               | -                      | -                      | 10,764        |
| Transfer to asset revaluation<br>reserve | 15c       | -                             | -                               | -                      | -                      | -             |
| <b>Balance at 30 June 2013</b>           | <b>15</b> | <b>(10,640)</b>               | <b>3,224</b>                    | <b>10,739</b>          | <b>12,093</b>          | <b>15,416</b> |
| Net result for year                      | 15d       | -                             | -                               | -                      | (9,346)                | (9,346)       |
| Transfer to cash flow hedge<br>reserve   | 15b       | 3,481                         | -                               | -                      | -                      | 3,481         |
| <b>Balance at 30 June 2014</b>           | <b>15</b> | <b>(7,159)</b>                | <b>3,224</b>                    | <b>10,739</b>          | <b>2,747</b>           | <b>9,551</b>  |

The above statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 29 to 67

## Cash Flow Statement for the Financial Year Ended 30 June 2014

|   | Notes | 2014<br>\$000's      | 2013<br>\$000's      |
|---|-------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>   |       |                      |                      |
| <b>Receipts</b>   |       |                      |                      |
| Receipts from customers, sponsors and commercial entities                                   |       | 48,825               | 55,089               |
| Interest received   |       | 1,733                | 2,030                |
| Government contributions – Motorcycle Grand Prix  |       | 5,865                | 3,384                |
| Government contributions – Formula One Grand Prix   |       | 66,140               | 62,309               |
| Government contributions – Future Grands Prix   |       | 4,601                | 7,434                |
| Government contributions attributable to capital works                                      |       | 1,244                | 1,276                |
| Government contributions – Future Grands Prix – Phillip Island Homologation                 |       | -                    | 550                  |
| <b>Total receipts</b>   |       | <u>128,408</u>       | <u>132,072</u>       |
| <b>Payments</b>   |       |                      |                      |
| Payments to suppliers and employees   |       | (127,694)            | (124,655)            |
| GST paid to the ATO*  |       | <u>(5,742)</u>       | <u>(4,073)</u>       |
| <b>Total payments</b>   |       | <u>(133,436)</u>     | <u>(128,728)</u>     |
| <b>Net cash flows from/(used in) operating activities</b>                                   | 20    | <u>(5,028)</u>       | <u>3,344</u>         |
| <b>Cash flows from investing activities</b>   |       |                      |                      |
| <b>Non-financial assets</b>   |       |                      |                      |
| Payments for furniture and equipment  |       | (73)                 | (198)                |
| Payments for intangibles  |       | -                    | (89)                 |
| Payments for Grand Prix infrastructure, plant and equipment attributable to the Corporation |       | (968)                | (730)                |
| Payments for capital works subsequently transferred to Parks Victoria                       |       | (668)                | (429)                |
| Proceeds from the sale of Property, Plant & Equipment                                       |       | <u>43</u>            | <u>227</u>           |
| <b>Net cash flows from/(used in) investing activities</b>                                   |       | <u>(1,666)</u>       | <u>(1,219)</u>       |
| <b>Net increase/(decrease) in cash &amp; cash equivalents</b>                               |       | (6,694)              | 2,125                |
| Cash & cash equivalents at the beginning of the year  |       | <u>19,281</u>        | <u>17,156</u>        |
| <b>Cash &amp; cash equivalents at the end of financial year</b>                             | 5     | <u><b>12,587</b></u> | <u><b>19,281</b></u> |

\*Goods and Services Tax paid to the ATO is presented on a net basis.

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 29 to 67

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

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The annual financial statements represent the audited general purpose financial statements for the Australian Grand Prix Corporation (the Corporation) for the period ended 30 June 2014.

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

The purpose of the report is to provide users with information about the Corporation's stewardship of resources entrusted to it.

### 1. Summary of significant accounting policies

#### (a) Statement of compliance

The Corporation's financial statements are a general purpose financial report which has been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs) which include Interpretations issued by the Australian Accounting Standards Board (AASB).

In complying with AASs, the Corporation has, where relevant, applied those paragraphs applicable to not-for-profit entities.

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.

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 26.

The annual financial statements were authorised for issue by the Chairman of the Board on 26 August 2014.

#### (b) Basis of accounts preparation and measurement

The accrual 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.

In the application of AASs, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgement 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 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 discussed below.

- Estimated impairment of non-financial assets

The Corporation assesses impairment of all assets at each reporting date by evaluating conditions specific to the Corporation and to the particular asset that may lead to impairment. These may include asset performance, economic and political environments and future expectations. Given the specific nature of the Corporation's assets, management considered that the indicators of impairment were significant enough and as such have been tested for impairment in this financial period.

- Useful lives and fair value of non-financial assets

The Valuer-General Victoria is the Corporation's independent valuation agency. The Corporation's management, with the assistance of the Valuer-General Victoria, determines the estimated useful lives and related depreciation charges and fair value for its infrastructure, furniture and equipment and intangible assets. (Refer Note 1(k)). Management will increase the depreciation charge where useful lives are less than

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

previous estimated useful lives, or will write-off or write-down obsolete assets or those that are no longer considered useful.

- Deferred revenue

Revenue is recognised in the year in which the event it relates to occurs.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods. Judgements made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, are disclosed throughout the notes to the financial statements.

These financial statements are presented in Australian dollars, the functional and presentation currency of the Corporation, and prepared in accordance with the historical cost convention except for:

- Non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with a sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value and the fair value of an asset is generally based on its depreciated replacement value;
- Derivative financial instruments, which, after recognition are measured at fair value through the profit and loss.

Consistent with *AASB 13 Fair Value Measurement*, the Corporation determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment and financial instruments, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions (FRDs).

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

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

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

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



## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented for the year ended 30 June 2013.

### (c) Reporting entity

The Corporation is a statutory authority established pursuant to the *Australian Grands Prix Act 1994* (as amended) ("AGP Act").

The principal address is:

Australian Grand Prix Corporation  
Level 5, 616 St Kilda Road  
Melbourne VIC 3004

The Corporation is subject to the direction and control of the Minister administering the AGP Act. At the time of this report this was the Minister for Tourism and Major Events, The Honourable Louise Asher MP. The Corporation has complied with all Ministerial Directives, during the financial year ended 30 June 2014.

### Objectives and Funding

The Corporation's overall objective is to provide Melbourne and Victoria with the best international event experiences that deliver increased promotional and economic benefits to the State of Victoria.

The Corporation is predominantly funded by ticket sales and sponsorship of the events and contributions provided by the Victorian Government.

### (d) Scope and presentation of financial statements

#### Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result from transactions' (or termed as 'net operating balance'), 'other economic flows included in net result', as well as 'other economic flows – other comprehensive income'. The sum of the former two, together with the net result from discontinued operations, represents the net result.

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

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 Presentation of Financial Statements.

#### Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

### Cash flow statement

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

### Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner changes in equity from 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 economic flows - other movements in equity' related to 'Transactions with owner in its capacity as owner'.

### Rounding of amounts

Amounts in the financial statements (including the notes) have been rounded to the nearest thousand dollars, unless otherwise stated. Figures in the accounts may not equate due to rounding.

### (e) Changes in accounting policies

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

#### AASB 13 Fair value measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when the Corporation is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. The Corporation has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and adjusted where applicable. In light of AASB 13, the Corporation has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

However, AASB 13 has predominantly impacted the disclosures of the Corporation. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 *Financial Instruments: Disclosures*.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2012-13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 *Financial Instruments: Disclosures*.

#### AASB 119 Employee benefits

In 2013-14, the Corporation has applied AASB 119 Employee benefits (Sept 2011, as amended) and the related consequential amendments for the first time.

The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

obligation and plan assets. As the current accounting policy is for the Department of Treasury and Finance to recognise and disclose the State's defined benefit liabilities in its financial statements, changes in defined benefit obligations and plan assets will have no impact on the Corporation.

The revised standard also changes the definition of short-term employee benefits. These were previously benefits that were expected to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously classified by the Corporation as short-term employee benefits no longer meet this definition and are now classified as long-term employee benefits. This has resulted in a change of measurement for the annual leave provision from an undiscounted to discounted basis.

The Corporation considers the change in classification has not materially altered its measurement of the annual leave provision.

### **(f) Events subsequent to balance date**

Assets, liabilities, income or expenses arise from past transactions or other past events. Disclosure is made about events between the reporting date and the date the statements are authorised for issue where the events relate to conditions which arose after the reporting date and are considered to be of material interest.

### **(g) 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.

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

### **(h) Income tax**

The Corporation is exempt from income tax under Section 24AR of Division 1B of the *Income Tax Assessment Act, 1936*.

### **(i) Income from transactions**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the income can be reliably measured.

### **Sales and sponsorship/commercial revenue**

Sales and sponsorship revenues are not controlled by the Corporation until the event has occurred. Hence, such revenues are recognised in the financial year in which an event is conducted. Until the event has occurred, the amounts received are recognised as deferred income.

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

### Interest revenue

Interest includes interest received on deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

### Government contributions - Recurrent

Government contributions are recognised as revenue when the Corporation gains control of the underlying assets. The Corporation is deemed to have assumed control when the contributions are received or receivable.

### Government contributions – Non-recurrent

The Corporation undertakes works within Albert Park under licence from Parks Victoria in its capacity as the Committee of Management for Albert Park. Government contributions in relation to capital works have been recognised as revenue in the current financial year. These capital works have been transferred to Parks Victoria free of charge.

### Fair value of assets and services received free of charge or for nominal consideration

Contributions of resources received free of charge or for nominal consideration are recognised at fair value when control is obtained over them, irrespective of whether these contributions are subject to restrictions or conditions over their use. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

### (j) Expenses from transactions

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

### Event management and staging and recurrent engineering

Event management and staging includes costs relating to venue and event operations. Recurrent engineering expenses include those costs relating to the assembly, dismantling and servicing of event infrastructure. It includes any non-capital expenditure on areas in and around the Albert Park and Phillip Island circuits.

### Administration expenses

#### *Depreciation and amortisation*

All items of infrastructure, plant and equipment that have finite useful lives are depreciated. Depreciation is calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, and adjustments made when necessary.

Intangible assets are amortised on a straight line basis over the useful lives of the assets.

The following are typical useful lives for the different asset classes for current and prior years.

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

| Asset class               | Useful life  |
|---------------------------|--------------|
| Computer Equipment        | 3 years      |
| Furniture and Equipment   | 5 years      |
| Grand Prix Infrastructure | 3 – 20 years |
| Intangible Assets         | 4 - 6 years  |

### *Bad and doubtful debts*

Refer to Note 1 (m) Impairment of financial assets

### **Marketing/promotion and catering**

Marketing and promotion expenses are those costs incurred in ensuring that the event is promoted to the general public and corporate clients thereby increasing sales revenue. Catering costs are predominantly incurred in the provision of high class facilities to corporate and VIP clients. A large proportion of these costs are recovered from ticket sales.

### **Employee benefits**

Employee expenses are recognised within Administration costs. These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

### *Superannuation*

Contributions are made by the Corporation to an employee superannuation fund and are charged as expenses when incurred (Refer note 23).

### **(k) Other economic flows included in the net result**

Other economic flows measure the change in volume or value of assets or liabilities that do not result in transactions.

### **Gain/ (loss) on financial assets**

At the end of each reporting period, the Corporation 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, debts which are more than 60 days overdue, and changes in debtor credit ratings.

Bad and doubtful debts are assessed on a regular basis. The provision for doubtful receivables is adjusted as an 'other economic outflow'. Bad debts are written off against the provision.

### **Gain/(loss) on non-financial assets**

Net gain/loss on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

### *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 assets at the time of sale.

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

### *Revaluations gains/(losses) of non-financial physical assets*

Refer to Note 1 (n)

### *Revaluation gains/losses arising from transactions in foreign exchange*

Net gain/(loss) on derivatives includes realised and unrealised gains and losses from revaluations of derivatives (being foreign exchange forward contracts and foreign exchange options) that are designated at fair value through profit and loss.

Refer to Note 1 (q)

### *Impairment of non-financial assets*

Intangible assets not yet available for use or with indefinite 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.

If there is any indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds the recoverable amount, the difference is written off as an 'other 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 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 assets and fair value less costs to sell.

Refer to Note 1 (n) in relation to the recognition and measurement of non-financial assets.

### **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 (refer to Note 1 (l)); and
- disposals of financial assets

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

### *Revaluations of financial instruments at fair value*

Refer to Note 1 (l) Financial Instruments

### *Other gains/(losses) from other economic flows*

Other gains/(losses) from other economic flows include the gains or losses from:

- transfer of amounts from reserves and/or accumulated surplus to net result due to disposal or derecognition of reclassification; and
- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

## **(l) 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 Corporation'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 1(m)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

#### *Held-to-maturity financial assets*

If the Corporation has the positive intent and ability to hold nominated investments to maturity, then such assets may be classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

The held-to-maturity category includes certain term deposits and debt securities for which the Corporation intends to hold to maturity.

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

The Corporation makes limited use of this classification because any sale or reclassification of more than an insignificant amount of held-to-maturity investments not close to their maturity would result in the whole category being reclassified as available-for-sale. The Corporation would also be prevented from classifying investment securities as held-to-maturity for the current and the following two financial years.

### *Financial assets and liabilities at fair value through profit and loss*

Financial assets are categorised as fair value through profit and loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by the Corporation based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. Any dividend or interest on a financial asset is recognised in the net result from transactions.

### *Financial liabilities at amortised cost*

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the 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 profit or loss.

### **Offsetting financial instruments**

Financial instrument assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Corporation has the 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.

### **Reclassification of financial instruments**

Subsequent to initial recognition and under rare circumstances, non-derivative financial instruments assets that have not been designated at fair value through profit or loss upon recognition may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near future.

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit category, if there is the intention and ability to hold them for the foreseeable future or until maturity.



## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

### (m) Financial assets

#### Cash and deposits

Cash and deposits recognised on the balance sheet comprise cash on hand and cash at bank, deposits at call with Treasury Corporation of Victoria and other financial institutions.

For the purpose of the Cash Flow Statement, cash and cash equivalents includes notes and coins held, cash at bank and deposits with a maturity of three months or less, which are readily convertible to cash on hand and are subject to insignificant risk of changes in value.

#### Receivables

Receivables consist predominantly of debtors in relation to goods and services and accrued investment income that are not quoted on the active market.

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

Receivables are initially recognised at fair value plus any attributable transaction cost and subsequently measured at amortised cost using the effective interest method less an allowance for 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.

#### Impairment of financial assets

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit and loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. A bad debt not written off by mutual consent and the allowance for doubtful receivables is 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*.

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

### (n) Non-financial assets

#### Infrastructure, plant and equipment

Items of non-financial physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is received for no or nominal consideration, the cost is the asset's fair value at the date of acquisition.

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

For the accounting policy on impairment of non-financial physical assets, refer to impairment of non-financial assets under Note 1(k) *Impairment of non-financial assets*.

#### *Non-financial physical assets constructed by the Corporation*

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overheads.

#### *Leasehold improvements*

The cost of leasehold improvements is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements.

#### *Revaluation of non-financial physical assets*

Non-financial physical assets are measured at fair value on a cyclical basis in accordance with Financial Reporting Directions (FRDs) issued by the Minister of Finance. A full revaluation of assets normally occurs every five years and is based on the asset's Government Purpose Classifications. The last valuation occurred during the 2010-2011 financial year. Independent valuers are used to conduct scheduled revaluations.

Revaluation increases and 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 infrastructure, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised immediately as expenses (other economic flows) in the net result, except that the net revaluation decrease shall be recognised in other comprehensive income to the extent that a credit balance exists in the revaluation surplus in respect of the same class of infrastructure, plant and equipment.

The net revaluation decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of infrastructure, plant and equipment, are offset against one another within that class but are

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

not offset in respect of assets in different classes. Any revaluation surplus is not normally transferred to accumulated funds on de-recognition of the relevant asset.

### *Capital Works*

All fixed capital works constructed within Albert Park have been transferred to a third party, Parks Victoria, free of charge, in accordance with the licence agreements.

### *Intangible assets*

Purchased intangible assets are initially recorded at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

When recognition criteria in AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised at cost less accumulated amortisation and impairment.

Refer to Note 1(j) Depreciation and Amortisation and Note 1(k) Impairment of non-financial assets.

### *Other non-financial assets*

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.

## **(o) Liabilities**

### **Payables**

Payables consist of:

- contractual payables, such as accounts payable. Accounts payable represent liabilities for goods or services provided to the Corporation prior to the end of the financial year that are unpaid, and arise when the Corporation becomes obliged to make future payments in respect of the purchases of 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 to Note 1(l)). 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.

### **Deferred income**

Deferred income consists of amounts received during the period which relates to activities to be conducted in future financial years.

### **Provisions**

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.

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

### *Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in the provision for employee benefits as current liabilities, because the Corporation does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- undiscounted value - if the Corporation expects to wholly settle within 12 months; or
- present value - if the Corporation does not expect to wholly settle within 12 months.

### *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 Corporation does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- nominal value – component that the Corporation expects to wholly settle within 12 months
- present value – component that the Corporation 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 liability is measured at present value.

Any gain or loss following revaluation of the present value of the 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'. (refer note 1 (k))

### *Employee benefits on-costs*

Employee benefits on-costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

## **(p) 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.

### *Operating Lease*

Operating lease payments are recognised as an expense in the comprehensive operating statement on a straight line basis over the lease term, except where another systematic basis

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

is more representative of the time pattern of the benefits derived from the use of the asset. The leased asset is not recognised in the balance sheet.

The cost of leasehold improvements is capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives are recognised as a reduction of rental expenses over the term on a straight-line basis, unless another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### *Finance lease*

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.

### **(q) Foreign currency transactions and balances**

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 at the end of the reporting period. Non-monetary assets carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Foreign currency translation differences are recognised in 'other economic flows' and accumulated in the cash flow hedge reserve in the period in which they arise.

### **(r) Contingent assets and liabilities**

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 19) and if quantifiable are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable and payable respectively.

### **(s) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. The Department of Treasury and Finance has assessed the impact of the new standards and has advised the Corporation of their applicability and early adoption where applicable.

As at 30 June 2014, the following standards and interpretations have been issued but were not effective. They become effective for the first financial statements for the reporting periods commencing after the stated operative dates as follows:

**Notes to and Forming Part of the Financial Statements  
for the Financial Year Ended 30 June 2014**

| Standard/<br>Interpretation         | Summary   | Applicable for<br>annual reporting<br>periods beginning<br>on | Impact on public sector<br>entity financial<br>statements   |
|-------------------------------------|---|---|---|
| <i>AASB 9 Financial Instruments</i> | This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). | 1 Jan 2017  | <p>The preliminary assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss.</p> <p>While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.</p> |

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

| 2. Revenue And Expenses From Ordinary Activities            | 2014<br>Formula<br>One<br>Grand Prix<br>\$000's | 2013<br>Motorcycle<br>Grand Prix<br>\$000's | Future<br>Grands Prix<br>\$000's | June 2014<br>Financial<br>Year Total<br>\$000's | 2013<br>Formula<br>One<br>Grand Prix<br>\$000's | 2012<br>Motorcycle<br>Grand Prix<br>\$000's | Future<br>Grands<br>Prix<br>\$000's | June 2013<br>Financial<br>Year Total<br>\$000's |
|---|---|---|----------------------------------|---|---|---|-------------------------------------|---|
| <b>Income from transactions</b>                             |   |   |                                  |   |   |   |                                     |   |
| Sales revenue   | 29,255  | 5,328                                       | -                                | 34,583  | 30,250  | 9,947                                       | -                                   | 40,197  |
| Sponsorship/Commercial revenue                              | 7,068   | 1,511                                       | -                                | 8,579   | 7,260   | 1,877                                       | -                                   | 9,137   |
| Interest received   | 1,552   | 181   | -                                | 1,733   | 1,840   | 190   | -                                   | 2,030   |
| Government Contributions – recurrent*                       | 60,127  | 5,332                                       | 4,183                            | 69,642  | 56,645  | 3,076                                       | 6,758                               | 66,479  |
| Government Contributions – non recurrent                    | 1,131   | -   | -                                | 1,131   | 1,160   | -   | -                                   | 1,160   |
| Government Contribution – Phillip Island Homologation       | -   | -   | -                                | -   | -   | -   | 500                                 | 500   |
| Other operating revenue                                     | 416   | 216   | -                                | 632   | 1,246   | 852   | -                                   | 2,098   |
| <b>Total income from transactions</b>                       | <b>99,549</b>                                   | <b>12,568</b>                               | <b>4,183</b>                     | <b>116,300</b>                                  | <b>98,401</b>                                   | <b>15,942</b>                               | <b>7,258</b>                        | <b>121,601</b>                                  |
| <b>Expenses from transactions</b>                           |   |   |                                  |   |   |   |                                     |   |
| Event Management and Staging                                | 52,928  | 11,301                                      | -                                | 64,229  | 46,617  | 10,423                                      | 592                                 | 57,632  |
| Recurrent Engineering**                                     | 29,897  | 3,094                                       | -                                | 32,991  | 29,237  | 3,902                                       | -                                   | 33,139  |
| Administration***   | 5,852   | 2,014                                       | -                                | 7,866   | 5,523   | 1,993                                       | -                                   | 7,516   |
| Marketing/Promotion and Catering                            | 12,577  | 2,300                                       | -                                | 14,877  | 12,764  | 2,724                                       | -                                   | 15,488  |
| <b>Total expenses from transactions</b>                     | <b>101,254</b>                                  | <b>18,709</b>                               | <b>-</b>                         | <b>119,963</b>                                  | <b>94,141</b>                                   | <b>19,042</b>                               | <b>592</b>                          | <b>113,775</b>                                  |
| <b>Net result from transactions (net operating balance)</b> | <b>(1,705)</b>                                  | <b>(6,141)</b>                              | <b>4,183</b>                     | <b>(3,663)</b>                                  | <b>4,260</b>                                    | <b>(3,100)</b>                              | <b>6,666</b>                        | <b>7,826</b>                                    |
| <b>Other economic flows</b>                                 | <b>(5,886)</b>                                  | <b>203</b>                                  | <b>-</b>                         | <b>(5,683)</b>                                  | <b>(6,790)</b>                                  | <b>-</b>                                    | <b>-</b>                            | <b>(6,790)</b>                                  |
| <b>Net result</b>   | <b>(7,591)</b>                                  | <b>(5,938)</b>                              | <b>4,183</b>                     | <b>(9,346)</b>                                  | <b>(2,530)</b>                                  | <b>(3,100)</b>                              | <b>6,666</b>                        | <b>1,036</b>                                    |

\* Includes \$4,183,000 for recurrent spending on the 2014 Motorcycle event received in the 2013/14 financial year (2013: \$2,017,145 for the 2014 Formula One Event and \$5,241,000 for the 2013 Motorcycle Event)

\*\* Includes costs associated with the assembly, dismantle and servicing of event infrastructure

\*\*\* Includes depreciation and amortization

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

|  | 2014<br>Formula<br>One Grand<br>Prix<br>\$000's | 2013<br>Motorcycle<br>Grand Prix<br>\$000's | June 2014<br>Financial<br>Year<br>Total<br>\$000's | 2013<br>Formula<br>One Grand<br>Prix<br>\$000's | 2012<br>Motorcycle<br>Grand Prix<br>\$000's | June 2013<br>Financial<br>Year<br>Total<br>\$000's |
|--|---|---|--|---|---|--|
| <b>3. Expenses From transactions</b>   |   |   |  |   |   |  |
| <b>Disclosure</b>  |   |   |  |   |   |  |
| Items of expenses from transactions included in the comprehensive operating statement requiring specific disclosure: |   |   |  |   |   |  |
| Bad and doubtful debts   | -   | -   | -  | (86)  | -   | (86)   |
| Depreciation and amortisation  |   |   |  |   |   |  |
| - Amortisation – intangibles   | 137   | 31  | 168  | 131   | 30  | 161  |
| - Depreciation - furniture & equipment   | 339   | 113   | 452  | 422   | 141   | 563  |
| - Depreciation - Grand Prix infrastructure   | 1,844   | 56  | 1,900  | 1,892   | 58  | 1,950  |
| Employee Benefits  |   |   |  |   |   |  |
| - Salaries, wages, annual leave, long service leave  | 6,601   | 255   | 6,817  | 6,803   | 159   | 6,962  |
| - Superannuation contributions   | 604   | -   | 604  | 584   | -   | 584  |
| Operating lease expenses   | 762   | -   | 762  | 731   | -   | 731  |
| (Profit)/Loss on sale of property, plant and equipment   | 455   | -   | 455  | (184)   | -   | (184)  |
| Assets provided free of charge to Parks Victoria   | 668   | -   | 668  | 429   | -   | 429  |



## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

| <b>4. Auditors' remuneration</b>  | <b>2014<br/>\$000's</b> | <b>2013<br/>\$000's</b> |
|---|-------------------------|-------------------------|
| Amounts received or due and receivable by the Victorian Auditor-General's Office  | <u>67</u>               | <u>67</u>               |
| <b>5. Cash and deposits</b>   |                         |                         |
| Current:  |                         |                         |
| Cash on hand  | 1                       | 1                       |
| Cash at call  |                         |                         |
| Australian dollar accounts  | 1,995                   | 3,146                   |
| Term Deposits:  |                         |                         |
| Australian dollar term deposits < 3 months  | <u>10,591</u>           | <u>16,134</u>           |
|   | <u><u>12,587</u></u>    | <u><u>19,281</u></u>    |
| <b>6. Receivables</b>   |                         |                         |
| Current:  |                         |                         |
| Contractual   | 457                     | 772                     |
| Trade debtors *   |                         |                         |
| Other debtors   | 8                       | 31                      |
| Statutory   |                         |                         |
| GST input tax recoverable   | <u>305</u>              | <u>314</u>              |
|   | 770                     | 1,117                   |
| Provision for doubtful debts  | <u>-</u>                | <u>(4)</u>              |
|   | <u><u>770</u></u>       | <u><u>1,113</u></u>     |
| As at 30 June 2014, no current receivables of the Corporation were impaired (2013: \$3,850). The amount of the provision is nil (2013: \$3,850).  |                         |                         |
| As of 30 June 2014, trade debtors of \$380,548** (2013: \$168,304) are past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows: |                         |                         |
| Less than 60 days   | 110                     | 114                     |
| 60 to 120 days  | 54                      | 41                      |
| Over 120 days   | <u>217</u>              | <u>13</u>               |
|   | <u><u>381</u></u>       | <u><u>168</u></u>       |
| Movements in the provision for doubtful debts are as follows:   |                         |                         |
| Balance at beginning of the year  | (4)                     | (90)                    |
| Provision recognised during the year  | -                       | (4)                     |
| Receivables recovered during the year   | 4                       | -                       |
| Reversal of provision of receivables written off during the year as uncollected   | <u>-</u>                | <u>90</u>               |
| Balance at end of the year  | <u><u>-</u></u>         | <u><u>(4)</u></u>       |

\* A provision is made for estimated irrecoverable amounts from the sale of goods and services when there is objective evidence that an individual receivable is impaired. The decrease is recognised in the net result for the current financial year.

\*\*As at date of signing trade debtors of \$113,569 are past due but not impaired.

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

|   | 2014<br>\$000's | 2013<br>\$000's |
|---|-----------------|-----------------|
| <b>7. Other economic flows included in the net result</b> |                 |                 |
| (a) Net FX gain/(loss) arising from financial instruments | (5,228)         | (6,974)         |
| (b) Other gains/(losses) from other economic flows        |                 |                 |
| Net gain/(loss) on sale of non-financial assets           | (455)           | 184             |
| Total gains/losses from other economic flows              | <u>(5,683)</u>  | <u>(6,790)</u>  |

### 8. Infrastructure, plant and equipment

#### (a) Classification by 'Purpose Group' – Carrying amount\*

##### Public safety and environment

|   |              |               |
|---|--------------|---------------|
| Furniture and Equipment – at fair value                   | 479          | 858           |
| Grand Prix infrastructure – at fair value                 | <u>8,195</u> | <u>9,623</u>  |
| Net carrying amount of infrastructure plant and equipment | <u>8,674</u> | <u>10,481</u> |

\*Infrastructure, plant and equipment are classified primarily by the 'purpose' for which the assets are used, according to one of six purpose groups based upon government purpose classifications (GPC). All assets within a purpose group are further sub categorised according to the asset's nature (i.e. buildings, plant and equipment, etc) with each sub category being classified as a separate class for financial reporting purposes.

#### (b) Gross carrying amount and accumulated depreciation

|   | Gross carrying amount |                  | Accumulated depreciation |                  | Net carrying amount |                  |
|---|-----------------------|------------------|--------------------------|------------------|---------------------|------------------|
|   | 2014<br>\$'000's      | 2013<br>\$'000's | 2014<br>\$'000's         | 2013<br>\$'000's | 2014<br>\$'000's    | 2013<br>\$'000's |
| Furniture and equipment at fair value   | 2,356                 | 2,283            | (1,877)                  | (1,425)          | 479                 | 858              |
| Grand Prix infrastructure at fair value | <u>13,683</u>         | <u>13,374</u>    | <u>(5,488)</u>           | <u>(3,751)</u>   | <u>8,195</u>        | <u>9,623</u>     |
|   | <u>16,039</u>         | <u>15,657</u>    | <u>(7,365)</u>           | <u>(5,176)</u>   | <u>8,674</u>        | <u>10,481</u>    |

**Notes to and Forming Part of the Financial Statements  
for the Financial Year Ended 30 June 2014**

**(c) 'Public safety and environment' purpose group – movements in carrying amounts**

|                        | Furniture and equipment at fair value |                  | Grand Prix infrastructure at fair value |                  | Total            |                  |
|------------------------|---------------------------------------|------------------|---|------------------|------------------|------------------|
|                        | 2014<br>\$'000's                      | 2013<br>\$'000's | 2014<br>\$'000's                        | 2013<br>\$'000's | 2014<br>\$'000's | 2013<br>\$'000's |
| Opening balance        | 858                                   | 1,226            | 9,623                                   | 10,884           | 10,481           | 12,110           |
| Additions              | 73                                    | 195              | 1,638                                   | 1,161            | 1,711            | 1,356            |
| Disposals              | -                                     | -                | (661)                                   | (311)            | (661)            | (311)            |
| Transfer to Parks      |                                       |                  |   |                  |                  |                  |
| Victoria               | -                                     | -                | (668)                                   | (429)            | (668)            | (429)            |
| Depreciation           | (452)                                 | (563)            | (1,900)                                 | (1,950)          | (2,352)          | (2,513)          |
| Write back on disposal | -                                     | -                | 163                                     | 268              | 163              | 268              |
| Closing balance        | 479                                   | 858              | 8,195                                   | 9,623            | 8,674            | 10,481           |

Fair value assessments have been performed for all classes of assets within this purpose group and the decision was made that movements were not material (less than or equal to 10 percent) for a managerial full revaluation.

**(d) Aggregate depreciation recognised as an expense during the year\***

|   | 2014<br>\$'000's | 2013<br>\$'000's |
|---|------------------|------------------|
| Furniture and equipment at fair value   | 452              | 563              |
| Grand Prix infrastructure at fair value | 1,900            | 1,950            |
|   | <u>2,352</u>     | <u>2,513</u>     |

\* The useful lives of assets as stated in Policy Note 1 are used in the calculation of depreciation.

**(e) Fair value measurement hierarchy for assets as at 30 June 2014**

|                         | Carrying amount as at 30 June 2014<br>\$'000's | Fair value measurement at end of reporting period using: |                       |                       |
|-------------------------|--|--|-----------------------|-----------------------|
|                         |  | Level 1**<br>\$'000's                                    | Level 2**<br>\$'000's | Level 3**<br>\$'000's |
| Furniture and Equipment | 479  | -  | -                     | 479                   |
| Infrastructure          | 8,195  | -  | -                     | 8,195                 |
| Closing balance         | 8,674  | -  | -                     | 8,674                 |

\*\*Classified in accordance with fair value hierarchy, see Note 1(b).

There have been no transfers between levels during the period.

There were no changes in valuation techniques throughout the period to 30 June 2014.

For all assets measured at fair value, the current use is considered the highest and best use.

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

### Reconciliation of Level 3 fair value:

|   | Furniture and<br>equipment<br>\$'000's | Grand Prix<br>Infrastructure<br>\$'000's |
|---|--|--|
| <b>2014 Opening balances</b>  | 858                                    | 9,623                                    |
| Additions/(disposals)   | 73                                     | 927                                      |
| Transfers in/(out) of Level 3   | -                                      | -  |
| Gains or losses recognised in net result  | -                                      | (455)                                    |
| Depreciation  | (452)                                  | (1,900)                                  |
| Impairment losses   | -                                      | -  |
| <b>Sub-total</b>  | 479                                    | 8,195                                    |
| Gains or losses recognised in other economic flows – other comprehensive income |  |  |
| Revaluation   | -                                      | -  |
| <b>Sub-total</b>  | -                                      | -  |
| <b>2014 Closing balance</b>   | 479                                    | 8,195                                    |
| Unrealised gains/(losses) on non-financial assets                               |  |  |

Infrastructure assets are valued using the depreciated replacement cost method. This cost represents the replacement cost of the component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Furniture and equipment is held at fair value. When furniture and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2014.

For all assets measured at fair value, the current use is considered the highest and best use.

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

### Description of significant unobservable inputs to Level 3 valuations:

|                            | Valuation technique          | Significant unobservable inputs    | Range                    | Sensitivity of fair value measurement to changes in significant unobservable inputs   |
|----------------------------|------------------------------|------------------------------------|--------------------------|---|
| <b>Plant and equipment</b> | Depreciated replacement cost | Cost per unit                      | \$500-\$750,000 per unit | A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value                          |
|                            |                              | Useful life of plant and equipment | 3 - 5 years              | A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. |
| <b>Infrastructure</b>      | Depreciated replacement cost | Cost per unit                      | \$500-\$252,000 per unit | A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value                          |
|                            |                              | Useful life of the infrastructure  | 3 - 20 years             | A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. |

### 9. Intangible assets

|                          | Computer software |                  | Trademarks       |                  | Total            |                  |
|--------------------------|-------------------|------------------|------------------|------------------|------------------|------------------|
|                          | 2014<br>\$'000's  | 2013<br>\$'000's | 2014<br>\$'000's | 2013<br>\$'000's | 2014<br>\$'000's | 2013<br>\$'000's |
| Opening balance          | 972               | 883              | 999              | 999              | 1,971            | 1,882            |
| Additions                | -                 | 89               | -                | -                | -                | 89               |
| Disposals                | -                 | -                | -                | -                | -                | -                |
| Closing balance          | 972               | 972              | 999              | 999              | 1,971            | 1,971            |
| Accumulated Amortisation | (762)             | (607)            | (988)            | (974)            | (1,750)          | (1,581)          |
| Closing balance          | 210               | 365              | 11               | 25               | 221              | 390              |

#### Significant intangible assets

The Corporation has capitalised the cost of trademarks and intellectual property. The useful life of the asset was reviewed in 2009 and it will be fully amortised by 2020. The cost of the Corporation's website, and Customer Relationship Management and accounting systems have also been capitalised and will be fully amortised by 2016.

**Notes to and Forming Part of the Financial Statements  
for the Financial Year Ended 30 June 2014**

|   | 2014<br>\$'000's  | 2013<br>\$'000's  |
|---|-------------------|-------------------|
| <b>10. Other non-financial assets</b>   |                   |                   |
| Prepayments – current   | <u>1,024</u>      | <u>590</u>        |
| <b>11. Payables</b>   |                   |                   |
| Current:  |                   |                   |
| Contractual   |                   |                   |
| Supplies and other services   | 2,338             | 2,098             |
| Statutory   |                   |                   |
| GST payable   | 97                | 365               |
| FBT payable   | 78                | 59                |
| Other taxes payable   | <u>45</u>         | <u>51</u>         |
|   | <u>2,558</u>      | <u>2,573</u>      |
| (a) Maturity analysis of contractual payables   |                   |                   |
| Please refer to note 16 for maturity analysis of contractual payables                 |                   |                   |
| (b) Nature and extent of risks arising from contractual payables                      |                   |                   |
| Refer to note 16 for the nature and extent of risks arising from contractual payables |                   |                   |
| <b>12. Provisions</b>   |                   |                   |
| <b>Current provisions</b>   |                   |                   |
| Employee benefits* – annual leave:  |                   |                   |
| Unconditional and expected to settle within 12 months                                 | 313               | 310               |
| Unconditional and expected to settle after 12 months                                  | 86                | 113               |
| Employee benefits* – long service leave:  |                   |                   |
| Unconditional and expected to settle after 12 months**                                | <u>214</u>        | <u>143</u>        |
| Total employee benefits   | 613               | 566               |
| Provision related to employee benefit on-costs:                                       |                   |                   |
| Unconditional and expected to settle within 12 months                                 | 65                | 67                |
| Unconditional and expected to settle after 12 months                                  | <u>35</u>         | <u>23</u>         |
| Total employee benefit on-costs   | <u>100</u>        | <u>90</u>         |
| <b>Total current provisions</b>   | <u><b>713</b></u> | <u><b>656</b></u> |
| <b>Non-current provisions</b>   |                   |                   |
| Employee benefits/long service leave **   | 31                | 95                |
| Employee benefit on-costs   | <u>5</u>          | <u>15</u>         |
| <b>Total Non-Current Provisions</b>   | <u><b>36</b></u>  | <u><b>110</b></u> |
| <b>Total provisions</b>   | <u><b>749</b></u> | <u><b>766</b></u> |

\* Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.

\*\* Employee benefit amounts disclosed are discounted to present values.

**Notes to and Forming Part of the Financial Statements  
for the Financial Year Ended 30 June 2014**

|   | <b>2014<br/>\$'000's</b> | <b>2013<br/>\$'000's</b> |
|---|--------------------------|--------------------------|
| <b>Current employee benefits</b>                    |                          |                          |
| Annual Leave entitlements                           | 399                      | 423                      |
| Long Service Leave entitlements                     | 214                      | 143                      |
|   | <u>613</u>               | <u>566</u>               |
| <b>Non-current employee benefits</b>                |                          |                          |
| Long Service Leave entitlements                     | 31                       | 95                       |
| <b>Total employee benefits</b>                      | <u>644</u>               | <u>661</u>               |
| Current on-costs                                    | 100                      | 90                       |
| Non-current on-costs                                | 5                        | 15                       |
| <b>Total on-costs</b>                               | <u>105</u>               | <u>105</u>               |
| <b>Total employee benefits and related on-costs</b> | <u><u>749</u></u>        | <u><u>766</u></u>        |

**(b) Movement in provisions**

|                            | <b>Employee<br/>benefits<br/>2014<br/>\$'000's</b> | <b>On-costs<br/>2014<br/>\$'000's</b> | <b>Total<br/>2014<br/>\$'000's</b> |
|----------------------------|--|---------------------------------------|------------------------------------|
| Opening balance            | 661  | 105                                   | 766                                |
| Additional provisions made | (17)   | -                                     | (17)                               |
| Closing balance            | <u>644</u>   | <u>105</u>                            | <u>749</u>                         |
| Current                    | 613  | 100                                   | 713                                |
| Non-current                | 31   | 5                                     | 36                                 |
|                            | <u>644</u>   | <u>105</u>                            | <u>749</u>                         |

**13. Deferred income**

|                           |              |              |
|---------------------------|--------------|--------------|
| Current:                  |              |              |
| Advance commercial income | 283          | 588          |
| Advance ticket sales      | 2,976        | 2,734        |
|                           | <u>3,259</u> | <u>3,322</u> |

**14. Derivatives**

|  |              |              |
|--|--------------|--------------|
| Current foreign exchange forward contracts     | 6,922        | 5,695        |
| Non-current foreign exchange forward contracts | 237          | 4,944        |
| Non-current foreign exchange options contracts | -            | (861)        |
|  | <u>7,159</u> | <u>9,778</u> |

Foreign exchange contracts were entered into at the request of the Victorian Government's Department of Treasury and Finance and are held with Treasury Corporation of Victoria.

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

|  | 2014<br>\$'000's | 2013<br>\$'000's |
|--|------------------|------------------|
| <b>15. Equity</b>                                |                  |                  |
| (a) Contributed Capital                          |                  |                  |
| Contributed Capital at the beginning of the year | 10,739           | 10,739           |
| Contributed Capital at the end of the year       | <u>10,739</u>    | <u>10,739</u>    |
| (b) Cashflow hedge reserve                       |                  |                  |
| Reserve at the beginning of the year             | (10,640)         | (21,404)         |
| Current year reserve                             | 3,481            | 10,764           |
| Reserve at the end of the year                   | <u>(7,159)</u>   | <u>(10,640)</u>  |
| (c) Asset revaluation reserve                    |                  |                  |
| Reserve at the beginning of the year             | 3,224            | 3,224            |
| Current year reserve                             | -                | -                |
| Reserve at the end of year                       | <u>3,224</u>     | <u>3,224</u>     |
| (d) Accumulated surplus                          |                  |                  |
| Accumulated surplus at the beginning of the year | 12,093           | 11,057           |
| Current year net (loss)/ surplus                 | (9,346)          | 1,036            |
| Accumulated surplus at the end of the year       | <u>2,747</u>     | <u>12,093</u>    |

## 16. Financial instruments

The Corporation's financial instruments comprise of:

- Cash assets;
- Term deposits;
- Receivables;
- Payables; and
- Derivatives.

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 1 to the financial statements.

The main purpose in holding financial instruments is to prudentially manage the Corporation's financial risks within government policy parameters.

The Corporation's activities expose it to a variety of financial risks including interest rate risk, foreign exchange risk, liquidity risk and credit risk. The Corporation manages these financial risks in accordance with the financial risk policy. The Corporation uses different methods to measure different types of risk to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Audit and Risk Committee of the Corporation.



## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

### (a) Categorisation of financial instruments

| 2014   | Contractual<br>financial<br>assets/liabilities<br>designated at<br>fair value or<br>held for trading<br>\$'000's | Contractual<br>financial<br>assets –<br>loans and<br>receivables<br>\$'000's | Contractual<br>financial<br>liabilities at<br>amortised<br>cost<br>\$'000's | Total<br>\$'000's |
|--|--|--|---|-------------------|
| <b>Contractual financial assets:</b>           |  |  |   |                   |
| Cash and deposits                              | -  | 12,587   | -   | 12,587            |
| Receivables: *                                 |  |  |   |                   |
| Trade and other debtors                        | -  | 465  | -   | 465               |
| <b>Total contractual financial assets</b>      | -  | 13,052   | -   | 13,052            |
| <b>Financial liabilities</b>                   |  |  |   |                   |
| Payables: *                                    |  |  |   |                   |
| Trade and other payables                       | -  | -  | 2,338   | 2,338             |
| Financial derivatives                          | 7,159  | -  | -   | 7,159             |
| <b>Total contractual financial liabilities</b> | 7,159  | -  | 2,338   | 9,497             |

\* The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable).

| 2013   | Contractual<br>financial<br>assets/liabilities<br>designated at<br>fair value or<br>held for trading<br>\$'000's | Contractual<br>financial<br>assets –<br>loans and<br>receivables<br>\$'000's | Contractual<br>financial<br>liabilities at<br>amortised<br>cost<br>\$'000's | Total<br>\$'000's |
|--|--|--|---|-------------------|
| <b>Contractual financial assets:</b>           |  |  |   |                   |
| Cash and deposits                              | -  | 19,281   | -   | 19,281            |
| Receivables: *                                 |  |  |   |                   |
| Trade and other debtors                        | -  | 803  | -   | 803               |
| <b>Total contractual financial assets</b>      | -  | 20,084   | -   | 20,084            |
| <b>Financial liabilities</b>                   |  |  |   |                   |
| Payables: *                                    |  |  |   |                   |
| Trade and other payables                       | -  | -  | 2,098   | 2,098             |
| Financial Derivatives                          | 9,778  | -  | -   | 9,778             |
| <b>Total contractual financial liabilities</b> | 9,778  | -  | 2,098   | 11,876            |

\* The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable).

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

### (b) Net holding gain/(loss) on financial instruments by category

| 2014                                      | Net holding<br>gain/loss<br>\$'000's | Total interest<br>income<br>\$'000's | Total<br>\$'000's |
|---|--------------------------------------|--------------------------------------|-------------------|
| <b>Contractual financial assets</b>       |                                      |                                      |                   |
| Financial assets – loans and receivables  | -                                    | 1,733                                | 1,733             |
| <b>Total contractual financial assets</b> | -                                    | 1,733                                | 1,733             |

| 2013                                      | Net holding<br>gain/loss<br>\$'000's | Total interest<br>income<br>\$'000's | Total<br>\$'000's |
|---|--------------------------------------|--------------------------------------|-------------------|
| <b>Contractual financial assets</b>       |                                      |                                      |                   |
| Financial assets – loans and receivables  | -                                    | 2,030                                | 2,030             |
| <b>Total contractual financial assets</b> | -                                    | 2,030                                | 2,030             |

The net holding gains and losses disclosed above are determined as follows:

- for cash and cash equivalents, loans or receivables the net gain or loss is calculated by taking the movement in the fair value of the asset, the interest income, plus or minus foreign exchange gains or losses arising from revaluation of financial assets, and minus any impairment recognised in the net result.
- for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost.

### (c) Credit risk

Credit risk arises from contractual financial assets of the Corporation, which comprise cash and deposits, non-statutory receivables, and derivative instruments. Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Corporation's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than government, it is the Corporation's policy to only deal with creditworthy counterparties. Credit risk is controlled through the Corporation's risk management policies which deal with credit exposure limits and counterparty limits (refer Note 6).

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Corporation 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.

The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the Corporation pays when settlement occurs should the counterparty fail to pay the amount which it is committed to pay to the Corporation.

As the Corporation transacts all foreign currency contracts with the Treasury Corporation of Victoria the credit risk is minimal.

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

### Credit quality of contractual financial assets that are neither past nor impaired

|   | Government<br>Agencies<br>Triple-A<br>credit rating<br>\$'000's | Financial<br>institutions<br>Double-A<br>credit rating<br>\$'000's | Other<br>Min Triple-B<br>Credit rating<br>\$'000's | Total<br>\$'000's |
|---|---|--|--|-------------------|
| <b>2014</b>                               |   |  |  |                   |
| Cash and deposits                         | 10,592  | 1,995  | -  | 12,587            |
| Receivables                               | -   | -  | 465  | 465               |
| <b>Total contractual financial assets</b> | <b>10,592</b>   | <b>1,995</b>   | <b>465</b>   | <b>13,052</b>     |
| <b>2013</b>                               |   |  |  |                   |
| Cash and deposits                         | 16,135  | 3,146  | -  | 19,281            |
| Receivables                               | -   | -  | 803  | 803               |
| <b>Total contractual financial assets</b> | <b>16,135</b>   | <b>3,146</b>   | <b>803</b>   | <b>20,084</b>     |

### (d) Liquidity risk

Liquidity risk arises when the Corporation is unable to meet its financial obligations as they fall due. The Corporation operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution.

The Corporation manages its liquidity risk by:

- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations; and
- careful maturity planning of financial obligations based on forecasts of future cash flows.

The Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Adequate controls and processes are in place to ensure sufficient cash is available when debts fall due.

The following table discloses the contractual maturity analysis for the Corporation's contractual financial liabilities.

|               | Carrying<br>amount<br>\$'000's | Not past<br>due and not<br>impaired<br>\$'000's | Past due but not impaired        |                        |                                  |
|---------------|--------------------------------|---|----------------------------------|------------------------|----------------------------------|
|               |                                |   | Less than 1<br>month<br>\$'000's | 1-3 months<br>\$'000's | 3 months –<br>1 year<br>\$'000's |
| 2014 Payables | 2,338                          | 1,816   | 95                               | 405                    | 22                               |
| 2013 Payables | 2,098                          | 1,586   | 385                              | 120                    | 7                                |

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

### (e) Market risk

The Corporation's exposures to market risk are primarily through foreign currency risk and interest rate risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

#### Foreign currency risk

The Corporation has entered into forward foreign exchange contracts and foreign exchange options to hedge certain commitments denominated in US dollars. These contracts extend to 2016. Current derivatives relate to forward contracts that fall due within the next 12 months and non current derivatives relate to forward contracts that fall due after this date.

These forward foreign exchange contracts have been entered into with full compliance of guidelines from, and with the approval of, the Treasurer of Victoria in accordance with the requirements of Section 24(2) of the *Australian Grands Prix Act 1994*.

The Corporation has not disclosed the gross value payable and receivable under the foreign currency contracts and is exempted from doing so under Section 49 of the *Australian Grands Prix Act 1994*. Disclosure of this information would constitute a breach of the international agreements as defined in note 25.

#### Interest rate risk

The Corporation has an interest rate risk with respect of monies held on account and on term deposit with the bank (at floating interest rate) and Treasury Corporation of Victoria (at fixed and floating interest rates).

The Corporation manages this risk by mainly undertaking fixed rate financial instruments with relatively even maturity profiles, with only minimised amounts of financial instruments at floating rates. The Corporation has concluded that these financial assets can be left at floating interest rates without exposing the Corporation to significant bad risk. The Corporation monitors movements in interest rates on a regular basis.

The Corporation does not have any interest rate risk in respect of financial liabilities.

The Corporation's exposure to interest rate risk is set out below:

| 2014                                   | Weighted<br>average effective<br>interest rate<br>% | Carrying<br>amount<br>\$'000's | Interest rate exposure                |  | Non-<br>interest<br>Bearing<br>\$'000's |
|--|---|--------------------------------|---------------------------------------|--|---|
|  |   |                                | Fixed<br>interest<br>rate<br>\$'000's | Variable<br>interest<br>rate<br>\$'000's |   |
| <i>Financial assets</i>                |   |                                |                                       |  |   |
| Cash at bank                           | 2.00%   | 1,995                          | -                                     | 1,995                                    | -                                       |
| Cash on deposit                        | 2.50%   | 10,592                         | 9,000                                 | 1,592                                    | -                                       |
| Receivables                            |   | 465                            | -                                     | -  | 465                                     |
| <b>Total financial<br/>assets</b>      |   | 13,052                         | 9,000                                 | 3,587                                    | 465                                     |
| <i>Financial liabilities</i>           |   |                                |                                       |  |   |
| Payables                               |   | 2,338                          | -                                     | -  | 2,338                                   |
| Derivatives                            |   | 7,159                          | -                                     | -  | 7,159                                   |
| <b>Total financial<br/>liabilities</b> |   | 9,497                          | -                                     | -  | 9,497                                   |

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

2013

|  | Weighted<br>average effective<br>interest rate<br>% | Carrying<br>amount<br>\$'000's | Interest rate exposure                |  | Non-<br>interest<br>bearing<br>\$'000's |
|--|---|--------------------------------|---------------------------------------|--|---|
|  |   |                                | Fixed<br>interest<br>rate<br>\$'000's | Variable<br>interest<br>rate<br>\$'000's |   |
| <i>Financial assets</i>                |   |                                |                                       |  |   |
| Cash at bank                           | 2.25%   | 3,146                          | -                                     | 3,146                                    | -                                       |
| Cash on deposit                        | 2.76%   | 16,135                         | 16,135                                | -  | -                                       |
| Receivables                            |   | 803                            | -                                     | -  | 803                                     |
| <b>Total financial<br/>assets</b>      |   | 20,084                         | 16,135                                | 3,146                                    | 803                                     |
| <i>Financial liabilities</i>           |   |                                |                                       |  |   |
| Payables                               |   | 2,098                          | -                                     | -  | 2,098                                   |
| Derivatives                            |   | 9,778                          | -                                     | -  | 9,778                                   |
| <b>Total financial<br/>liabilities</b> |   | 11,876                         | -                                     | -  | 11,876                                  |

### (f) Sensitivity disclosure analysis

The Corporation's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five year period, with all variables other than the primary risk variable held constant. Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of financial markets, the Corporation believes the following movements are reasonably possible over the next 12 months (base rates are sourced from Treasury Corporation of Victoria): a parallel shift of +1.0 per cent and -1.0 per cent in the market interest rates from year-end rates.

The impact on net operating result and equity for each category of financial instrument, other than derivatives, held by the Corporation at year-end as presented to key management personnel, if the above movements were to occur, is immaterial for the 2013 and 2014 years. For financial derivatives, the Corporation is exempt from disclosing gross values (refer note 16 (e)).

### (g) Net fair values

Valuation approach

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instruments 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 Corporation considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements is 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.

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

### Off – Balance Sheet financial instruments

The Corporation has not disclosed the net fair value payable for forward future commitments under foreign exchange forward contracts and is exempted from doing so under Section 49 of the *Australian Grands Prix Act 1994*. Disclosure of this information would constitute a breach of the international agreements as defined in note 25.

### 17. Leases

Operating leases relate to office accommodation and storage facilities and equipment. The lease relating to office accommodation has been executed with a term of 4 years to 31 March 2016 with an option to extend for a further up to 5 years. The lease of the storage yard will expire on 1 May 2015. The storage equipment lease will expire on 19 December 2015. All operating lease contracts contain market review clauses in the event that the Corporation exercises its option to renew. The lessees do not have an option to purchase the property at the expiry of the lease period.

|  | 2014<br>\$000's | 2013<br>\$000's |
|--|-----------------|-----------------|
| Operating leases relate to office and storage facilities |                 |                 |
| Non-cancellable operating leases payable:                |                 |                 |
| - Not longer than one year                               | 767             | 768             |
| - Longer than one year but not longer than five years    | 338             | 1,059           |
|  | <u>1,105</u>    | <u>1,827</u>    |

### 18. Commitments for expenditure

The Corporation has commitments associated with foreign exchange forward contracts (refer Note 14). The Corporation has not disclosed the gross value payable and receivable under the foreign currency contracts and is exempted from doing so under Section 49 of the *Australian Grands Prix Act 1994*.

### 19. Contingent Assets and Liabilities

There are no contingent assets or liabilities for the year ended 30 June 2014. The contingent liability disclosed as at 30 June 2013 in relation to an enquiry from the Australian Taxation Office is resolved and the matter closed.

### 20. Cash flow information

Reconciliation of net results for the period to net cash flows from operating activities

|   |                |              |
|---|----------------|--------------|
| Net Result for the Period                           | (9,346)        | 1,036        |
| Non-cash movements:                                 |                |              |
| Capital works transferred to Parks Victoria         | 668            | 429          |
| (Gain)/loss on sale of non-current assets           | 455            | (184)        |
| Depreciation and amortisation of non-current assets | 2,520          | 2,674        |
| Movements in assets and liabilities:                |                |              |
| Decrease/(Increase) in receivables and prepayments  | (92)           | 918          |
| (Decrease)/Increase in payables                     | (15)           | (572)        |
| (Decrease)/Increase in provisions                   | (17)           | 87           |
| (Decrease)/Increase in deferred income              | (63)           | (1,208)      |
| (Decrease)/Increase in derivatives                  | 862            | 164          |
| Net cash flows from/(used in) operating activities  | <u>(5,028)</u> | <u>3,344</u> |

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

### 21. Responsible person related disclosures

#### (a) Responsible persons

Persons who hold the position of Responsible Persons in relation to the Corporation during the year are:

|                      |   |                             |
|----------------------|---|-----------------------------|
| Responsible Minister | - The Honourable Louise Asher MP, Minister for Tourism and Major Events,<br>1 July 2013 to 30 June 2014 |                             |
| Accountable Officer  | - Mr Andrew Westacott   | 1 July 2013 to 30 June 2014 |
| Members of the Board | - Mr Ronald Walker AC CBE   | 1 July 2013 to 30 June 2014 |
|                      | - Ms Laura Anderson   | 1 July 2013 to 30 June 2014 |
|                      | - Mr Michael Doohan AM  | 1 July 2013 to 30 June 2014 |
|                      | - Mr Patrick Flannigan  | 1 July 2013 to 30 June 2014 |
|                      | - Ms Gillian Franklin   | 1 July 2013 to 30 June 2014 |
|                      | - Mr Mark Green   | 1 July 2013 to 30 June 2014 |
|                      | - Mr John Harnden AM  | 1 July 2013 to 30 June 2014 |
|                      | - Mr Alan Oxley   | 1 July 2013 to 30 June 2014 |
|                      | - Mr Ken Ryan AM  | 1 July 2013 to 30 June 2014 |

#### (b) Remuneration of responsible persons

Members of the Board act in an honorary capacity.

The remuneration of the Accountable Officer, including superannuation contributions, in connection with the management of the Corporation during the reporting period was in the range \$430,000-\$439,999 (2013: \$430,000 - \$439,999).

The remuneration of the Responsible Minister is reported in the financial report of the Department of Premier and Cabinet.

#### (c) Other transactions of responsible persons and their related entities

During the financial year, in respect of the Formula One Grand Prix and the Motorcycle Grand Prix, the Corporation entered into the following types of transactions with entities of which Responsible Persons of the Corporation are Directors, and entities related to Responsible Persons including entities under the significant influence or control of people directly related to the Responsible Persons:

##### **Ticket sales (Corporate Hospitality / Grandstand / General Admission)**

Qantas Airways Limited (Ken Ryan AM)

Urban Maintenance Systems Pty Ltd (son of Ronald Walker AC CBE is a director of Urban Maintenance Systems Pty Ltd)

Alterine Pty Ltd (Michael Doohan AM)

##### **Sponsorship arrangements**

Qantas Airways Limited (Ken Ryan AM)

##### **Provision of services**

Qantas Airways Limited (Ken Ryan AM)

Urban Maintenance Systems Pty Ltd (son of Ronald Walker AC CBE is a director of Urban Maintenance Systems Pty Ltd)

Alterine Pty Ltd (Michael Doohan AM)

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

The above transactions were entered into under normal trading terms and conditions. Pursuant to approval obtained under section 47(1) of the Financial Management Act (1994), the Corporation is exempt from disclosing the aggregate amount of transactions with related entities.

A total of 588 tickets (retail value: \$538k ex. GST) for the 2014 Formula One Grand Prix (2013: 857 tickets) and 168 tickets (retail value: \$47k ex. GST) for the 2013 Motorcycle Grand Prix (2012: 134 tickets) were either used by Responsible Persons free of charge or were provided to entities related to Responsible Persons under contractual obligation.

### 22. Executive officer remuneration

The number of executive officers, other than ministers and accountable officers, and their base remuneration during the period are shown in the first two columns in the table below in the relevant income bands. The total remuneration of executive officers is shown in the third and fourth columns. Total remuneration includes bonuses. The total annualised employee equivalent provides a measure of full-time equivalent executive officers over the reporting period. There were no payments to other personnel (i.e. contractors) with significant management responsibilities.

|                       | Base Remuneration |      | Total Remuneration |      |
|-----------------------|-------------------|------|--------------------|------|
|                       | 2014              | 2013 | 2014               | 2013 |
|                       | No.               | No.  | No.                | No.  |
| \$260,000 - \$269,999 | -                 | -    | 1                  | 2    |
| \$250,000 - \$259,999 | -                 | -    | -                  | -    |
| \$240,000 - \$249,999 | -                 | -    | 1                  | -    |
| \$230,000 - \$239,999 | -                 | -    | 1                  | 1    |
| \$220,000 - \$229,999 | 1                 | 2    | -                  | -    |
| \$210,000 - \$219,999 | 1                 | -    | -                  | 1    |
| \$200,000 - \$209,999 | 1                 | 1    | 1                  | 1    |
| \$190,000 - \$199,999 | -                 | 1    | 1                  | 1    |
| \$180,000 - \$189,999 | -                 | 1    | 1                  | -    |
| \$170,000 - \$179,999 | 2                 | 1    | -                  | -    |
| \$160,000 - \$169,999 | 2                 | -    | 1                  | 1    |
| \$150,000 - \$159,999 | -                 | 1    | -                  | -    |
| \$140,000 - \$149,999 | -                 | -    | -                  | 1    |
| \$130,000 - \$139,999 | -                 | -    | -                  | -    |
| \$120,000 - \$129,999 | -                 | 1    | -                  | -    |
| \$110,000 - \$119,999 | -                 | -    | -                  | -    |
| \$100,000 - \$109,999 | -                 | -    | -                  | -    |
| Less than \$100,000   | 2                 | -    | 2                  | -    |

Total remuneration of executive officers for the year included above amounted to  
Number of Executives as at 30 June\*

|             |             |             |             |
|-------------|-------------|-------------|-------------|
| \$1,512,822 | \$1,494,442 | \$1,663,337 | \$1,678,430 |
| 9           | 8           | 9           | 8           |

Total annualised employee equivalent (AAE) \*\*

|     |     |     |     |
|-----|-----|-----|-----|
| 7.7 | 7.6 | 7.7 | 7.6 |
|-----|-----|-----|-----|

\*Increase due to General Manager position not directly replaced, but resourced with two Group Managers reporting directly to the Accountable Officer

\*\* Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

### 23. Superannuation

Employees of the Corporation are entitled to receive superannuation benefits. Superannuation contributions are included as part of employee benefits in the comprehensive operating statement of the Corporation.



## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

Contributions were made on behalf of employees to IOOF Superannuation (the Corporation's employer nominated fund). These contributions are based on the requirements of the

*Superannuation Guarantee (Administration) Act 1992* and its regulations. This fund is an accumulation type fund. The Corporation therefore has no exposure to any unfunded liabilities.

Contributions amounting to \$200,014 (2013: \$182,580) were made to the fund by the Corporation during the year, this was in accordance with the statutory superannuation contribution rate of 9.25% (2013: 9%). There were no amounts owing at the end of the year. The total number of current employees in the fund at 30 June 2014 was 24 (2013: 27).

Contributions were also made to 24 other eligible superannuation funds where employees exercised a choice of fund. Contributions amounting to \$406,244 (2013: \$407,682) were made to these funds by the Corporation during the year. This was in accordance with the statutory superannuation contribution rate of 9.25% (2013: 9%). There were no amounts owing at the end of the year.

### 24. Events subsequent to balance date

Since the end of the financial year and the date of signing these financial statements the contract to extend the Formula 1 Australian Grand Prix for the period 2016 to 2020 has been finalised and executed with Formula One World Championship Ltd.

Apart from the matter mentioned above there has not arisen in the interval between the end of the financial year and the date of signing these financial statements, any item, transactions or event of a material and unusual nature likely to affect significantly the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation, in subsequent financial years.

### 25. Economic dependency

The ongoing activities of the Corporation are dependent upon the Corporation being able to exercise its rights and perform its obligations under the *Australian Grands Prix Act 1994* and the continued existence of certain contracts with international bodies concerning the staging of the Formula One Grand Prix at Albert Park and the staging of the Motorcycle Grand Prix at Phillip Island. The contract in respect of the Formula One Grand Prix runs until 2020. The contract in respect of the Motorcycle Grand Prix runs until 2016.

The Corporation is economically dependent upon funding from the Victorian State Government.

### 26. Glossary of terms

#### Amortisation

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an 'other economic flow'.

#### Comprehensive result

Total comprehensive result is the change in equity for the period other than changes arising from transactions with owners. It is the aggregate of net result and other non-owner changes in equity.

#### Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

## Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014

### Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

### Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments and superannuation contributions.

### Financial asset

A financial asset is any asset that is cash or a cash equivalent.

### Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

### Financial liability

A financial liability is any liability that is:

- (a) A contractual obligation:
  - i. To deliver cash or another financial asset to another entity; or
  - ii. To exchange financial assets or liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) A contract that will or may be settled in the entity's own equity instruments and is:
  - i. A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - ii. A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

### Financial statements

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements and statement of changes in equity); or it may also be used to replace the old term 'financial report' under the revised AASB 101 (September 2007), which means it may include the main financial statements and the notes.

### Grants

Grants can either be operating or capital in nature. Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

## **Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014**

### **Intangible assets**

Intangible assets represent identifiable non-monetary assets without physical substance.

### **Interest income**

Interest revenue includes interest received on bank term deposits, interest from investments and other interest received.

### **Net acquisition of non-financial assets (from transactions)**

Purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in other movements in non-financial assets. Includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

### **Net result**

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner changes in equity'.

### **Net result from transactions / net operating balance**

Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

### **Net worth**

Assets less liabilities, which is an economic measure of wealth.

### **Non-financial assets**

Non-financial assets are all assets that are not 'financial assets'.

### **Other economic flows**

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. It includes gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets. In simple terms, other economic flows are changes arising from market re-measurements.

### **Payables**

Includes short and long term trade debt and accounts payable, grants and interest payable.

### **Receivables**

Includes short and long term trade credit and accounts receivable, grants, taxes and interest receivable.

## **Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2014**

### **Sales of goods and services**

Refers to revenue from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services and fees from regulatory services. User charges includes sale of goods and services revenue.

### **Supplies and services**

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Corporation.

### **Transactions**

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

## Statement by Members of the Board and Officers

In the opinion of the Members of the Board, the Chief Executive Officer and the Chief Finance Officer of the Australian Grand Prix Corporation:

- (a) the financial statements and accompanying notes present fairly the financial transactions during the year ended 30 June 2014 and the financial position as at 30 June 2014;
- (b) the financial statements are drawn up in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements; and
- (c) there are no circumstances at the date of signing which would render any particulars in the financial statements to be misleading or inaccurate.

Dated at Melbourne on 26 August 2014

Signed in accordance with a resolution of the Members of the Board.



Ronald J Walker AC CBE  
Chairman



Andrew Westacott  
Chief Executive Officer



Charlotte Hayes  
Chief Finance Officer

## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Australian Grand Prix Corporation

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2014 of the Australian Grand Prix Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by members of the board and officers has been audited.

#### *The Board Members' Responsibility for the Financial Report*

The Board Members of the Australian Grand Prix Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

## Independent Auditor's Report (continued)

### *Independence*

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

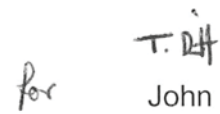
### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Australian Grand Prix Corporation as at 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Financial Report*

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

MELBOURNE  
4 September 2014

  
for John Doyle  
Auditor-General

#### 4. Insurance attestation

I, Andrew Westacott, certify that the Australian Grand Prix Corporation has complied with Ministerial Direction 4.5.5.1 – Insurance.

A handwritten signature in black ink, appearing to read 'AWestacott', with a stylized flourish at the end.

**Andrew Westacott**  
**Chief Executive Officer**  
**26 August 2014**



The Australian Grand Prix Corporation proudly acknowledges its supporters and suppliers of the 2014 Formula 1® Rolex Australian Grand Prix



**ROLEX**



**RENAULT SPORT**



**Hisense**



**AIR FORCE**



**SIGMA**



The Australian Grand Prix Corporation proudly acknowledges its supporters and suppliers of the 2013 Tissot Australian Motorcycle Grand Prix





## Australian Grand Prix Corporation

Level 5, 616 St Kilda Road, Melbourne VIC 3004, Australia