

2013 ANNUAL REPORT



AUSTRALIAN GRAND PRIX CORPORATION

AUSTRALIAN GRAND PRIX CORPORATION

Report of Operations

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1. Report of the Chairman

The Australian Grand Prix Corporation has once again delivered two outstanding events over the past 12 months.

I am proud to note that the results show the Victorian Government's financial investment is less than it has been in previous years for both events. This reflects the Corporation's continued success in attracting higher estimated attendances, increased revenues and cost savings through prudent management.

The Victorian Government's continued commitment to its major events strategy delivers extensive economic benefits to the State and provides the ability to generate domestic and international tourism activity.

In July 2013, over 95,000 fans packed the Melbourne Cricket Ground to watch Liverpool Football Club play Melbourne Victory. The sell-out crowd set a record for a soccer match in Victoria and was the biggest crowd ever to have watched Liverpool anywhere in the world.

In the absence of natural or geographic tourism drawcards and landmarks on the scale of the Great Barrier Reef, Sydney Harbour or Uluru, major events are Victoria's competitive advantage. Securing, creating, staging and then retaining these major events is a highly competitive global business.

Other cities are following Melbourne's lead.

Global competition for events continues to increase and Victoria competes against highly funded and proactive competitor cities. Major events of the calibre of the Formula 1® Australian Grand Prix, in particular, are few and far between.

The Formula 1® Australian Grand Prix is without question the most globally visible event of Victoria's major events calendar whilst the Australian Motorcycle Grand Prix provides unique exposure for regional Victoria each year. These two international events along with the other pillars of the major events strategy have particular significance for Victoria by:

- Accounting for a significant share of total exposure for Melbourne arising from events, particularly internationally;
- Providing exposure for complementary events, particularly those that are sport-related;
- Generating business expertise which improves the performance of other events in Melbourne;
- Supporting infrastructure which is enjoyed by the general community year round; and
- Allowing smaller events to leverage interstate and international visitors.

A report commissioned by the Victorian Major Events Company estimates that Victoria's major events deliver an economic impact to the State of approximately \$1.4 billion annually. This report shows that major events attract over 230,000 international visitors to Victoria every year. The industry employs over 3,350 Victorians.

Additionally, reports commissioned by Tourism Victoria estimate that the 2011 Formula 1® Australian Grand Prix created between 351 and 411 jobs on a full time equivalent basis, increased Victoria's real Gross State Product by between \$32m - \$39m and provided a media or advertising equivalency value of over \$36m annually.

Victoria's enviable calendar of events has helped the State maintain a consistent visitation rate throughout the year, despite the seasonal nature of the tourism industry. The State's long-standing policy of attracting major events, particularly international sporting events, and investing in venue development has positioned Victoria as the sporting capital of the world.

Only recently, the Victorian Government won the rights to stage the final of the ICC Cricket World Cup 2015 at the Melbourne Cricket Ground - a major coup for the State.

This year Melbourne also came a close second, only to the 2012 Olympic host city London, in the prestigious World's Ultimate Sport Cities Awards. Melbourne has also been voted the World's Most Liveable City in 2011, 2012 and 2013 in the Global Liveability Survey.

2013 Formula 1® Rolex Australian Grand Prix

Around the world, Formula One is broadcast to hundreds of millions of people across 187 countries and territories including important trading partners for Victoria such as China, India and Japan.

Thanks to our twilight race time of 5pm, spectacular images of the City of Melbourne and the huge Melbourne signs are beamed live in prime-time on free-to-air television to these countries and into Europe at breakfast time.

An **estimated 323,200 people attended the 2013** event across four days, the largest crowd since 2005. An estimated 69,400 people attended 'Heritage Day' on Thursday to celebrate 60 years since the first Australian Grand Prix was held at Albert Park in 1953.

The event saw an increase in total revenue of 8 per cent year on year and 25 per cent since 2010 and **welcomed a 14 per cent increase in interstate sales year on year. A renewed focus on the New Zealand market resulted in a 36 per cent increase in visitors from across the Tasman.** Additionally, there was growth in ticket purchases from Western Australia, New South Wales and Queensland.

One of the effects of this increased visitation is seen in the number of hotel rooms booked over the event period. Accor reported that its **bookings were up by more than 15 per cent** on 2012 over the 2013 Formula 1® Rolex Australian Grand Prix weekend. Crown's three Melbourne hotels were booked to capacity during the event and there was also high demand for restaurant and spa bookings, with more than 100,000 visitors to the complex over the weekend.

The Paddock Club again sold out and the suites and Paddock Club Entrance Lounge presented by Qantas were definitely the places to be seen.

Blue chip companies such as Rolex, Qantas, UBS, Mazda, Red Bull, Renault, Lion and Swisse are major partners and supporters of the event. The association with the powerful Formula One brand lends credibility to investment through which they network, drive business and promote their products and services.

Education continued to be a strong focus and the Department of Business and Innovation in conjunction with the AGPC delivered the Industry and Innovation precinct. The precinct comprised the 'Driving Science, Driving the Future Education Expo' which engaged students, teachers and event patrons alike in learning about career pathways within the science, technology, engineering and maths (STEM) - aligned fields.

New additions to the event program included the Grand Prix Fun Run and the Grand Prix Breakfast.

The inaugural Australian Grand Prix Fun Run was staged on the eve of race week. The community event saw over 1,600 participants, ranging from the age of seven to 60-plus, run on the Albert Park circuit. With the Grand Prix infrastructure in place, it was like no other running track in Australia. We encouraged the community to get involved and to take advantage of this rare opportunity to get a view of the track that very few members of the public ever get to see in a fun run.

The inaugural Grand Prix Breakfast featured a star-studded line-up of guest appearances from motorsport legends and drivers together with insights into the world of Formula 1®. The Breakfast treated **almost 1000 guests** to a morning of first-class hospitality and entertainment. Motorsport fans, corporate clients and VIPs were hosted at the Crown Palladium Ballroom - one of Melbourne's premier venues.

The breakfast event was broadcast live on national free-to-air television by Network Ten reaching **over 522,000 Australian viewers** according to OZTAM data from 8am to 11am on Saturday 16 March. The event raised funds through silent and live auctions for the Australian Motor Sport Foundation, Official Charity of the 2013 Formula 1® Rolex Australian Grand Prix.

Race Review

With a new, world-class naming rights sponsor in Rolex, a buoyant pre-event campaign and a keenly anticipated Formula One season in store, Melbourne was in superb shape to host the first event of the World Championship's 64th season.

Albert Park also looked a picture as it turned the clock back 60 years to the weekend in 1953 when Melbourne first played host to the Australian Grand Prix. A striking display of many of the cars from that first race attracted large numbers of people to the Historic Paddock at the heart of the circuit over event weekend.

Squalls of rain and strong winds played havoc with the vital first qualifying hour of the new season on Saturday afternoon, but when the session was completed on a busy Sunday it was the familiar face of Sebastian Vettel that beamed at the world's F1 photographers again.

Red Bull's young World Champion claimed his third pole position in Melbourne in the last four seasons and the 37th of his career, but Australian spirits were raised when Mark Webber did a sterling job to qualify on the front row alongside his German teammate.

At the start of a season in which the driver pairings within the top teams would be under intense scrutiny, Lewis Hamilton got the better of Nico Rosberg to take third position on the grid in his first outing for Mercedes. Brazilian Felipe Massa confirmed his own return to form by out-qualifying Ferrari partner Fernando Alonso.

Still seeking his elusive first home victory, Webber had emphasised how hard it would be before the weekend even began. "We've got to put together a clean weekend and make all the right decisions," he said. "We're capable of it but we're also mindful that it's a very tricky weekend to execute, especially being the first race."

The first five seconds of the race underlined that fact: once again Webber dwelt on the line, hampered by a technical glitch for which McLaren, suppliers of the engine control unit, later apologized. Swamped at the start, Webber fought back but could only finish sixth.

Up front a familiar tale was unfolding. Unlike Michael Schumacher, Kimi Räikkönen is making a real fist of his F1 return. It was 'The Iceman' whose Lotus Renault powered home ahead of Alonso's Ferrari, with pole-sitter Vettel unable to match their pace and coming home third.

There was further disappointment for local fans when Dan Ricciardo's Toro Rosso Ferrari was one of the four non-finishers, but the day belonged to the 33-year-old Räikkönen as he claimed a 20th career victory.

Another outstanding support race program saw New Zealand drivers leave Albert Park with the lion's share of the spoils. Fabian Coulthard recorded his maiden pole position in the MSS Security V8 Supercars Challenge, and then won the first two of the four races. He was promptly emulated by compatriots Shane van Gisbergen and Scott McLaughlin, winners of the other two races in a Kiwi clean sweep.

Carrera Cup expert Craig Baird, also from across the Tasman, again reigned supreme with two race wins from three, while Briton Michael Lyons halted the New Zealand steam-roller with a well-taken win in the Total Oil International Sports Car Challenge.

On a final nostalgic note, celebrations of the 60-year history of Albert Park were crowned by the unveiling of two superb bronze busts of Australia's Formula One World Champions, Sir Jack Brabham and Alan Jones. Race-winner Raikkönen might have been speaking to everyone involved with that short message: "Thanks everyone, great job!"

2012 AirAsia Australian Motorcycle Grand Prix

The 2012 AirAsia Australian Motorcycle Grand Prix was history in the making.

The build-up was all about the 'King', Casey Stoner, the local hero who turned 27 the week before the Phillip Island event and would race for the last time in front of a home crowd before retiring at the end of the season.

The event attracted the largest estimated attendance since it returned to Phillip Island in 1997, with **more than 123,000 fans on hand to farewell their hero.**

Stoner's final race at Phillip Island sparked a record surge in ticket sales and public demand led to expanded facilities and entertainment for the penultimate round of the 2012 MotoGP World Championship.

More than **500 media personnel descended upon Phillip Island from 20 countries around the world** to witness the picturesque cliff-top circuit at its best under glorious blue skies. With Aussies on the podium in all three international classes, it was a fairytale ending for Stoner and the beginning of a new era for Australian fans.

The resulting success was an increase of more than 40 per cent year on year in total revenues. The Australian Motorcycle Grand Prix is Victoria's largest regional event and 2012 highlighted the importance of this as part of a wider strategy to attract visitation to this scenic destination.

Race Review

"It was quite something to take in," said Casey Stoner after the 38th victory of his MotoGP career – but then understatement has always been the way for the young Australian.

The place where he does his talking is on the track, and he did it as only Casey Stoner can do.

Could Stoner live up to the billing? He was, after all, on the comeback trail after sustaining serious ankle injuries in a fall at Indianapolis. Three races missed meant his hopes of leaving as World Champion had gone. But there was still unfinished business at the track he has made his own.

"We always seem to pull something out of the bag down there," he said as race week began, that gift for understatement coming to the fore: that 'something' was five straight wins, the last four of them from pole position.

By the time the King dismounted on Sunday, it was six, the last five from pole position. On a day when the Bass Strait circuit put on its best face, and in front of a record crowd, Stoner simply ran away with the race.

He had already passed his Repsol Honda teammate Dani Pedrosa before the Spaniard came off at the hairpin; he left new World Champion Jorge Lorenzo in his wake with another display of motorcycle mastery to underline his place among the sport's greatest names.

Stoner was able to enjoy the moment himself: "I actually took notice in the last few laps to see everyone cheering me on," he admitted. "It was very important to win a race before I retire and to do it at my home Grand Prix is just a fairytale."

The day was all the more special because there was an Australian on the podium in all three World Championship classes. Ant West has never been in the spotlight in Australia, his career ebbing and flowing with the years, but at Phillip Island the 31-year-old Queenslander came good – for the second race in a row.

Straight from second place in Malaysia, West on his QMMF Speed Up split the two men vying for the world title, Pol Espargaro and Marc Marquez, to claim the unlikeliest of Moto2 podiums in second place. "It's days like this why I have been fighting for 13 years at this level," said West.

The first race of the day was the first visit to Bass Strait for the new Moto3 class. Adelaide teenager Arthur Sissis produced the ride of his young life to bring his Red Bull KTM through to third place behind new World Champion Sandro Cortese and Portuguese prodigy Miguel Oliveira – his first World Championship podium.

King Casey may be gone – but is there a new prince waiting in the wings?

Acknowledgements

On behalf of our Board, I congratulate Australian Grand Prix Corporation CEO Andrew Westacott and his dedicated team of young men and women for delivering two of our State's biggest events. I would also like to extend my sincere thanks to our Minister, The Hon Louise Asher MP for her expert leadership and unwavering support.

Thanks too to all of our partners, in particular our naming rights partners Rolex and AirAsia.

I would like to express my sadness following the passing of James Strong AO. A former member of the AGPC Board, James provided exceptional leadership and made an enormous contribution to both the Formula 1® Australian Grand Prix and the Australian Motorcycle Grand Prix. He was a wonderful supporter of motorsport in Australia and his generosity of spirit will live on through the careers of those he fostered and encouraged wholeheartedly. His wise counsel will be sadly missed.

I would also like to recognise the honorary work of the AGPC Board; Deputy Chairman John Harnden, and Directors Laura Anderson, William Bowness, Patrick Flannigan, Gillian Franklin, Alan Oxley and Ken Ryan. I pay particular tribute to Bill Bowness, who retired from the board from July 2013, and thank him for his five and a half years of service to the Corporation.

We look forward to continued success in 2014 and beyond.



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.

Strategic Priorities

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 ensure the event offers patrons compelling and value for money, product and event content.
 - To deliver robust financial review and control processes.
 - 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 establish and continually evaluate an active risks 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.
 - Keep the event fresh and compelling by continually challenging, refreshing and improving existing 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.

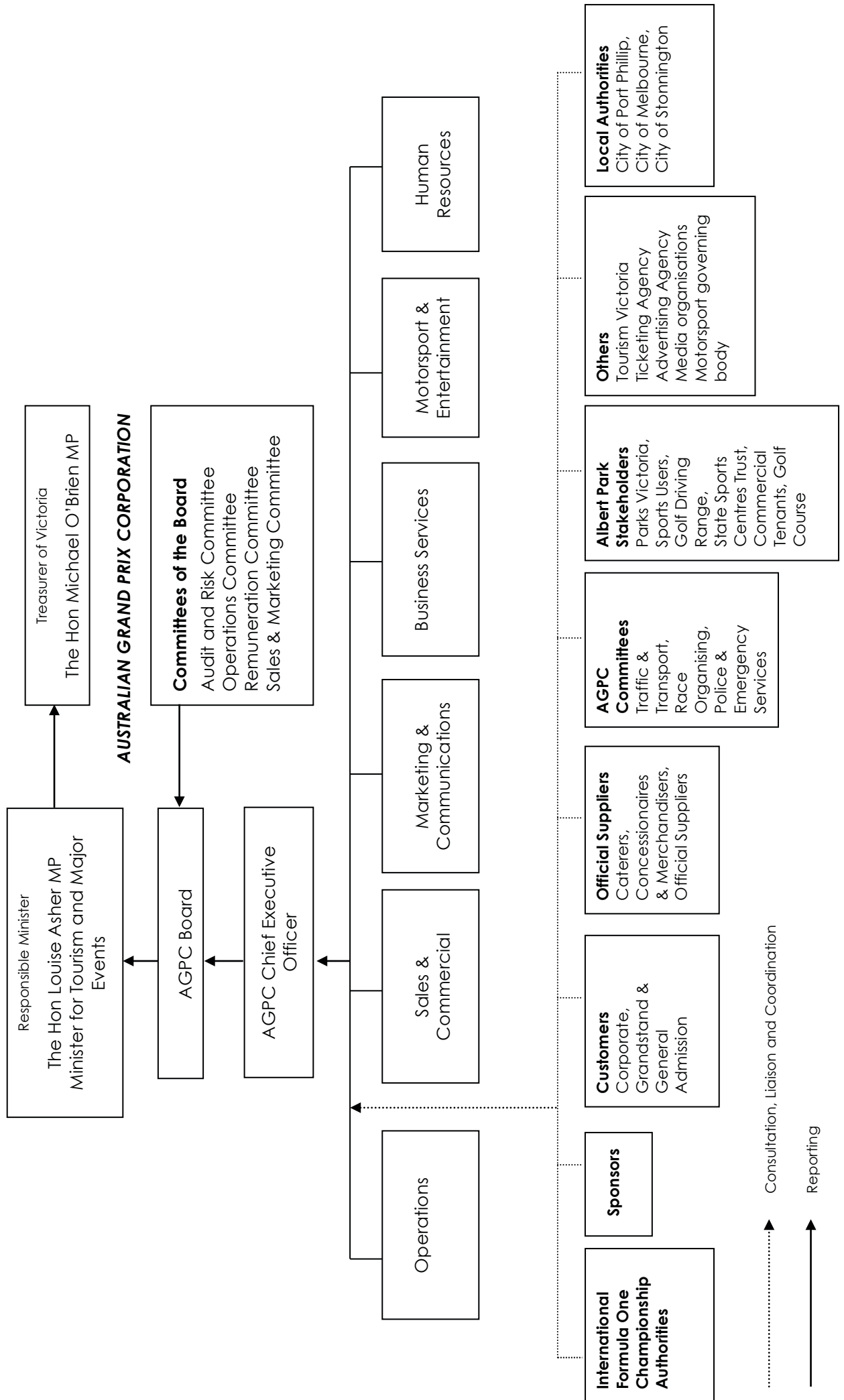
- **Build positive event brand perceptions**
 - To increase positive public support for the events.
 - To build a brand identity which is consistent, recognisable and sustainable in the long term.
 - To engage with the community at large to promote the positive attributes and benefits of the events.
 - To establish a “Brand Identity” that is sustainable, long term.
 - To increase and leverage the following of the sport (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 organisational structure and clearly articulated strategies, objectives and behaviours.
 - To grow the skills, professionalism and capabilities of our people by committing to a culture of learning and development.
 - To set up our people to succeed, providing them with appropriate levels of guidance, support and resources.
 - To minimise staff turnover and retain organisational IP and knowledge.

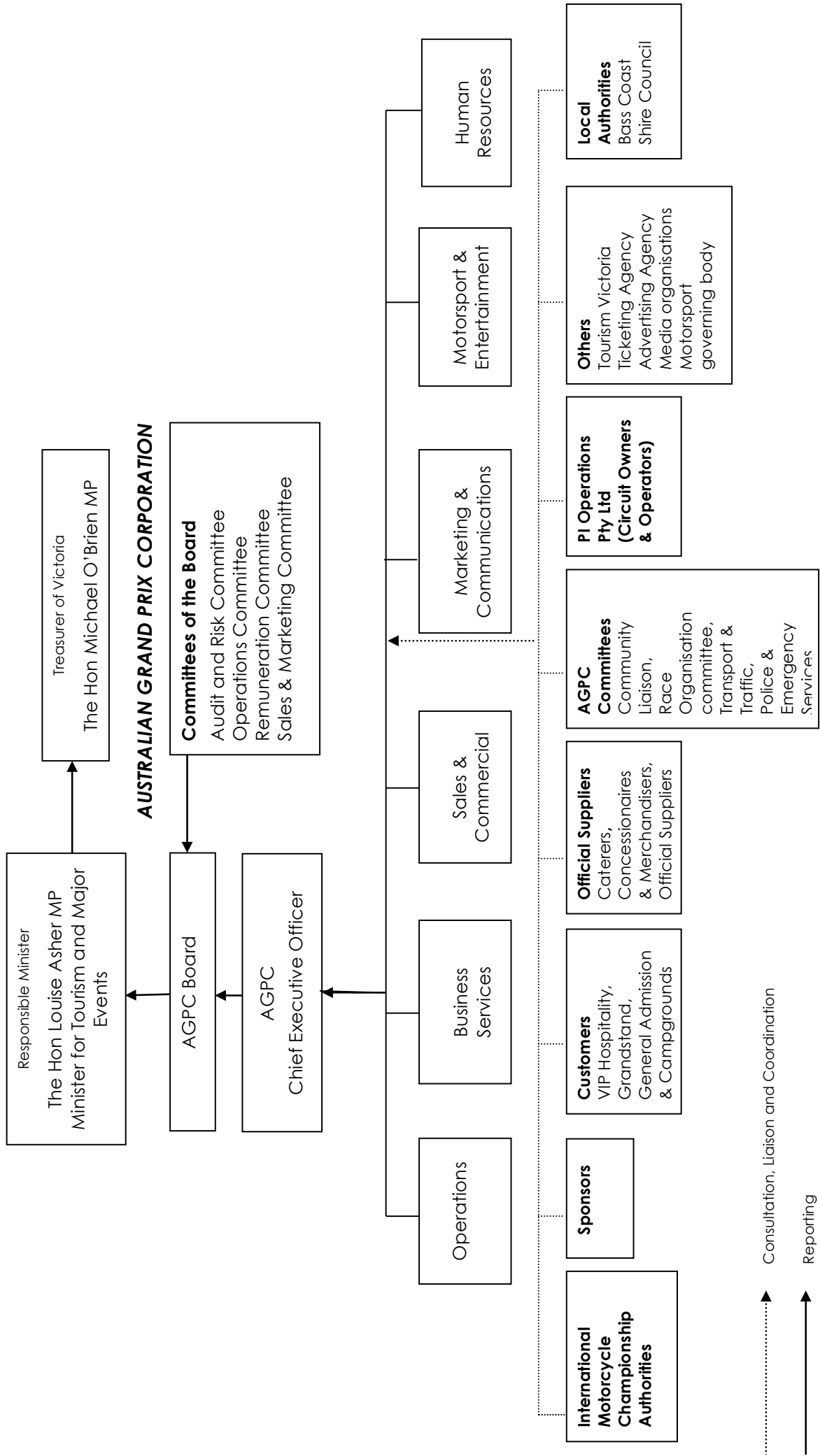
These strategic priorities define the way the Corporation will deliver both the Formula 1® Australian Grand Prix and the Australian Motorcycle Grand Prix. Each is supported by a set of initiatives and specific tactical elements that are reviewed for each event on an annual basis.

The reporting and consultative structures of the Formula 1® 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



.....> Consultation, Liaison and Coordination

——> Reporting

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 2013 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 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 an 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. Laura is Chairman of the L'Oréal 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. She 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.

- **Patrick J Flannigan**



Mr Flannigan is the Principal of WGK Investments Pty Ltd, specialising in advisory services to the Telecommunications and Utilities infrastructure Sectors. He is currently Managing Director and Chief Executive Officer of Utility Services Group Limited, prior to this he was Head of Construction for NBN Co. Mr Flannigan was the founding Managing Director and Chief Executive Officer of Service Stream Ltd. Before joining Service Stream he founded and was Non-Executive Chairman of the successful Australasian Maintenance Services company. Mr Flannigan has also held General Manager and senior management positions in the publicly listed company Skilled Group and Jetset Travel. He is on the Board and Chairman of the Finance Committee of Western Chances.

- **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 Board of ACCORD, the CTFAA (Cosmetic Toiletry Fragrance Association of Australia), the Melbourne Theatre Company (MTC). Ms Franklin recently held Board position with CEDA (Committee for Economic Development of Australia), the Microsurgery Foundation and was the Chairman of Neopec.

- **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 is the Regional General Manager Victoria and Southern Australia for Qantas. He has worked for Qantas for 17 years in a range of senior management positions including Group General Manager Marketing, Head of Corporate Development, and Chief Executives' Representative, Asia. Mr Ryan is also a board Member of Victorian Major Events Corporation and Ambulance Victoria 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.

- **William "Bill" Bowness**



Bill's initial work background was in banking and investment banking. He was the Founder, Chairman and CEO of Melbourne based property developer Wilbow Corporation Pty. Ltd. Established in 1976, offices were subsequently established in Brisbane, Queensland, Dallas United States and Auckland, New Zealand (1989-2004). The Australian operations were sold to a major public company in late 2006 and the Dallas operations retained. He was appointed a Director of what is now Housing Choices Australia in 2007, a Member of Australian Grand Prix Corporation in 2008 and a Director of Centro Retail Trust from 2009 to 2011. From 2005 to 2009, he was a Director of Defence Housing

Australia (DHA) and since 2009 has been a Member of the Monash University Estates Committee. He was appointed to the Board of Places Victoria in October 2011 and in December 2011 to the Latrobe University Infrastructure and Estate Committee. Bill was Chair of the Monash Gallery of Art Committee of Management from 1998 to 2010 and is a Trustee of the Monash Gallery of Art Foundation. He was appointed a Member of the National Gallery of Victoria Foundation and The Australian Ballet Foundation in 2010. He is currently actively involved in various cultural, community and philanthropic activities. He is the Chair of Wilbow Group Pty. Ltd. which is involved in the provision of structured property finance in Australia and in property development in USA.

Audit and Risk Committee membership and roles

The Audit and Risk Committee consists of the following members:

- Bill Bowness (Chair) *
- Laura Anderson
- Alan Oxley

* Mr Bill Bowness retired from the Chair of the Audit and Risk Committee from July 2013.

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 2013

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 – Marketing and Communications – Monica Kent-Giles

Responsibilities include event marketing, promotion and launch activities, advertising and public relations campaigns, media and corporate communications and tourism.

General Manager – Motorsport & Entertainment – Craig Fletcher

Responsibilities include motorsport and all on-track entertainment, delivery of a program of off-track entertainment, supporting the commercialisation and marketing of entertainment.

General Manager – Operations – Ashley Davies

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

General Manager – Sales and Commercial – Jeremy Kann

Responsibilities include corporate hospitality and ticket sales, sponsorship, licensing and catering.

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 obligations.

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 2013 was 57 (2012: 61).

Aggregate Workforce Data Employment Status	2013			2012		
	Male	Female	Total	Male	Female	Total
Permanent	23	29	52	24	30	54
Fixed term contractors	3	2	5	4	3	7
Total	26	31	57	28	33	61

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 2013 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;
- Increased 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;
- Increased reporting on hazards and incidents; and

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 2013, AGPC received one application.

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

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 Grand 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

Charges

Requests for access must be accompanied by a \$25.70 application fee as at 1 July 2013 (\$25.10 as at 30 June 2012). 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 and www.motogp.com.au and produces promotional newsletters for sending to subscribers via access to these websites.

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 Grand Prix

The 2013 Formula 1® Rolex Australian Grand Prix was held on 14 – 17 March 2013.

The Corporation was again successful in increasing revenues for corporate, grandstand and general admission tickets over 2012 levels due to innovative and flexible ticket options.

The actual government investment for the 2013 Formula 1® Rolex Australian Grand Prix of \$50.671 million was lower than the business plan due to increases in revenue and reductions in expenditure arising from favourable contract negotiations and supplier management.

As a result of the staging of the event, Melbourne and the State of Victoria were once again provided with international exposure and broad economic and branding benefits.

Formula One Grand Prix	Future Events \$'000	2013 Event \$'000	2012 Event \$'000	2011 Event \$'000	2010 Event \$'000	2009 Event \$'000
Sales Revenue	-	30,250	27,896	26,462	24,576	26,746
Total Revenue	-	40,080	36,366	33,402	31,095	35,317
Total Expenditure	-	(90,751)	(93,022)	(83,452)	(80,349)	(75,547)
Operating Surplus/(Deficit) before Government Investment, Depreciation & Unrealised Exchange Gain/(Loss)	-	(50,671)	(56,656)	(50,050)	(49,254)	(40,230)
Government Investment	2,017	50,671	56,656	50,050	49,254	40,230

Capital Works Activities

The total capital allocation by the government for the 2012-13 financial year was \$1.160 million (2011-12 \$1.374 million). The 2012-13 capital works expenditure relates to:

- works conducted under licence from Parks Victoria that included:
 - transfer of V8 community centre works and power
 - various asphalt works in Albert Park
 - construction of a concrete fuel bund
 - installation of sculptures of Sir Jack Brabham and Alan Jones
- Park improvement and event infrastructure works
- Albert Park track improvement works

Motorcycle Grand Prix

The 2012 AirAsia Australian Motorcycle Grand Prix was held on 26 - 28 October 2012.

The event enjoyed its strongest growth in sales across VIP hospitality, grandstand and general admission categories, all of which contributed to a 44 percent increase in total revenue as well as a 29 percent increase in estimated attendance.

Expenditure increased by 21 percent mainly due to an increase in scope of the event due to increased attendance and an increase in contractual commitments.

As a consequence of the increase in revenues and the control of costs in line with budget projections, the actual government investment for the 2012 AirAsia Australian Motorcycle Grand Prix of \$5.947 million was less than that of the prior year.

Motorcycle Grand Prix - Result by Event	Future Events \$'000	2012 Event \$'000	2011 Event \$'000	2010 Event \$'000	2009 Event \$'000
Sales Revenue	-	9,947	7,012	6,172	7,276
Total Revenue	-	12,601	8,782	7,583	8,656
Total Expenditure	-	(18,548)	(15,368)	(14,204)	(13,926)
Operating Result before Government Investment & Depreciation	-	(5,947)	(6,586)	(6,621)	(5,270)
Government Investment	5,241	5,947	6,586	6,621	5,270

Motorcycle Grand Prix - Result by Financial Year	2012/13 \$'000	2011/12 \$'000	2010/11 \$'000	2009/10 \$'000	2008/09 \$'000
Sales Revenue	9,947	7,012	6,172	7,276	7,488
Total Revenue	12,601	8,782	7,583	8,656	8,823
Total Expenditure	(18,548)	(15,368)	(14,204)	(13,926)	(12,568)
Operating Result before Government Investment & Depreciation	(5,947)	(6,586)	(6,621)	(5,270)	(3,745)
Government Investment	7,817	8,277	5,105	6,758	5,623

Phillip Island Homologation Works

In addition to the motorcycle event funding noted above the Corporation has received funding of \$0.500 million to upgrade the facilities at Phillip Island to ensure that the circuit complies with the safety requirements for future MotoGP events.

b. Consultancy Services**Details of consultancies over \$10,000**

Consultant	Purpose of consultancy	Total approved project fee (exc. GST)	Expenditure 2011-12 (exc. GST)	Future expenditure (exc. GST)
KPMG	Foreign exchange advice	\$34,090	\$34,090	-
Mills Oakley	Employment advice	\$14,264	\$14,264	-
News Ticketing	Ticketing services	\$25,000	\$25,000	-

Details of consultancies under \$10,000

In 2012-13, the total for the consultant engaged during the year, where the total fees payable to the consultant was less than \$10,000, was \$1,160.

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	6	6
Mr John Harnden AM	6	6
Ms Laura Anderson	6	6
Mr William Bowness	6	6
Mr Patrick Flannigan	6	6
Ms Gillian Franklin	6	6
Mr Alan Oxley	6	6
Mr Ken Ryan AM	4	6
Mr James Strong AO – resigned 27 November 2012	1	2

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

Contracts commenced to which the VIPPP applied:

- During 2012-13, the Corporation commenced four multi-year contracts totalling approximately \$11.53 million across the total life of the contracts to which the VIPPP applied.
- The contracts are in metropolitan Melbourne (3) and regional Victoria (1).
- 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, IT systems and food safety training.
 - Working with its suppliers to ensure that where appropriate the latest available technology from Australian suppliers is utilised on the job.

Contracts completed to which the VIPPP applied:

- During 2012-13, the Corporation completed 3 contracts totalling approximately \$29.8 million in total value to which the VIPPP applied.
- The contracts were in metropolitan Melbourne (2) and regional Victoria (1).
- The following benefits to the Victorian economy in terms of skills and technology transfer from these contracts include:
 - Training in safe work practices, environmentally responsible processes, increased skill base; and
 - Increased number of trained operators;

Disclosure of Major Contracts

During the year ended 30 June 2013, 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.

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 2012-2013	Creative and campaign development Expenditure 2012-2013	Print and collateral Expenditure 2012-2013	Other Campaign Expenditure 2012-2013
			(excluding GST)	(excluding GST)	(excluding GST)	(excluding GST)
2013 Formula 1® Rolex Australian Grand Prix	Television capital cities and regional, print, magazines, radio and outdoor, public relations, communications and digital web	September 2012 – March 2013	\$1,739	\$292	\$93	\$457
2012 AirAsia Australian Motorcycle Grand Prix	Television capital cities and regional, print, magazines, radio and outdoor, public relations, communications and digital web	July 2012 - October 2012	\$513	\$152	\$30	\$253

h. Disclosures under the Protected Disclosure Act 2012 (those made from 10 February 2013)

	2012-13 Number	2011-12 Number
The number of assessable disclosures made to the Department and notified to IBAC from 10 February – 30 June 2013:		
Assessable disclosures	-	N/A

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

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.

Disclosures under the Whistleblowers Protection Act 2001 (those made up to 9 February 2013)

The archived procedures established under the *Whistleblowers Protection Act 2001* are available upon request

	2012-13 Number	2011-12 Number
The number and types of disclosures made to public bodies from 1 July 2012 – 9 February 2013:		
Public interest disclosures	-	-
Protected disclosures	-	-
The number of disclosures referred during the year by the public body to the Ombudsman for determination as to whether they are public interest disclosures	-	-
The number and types of disclosed matters referred to the public body by the Ombudsman for investigation	-	-
The number and types of disclosures referred by the public body to the Ombudsman for investigation	-	-
The number and types of investigations taken over from the public body by the Ombudsman	-	-
The number of requests made by a whistleblower to the Ombudsman to take over an investigation by the public body	-	-
The number and types of disclosed matters that the public body has declined to investigate	-	-
The number and types of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation	-	-
Any recommendations made by the Ombudsman that relate to the public body:		
Recommendation regarding file security and management	N/A	N/A

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
Ministerial Directions		
Report of Operations		
<u>Charter and Purpose</u>		
FRD 22D	Manner of establishment and Relevant Ministers	7
FRD 22D	Objectives, functions, powers and duties	7
FRD 22D	Nature and range of services provided	7
<u>Management & Structure</u>		
FRD 22D	Organisational structure	10
<u>Financial & other information</u>		
FRD 22D	Statement of workforce data and merit and equity	16
FRD 22D	Summary of financial results for the year	18
FRD 22D	Significant changes in financial position during the year	18
FRD 22D	Operational objectives	7
FRD 22D	Major changes or factors affecting achievement of objectives	18
FRD 22D	Events subsequent to balance date	63
FRD 22D	Application and operation of the <i>Freedom of Information Act 1982</i>	16
FRD 22D	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	20
FRD 22D	Details of consultancies over and under \$10,000	20
FRD 22D	Statement of availability of other information	21
FRD 22D	Occupational health and safety	16
FRD 22D	Protected Disclosure Act	22
FRD 15B	Executive Officer disclosures	62
FRD 12A	Disclosure of Major Contracts	21
FRD 10	Disclosure Index	24
Financial Statements		
<u>Financial statements required under Part 7 of the FMA</u>		
SD 4.2 (a)	Statement of Changes in Equity	28
SD 4.2(b)	Operating Statement	26
SD 4.2(b)	Balance Sheet	27
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SD 4.2(c)	Compliance with Ministerial Directions	30
SD 4.2(c)	Accountable officer's declaration	66
<u>Other disclosures in notes to the financial statements</u>		
FRD 21B	Responsible person and executive officer disclosures	60
Legislation		
Freedom of Information Act 1982		16
Building Act 1993		20
Victorian Industry Participation Policy Act 2003		21
Whistleblowers Protection Act 2001 & Protective Disclosure Act 2012		22

Dated at Melbourne on 27 August 2013
Signed in accordance with a resolution of Members



Ronald J Walker AC CBE
Chairman

4. Financial Statements

For the Year Ended 30 June 2013

Comprehensive Operating Statement For the Financial Year Ended 30 June 2013

	Notes	2013 \$000's	2012 \$000's
Income from transactions			
Formula One Grand Prix		98,401	91,118
Motorcycle Grand Prix		15,942	12,863
Future Grands Prix		7,258	6,480
Total income from transactions	2	<u>121,601</u>	<u>110,461</u>
Expenses from transactions			
Formula One Grand Prix		(94,141)	(99,465)
Motorcycle Grand Prix		(19,042)	(15,705)
Future Grands Prix		(592)	-
Total expenses from transactions	2,3	<u>(113,775)</u>	<u>(115,170)</u>
Net result from transactions (Net operating balance)		<u>7,826</u>	<u>(4,709)</u>
Other economic flows included in net result			
Net gain/(loss) on financial instruments		(6,974)	1,454
Net gain/(loss) on sale of non-financial assets		184	(268)
Total other economic flows included in net result	2,3,7	<u>(6,790)</u>	<u>1,186</u>
Net Result		<u>1,036</u>	<u>(3,523)</u>
Other non-owner changes in Equity			
Transfer to cash flow hedge reserve	15	10,764	3,720
Transfer(from) asset revaluation reserve	15	-	(133)
Comprehensive Result		<u>11,800</u>	<u>64</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 30 to 65

Balance Sheet as at 30 June 2013

	Notes	2013 \$000's	2012 \$000's
ASSETS			
Financial Assets			
Cash and deposits	5	19,281	17,156
Receivables	6	1,113	1,795
Total Financial Assets		<u>20,394</u>	<u>18,951</u>
Non-Financial Assets			
Infrastructure, plant and equipment	8	10,481	12,110
Intangible assets	9	390	462
Other non-financial assets	10	590	826
Total Non-Financial Assets		<u>11,461</u>	<u>13,398</u>
TOTAL ASSETS		<u>31,855</u>	<u>32,349</u>
LIABILITIES			
Payables	11	2,573	3,145
Provisions	12	766	679
Deferred income	13	3,322	4,530
Derivatives	14	9,778	20,379
TOTAL LIABILITIES		<u>16,439</u>	<u>28,733</u>
NET ASSETS		<u>15,416</u>	<u>3,616</u>
EQUITY			
Contributed capital	15a	10,739	10,739
Cashflow Hedge Reserve	15b	(10,640)	(21,404)
Asset Revaluation Reserve	15c	3,224	3,224
Accumulated surplus	15d	12,093	11,057
NET WORTH		<u>15,416</u>	<u>3,616</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 30 to 65

**Statement of Changes in Equity
For the Financial Year Ended 30 June 2013**

	Notes	Cash flow hedge reserve	Asset revaluation reserve	Contributed capital	Accumulated surplus	Total
		\$000's	\$000's	\$000's	\$000's	\$000's
Balance at 1 July 2011		(25,124)	3,357	10,739	14,580	3,552
Net result for year	15d	-	-	-	(3,523)	(3,523)
Transfer to cash flow hedge reserve	15b	3,720	-	-	-	3,720
Transfer to asset revaluation reserve	15c	-	(133)	-	-	(133)
Balance at 30 June 2012	15	(21,404)	3,224	10,739	11,057	3,616
Net result for year	15d	-	-	-	1,036	1,036
Transfer to cash flow hedge reserve	15b	10,764	-	-	-	10,764
Balance at 30 June 2013	15	(10,640)	3,224	10,739	12,093	15,416

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 30 to 65

Cash Flow Statement for the Financial Year Ended 30 June 2013

	Notes	2013 \$000's	2012 \$000's
Cash flows from operating activities			
Receipts			
Receipts from customers, sponsors and commercial entities		55,089	50,607
Interest received		2,030	1,598
Government contributions – Motorcycle Grand Prix		3,384	4,295
Government contributions – Formula One Grand Prix		62,309	57,978
Government contributions – Future Grands Prix		7,434	7,128
Government Contributions attributable to Grand Prix infrastructure		-	743
Government contributions attributable to capital works		1,276	768
Government contributions – Future Grands Prix – Phillip Island Homologation		550	-
Total receipts		<u>132,072</u>	<u>123,117</u>
Payments			
Payments to suppliers and employees		(124,655)	(117,024)
GST paid to the ATO*		(4,073)	(5,022)
Total payments		<u>(128,728)</u>	<u>(122,046)</u>
Net cash flows from operating activities	20	<u>3,344</u>	<u>1,071</u>
Cash flows from investing activities			
Non-Financial Assets			
Payments for furniture and equipment		(198)	(1,086)
Payments for intangibles		(89)	(198)
Payments for Grand Prix infrastructure, plant and equipment attributable to the Corporation		(730)	(1,502)
Payments for capital works subsequently transferred to Parks Victoria		(429)	(1,597)
Proceeds from the sale of Property, Plant & Equipment		227	57
Net cash flows from/(used in) investing activities		<u>(1,219)</u>	<u>(4,326)</u>
Net increase/(decrease) in cash & cash equivalents		2,125	(3,255)
Cash & cash equivalents at the beginning of the year		<u>17,156</u>	<u>20,411</u>
Cash & cash equivalents at the end of financial year	5	<u>19,281</u>	<u>17,156</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 30 to 65

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

The annual financial statements represent the audited general purpose financial statements for the Australian Grand Prix Corporation (the Corporation).

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

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.

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 on an accrual basis 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 particular they have been presented in a manner consistent with the requirements of the AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

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.

The annual financial statements were authorised for issue by the Chairman of the Board on 27 August 2013.

(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.

These financial statements are presented in Australian dollars, the functional and presentation currency of the Corporation.

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.

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

- Useful lives of non-financial assets

The Corporation's management, with the assistance of the Valuer-General Victoria, determines the estimated useful lives and related depreciation charges for its infrastructure, furniture and equipment and intangible assets. (Refer Note 1(i)). Management will increase the depreciation charge where useful lives are less than previous estimated useful lives, or will write-off or write-down obsolete assets or those that are no longer considered useful.

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.

The report has been prepared in accordance with the historical cost convention. Historical cost is based on the fair values of the consideration given in exchange for assets.

Exceptions to the historical cost convention include:

- 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.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented for the year ended 30 June 2012.

(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 2013.

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

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 funds provided by the Victorian Government.

(d) Scope and Presentation of Financial Statements

Comprehensive Operating Statement

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

'Transactions' and 'other economic flows' are defined by the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005 and Amendments to Australian System of Government Finance Statistics, 2005* (ABS Cat. No. 5514.0) published by the Australian Bureau of Statistics (see note 26)

'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.

'Other economic flows' are changes arising from market remeasurements. They include:

- Gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets;
- Fair value changes of financial instruments.

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

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.

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*.

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

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) Events after Reporting 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 which may have a material impact on the results of subsequent years.

(f) 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.

(g) Income Tax

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

(h) 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.

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

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.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported either as part of income from other economic flows in the net result or as unrealised gains or losses taken directly to equity, forming part of the total change in net worth in the comprehensive result.

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 of the Committee of Management for Albert Park. Government contributions in relation to capital works have been recorded 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.

(i) 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 and 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.

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

Intangible assets are amortised over the useful lives of the assets.

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

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 (I) 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 included in the costs of the department to which they relate. 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).

(j) 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:

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

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.

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

Refer to Note 1(m)

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(p)

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(m) 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;

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

- impairment and reversal of impairment for financial instruments at amortised cost (refer to Note 1(k)); and
- disposals of financial assets

Revaluations of financial instruments at fair value

Refer to Note 1(k) 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.

(k) Financial Instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the 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. However, guarantees issued by the Treasurer on behalf of the Corporation are financial instruments because, although authorised under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

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(l)), term deposits with maturity greater than 3 months, trade receivables, loans and other receivables, but not statutory receivables.

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

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.

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

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

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.

(I) Financial Assets

Cash and deposits

Cash is held 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 3 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. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as 'other economic flows' in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of 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

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

(m) 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(j) *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 (FRD's) issued by the Minister of Finance. A full revaluation of assets normally occurs every 5 years and is based on the asset's Government Purpose Classifications. 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.

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

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 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(i) Depreciation and Amortisation and Note 1(j) 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.

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

Deferred income

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

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

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.

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, classified as current liabilities. Those liabilities which are expected to be settled within 12 months of the reporting date are measured at their nominal values.

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

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 settle within 12 months
- Present value – component that the Corporation does not expect to 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 (j))

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.

(o) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

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 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.

(p) 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.

(q) Contingent assets and contingent 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.

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 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 2013, 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 2013**

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on Corporation financial statements
AASB 9 Financial instruments	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 2015	Subject to AASB's further modifications to AASB 9, together with the anticipated changes resulting from the staged projects on impairments and hedge accounting, details of impacts will be assessed.
AASB 10 Consolidated Financial Statements	This Standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities. The AASB has issued an exposure draft ED 238 Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit Entities that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. Subject to AASB's final deliberations on ED 238 and any modifications made to AASB 10 for not-for-profit entities, the entity will need to re-assess the nature of its relationships with other entities, including those that are currently not consolidated.
AASB 11 Joint Arrangements	This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. Subject to AASB's final deliberations and any modifications made to AASB 11 for not-for-profit entities, the entity will need to assess the nature of arrangements with other entities in determining whether a joint arrangement exists in light of AASB 11.

**Notes to and Forming Part of the Financial Statements
for the Financial Year Ended 30 June 2013**

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on Corporation financial statements
AASB 13 Fair Value Measurement	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other Australian accounting standards. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013	Disclosure for fair value measurements using unobservable inputs are relatively detailed compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures required assets measured using depreciated replacement cost.
AASB 119 Employee Benefits	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported on the comprehensive operating statement.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. While the total superannuation expense is unchanged, the revised methodology is expected to have a negative impact on the net result from transactions a few Victorian public sector entities that report superannuation defined benefit plans.
AASB 1053 Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities, and has not decided if RDRs will be implemented in the Victorian public sector.

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

2. Revenue And Expenses From Ordinary Activities

	2013 Formula One Grand Prix \$000's	2012 Motorcycle Grand Prix \$000's	Future Grands Prix \$000's	June 2013 Financial Year Total \$000's	2012 Formula One Grand Prix \$000's	2011 Motorcycle Grand Prix \$000's	Future Grands Prix \$000's	June 2012 Financial Year Total \$000's
Income from transactions								
Sales revenue	30,250	9,947	-	40,197	27,896	7,012	-	34,908
Sponsorship/Commercial revenue	7,260	1,877	-	9,137	7,255	1,654	-	8,909
Interest received	1,840	190	-	2,030	1,428	170	-	1,598
Government Contributions – recurrent*	56,645	3,076	6,758	66,479	52,707	3,905	6,480	63,092
Government Contributions – non recurrent	1,160	-	-	1,160	1,374	-	-	1,374
Government Contribution – Phillip Island Homologation	-	-	500	500	-	-	-	-
Other operating revenue	1,246	852	-	2,098	458	122	-	580
Total income from transactions	98,401	15,942	7,258	121,601	91,118	12,863	6,480	110,461
Expenses from transactions								
Event Management and Staging**	46,617	10,423	592	57,632	54,631	7,823	-	62,454
Recurrent Engineering**	29,237	3,902	-	33,139	27,939	3,541	-	31,480
Administration***	5,523	1,993	-	7,516	5,117	1,838	-	6,955
Marketing/Promotion and Catering	12,764	2,724	-	15,488	11,778	2,503	-	14,281
Total expenses from transactions	94,141	19,042	592	113,775	99,465	15,705	-	115,170
Net result from transactions (net operating balance)	4,260	(3,100)	6,666	7,826	(8,347)	(2,842)	6,480	(4,709)
Other economic flows	(6,790)	-	-	(6,790)	1,190	(4)	-	1,186
Net result	(2,530)	(3,100)	6,666	1,036	(7,157)	(2,846)	6,480	(3,523)

* Includes \$2,017,145 for recurrent spending on the 2014 Formula One event and \$5,241,000 for recurrent spending on the 2013 Motorcycle event received in the 12/13 financial year (2012: \$2,107,607 for the 2013 Formula One Event and \$4,372,000 for the 2012 Motorcycle Event)

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

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

3. Expenses From transactions

	2013 Formula One Grand Prix \$000's	2012 Motorcycle Grand Prix \$000's	June 2013 Financial Year Total \$000's	2012 Formula One Grand Prix \$000's	2011 Motorcycle Grand Prix \$000's	June 2012 Financial Year Total \$000's
DISCLOSURE						
Items of expenses from transactions included in the comprehensive operating statement requiring specific disclosure:						
Bad and doubtful debts	(86)	-	(86)	92	-	92
Depreciation and amortisation						
- Amortisation – intangibles	131	30	161	70	13	83
- Depreciation - furniture & equipment	422	141	563	271	90	361
- Depreciation - Grand Prix infrastructure	1,892	58	1,950	2,009	61	2,070
Employee Benefits						
- Salaries, wages, annual leave, long service leave	6,803	159	6,962	6,680	258	6,938
- Superannuation contributions	584	-	584	549	-	549
Operating lease expenses	731	-	731	918	-	918
(Profit)/Loss on sale of property, plant and equipment	(184)	-	(184)	268	-	268
Assets provided free of charge to Parks Victoria	429	-	429	3,422	-	3,422

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

	2013 \$000's	2012 \$000's
4. Auditors' Remuneration		
Amounts received or due and receivable by the Victorian Auditor-General's Office	<u>67</u>	<u>65</u>
5. Cash & Deposits		
Cash on hand	1	1
Cash at call		
Australian dollar accounts	3,146	13,494
Term Deposits:		
Australian dollar term deposits < 3 months	<u>16,134</u>	<u>3,661</u>
	<u>19,281</u>	<u>17,156</u>
6. Receivables		
Contractual		
Trade debtors – current*	772	1,635
Other debtors – current	31	31
Statutory		
GST input tax recoverable	<u>314</u>	<u>219</u>
	1,117	1,885
Provision for doubtful debts	<u>(4)</u>	<u>(90)</u>
	<u>1,113</u>	<u>1,795</u>

As at 30 June 2013, current receivables of the Corporation with a nominal value of \$3,850 (2012: \$90,426) were impaired. The amount of the provision is \$3,850 (2012: \$90,426). The Corporation is actively seeking recovery of these debts.

As of 30 June 2013, trade debtors of \$168,304 (2012: \$1,123,728) 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	114	1,091
60 to 120 days	41	20
Over 120 days	<u>13</u>	<u>13</u>
	<u>168</u>	<u>1,124</u>

Movements in the provision for doubtful debts are as follows:

Balance at beginning of the year	(90)	(7)
Provision recognised during the year	(4)	(92)
Receivables recovered during the year	-	9
Reversal of provision of receivables written off during the year as uncollected	<u>90</u>	<u>-</u>
Balance at end of the year	<u>(4)</u>	<u>(90)</u>

* A provision has been 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 was recognised in the net result for the current financial year.

**Notes to and Forming Part of the Financial Statements
for the Financial Year Ended 30 June 2013**

	2013 \$000's	2012 \$000's
7. Other economic flows included in net result		
(a) Net FX gain/(loss) arising from financial instruments	(6,974)	1,454
(b) Other gains/(losses) from other economic flows		
Net gain/(loss) on sale of non-financial assets	184	(268)
Total gains/losses from other economic flows	<u>(6,790)</u>	<u>1,186</u>

8. Infrastructure, Plant and Equipment

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

Public Safety and Environment

Furniture and Equipment – at fair value	858	1,226
Grand Prix infrastructure – at fair value	<u>9,623</u>	<u>10,884</u>
Net carrying amount of infrastructure plant and equipment	<u>10,481</u>	<u>12,110</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	
	2013 \$'000's	2012 \$'000's	2013 \$'000's	2012 \$'000's	2013 \$'000's	2012 \$'000's
Furniture and equipment at fair value	2,283	2,087	(1,425)	(861)	858	1,226
Grand Prix infrastructure at fair value	<u>13,374</u>	<u>12,954</u>	<u>(3,751)</u>	<u>(2,070)</u>	<u>9,623</u>	<u>10,884</u>
	<u>15,657</u>	<u>15,041</u>	<u>(5,176)</u>	<u>(2,931)</u>	<u>10,481</u>	<u>12,110</u>

**Notes to and Forming Part of the Financial Statements
for the Financial Year Ended 30 June 2013**

(c) 'Public Safety and Environment' Purpose Group – Movements in carrying amounts

	Furniture and equipment at fair value		Grand Prix infrastructure at fair value		Total	
	2013 \$'000's	2012 \$'000's	2013 \$'000's	2012 \$'000's	2013 \$'000's	2012 \$'000's
Opening balance	1,226	503	10,884	13,731	12,110	14,234
Additions	195	1,086	1,161	3,188	1,356	4,274
Disposals	-	(2)	(311)	(543)	(311)	(545)
Transfer to Parks Victoria	-	-	(429)	(3,422)	(429)	(3,422)
Depreciation	(563)	(361)	(1,950)	(2,070)	(2,513)	(2,431)
Write back on disposal	-	-	268	-	268	-
Closing balance	858	1,226	9,623	10,884	10,481	12,110

* In 2012 the cost of the Corporation's Customer Relationship Management software system which had previously been included in furniture and equipment was transferred to intangible assets.

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*

	2013 \$000's	2012 \$000's
Furniture and equipment at fair value	563	361
Grand Prix infrastructure at fair value	1,950	2,070
	<u>2,513</u>	<u>2,431</u>

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

9. Intangible Assets

	Computer software		Trademarks		Total	
	2013 \$'000's	2012 \$'000's	2013 \$'000's	2012 \$'000's	2013 \$'000's	2012 \$'000's
Opening balance	883	347	999	999	1,882	1,346
Additions	89	199	-	-	89	199
Disposals	-	(101)	-	-	-	(101)
Reallocation from furniture and equipment	-	438	-	-	-	438
Closing balance	972	883	999	999	1,971	1,882
Accumulated Amortisation	(607)	(122)	(974)	(961)	(1,581)	(1,083)
Write back on disposal	-	101	-	-	-	101
Reallocation from furniture and equipment	-	(438)	-	-	-	(438)
Closing balance	365	424	25	38	390	462

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

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 2015. 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.

	2013 \$'000's	2012 \$'000's
10. Other Non-Financial Assets		
Prepayments – current	<u>590</u>	<u>826</u>
11. Payables		
Contractual		
Supplies and other services	2,098	2,745
Statutory		
GST payable	365	271
FBT payable	59	85
Other taxes payable	<u>51</u>	<u>44</u>
	<u>2,573</u>	<u>3,145</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

12. Provisions

Current Provisions

Employee benefits* – annual leave:

Unconditional and expected to settle within 12 months	423	400
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Employee benefits* – long service leave:

Unconditional and expected to settle after 12 months**	<u>143</u>	<u>121</u>
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Total employee benefits	566	521
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Provision related to employee benefit on-costs:

Unconditional and expected to settle within 12 months	67	64
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Unconditional and expected to settle after 12 months**	<u>23</u>	<u>19</u>
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Total employee benefit on-costs	<u>90</u>	<u>83</u>
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Total Current Provisions	<u>656</u>	<u>604</u>
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Non-Current Provisions

Employee benefits/long service leave *	95	65
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Employee benefit on-costs	<u>15</u>	<u>10</u>
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Total Non-Current Provisions	<u>110</u>	<u>75</u>
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Total Provisions

	<u>766</u>	<u>679</u>
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* 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 2013**

	2013 \$'000's	2012 \$'000's
Current employee benefits		
Annual Leave entitlements	423	400
Long Service Leave entitlements	143	121
	<u>566</u>	<u>521</u>
Non-current employee benefits		
Long Service Leave entitlements	95	65
Total employee benefits	<u>661</u>	<u>586</u>
Current on-costs	90	83
Non-current on-costs	15	10
Total on-costs	<u>105</u>	<u>93</u>
Total employee benefits and related on-costs	<u><u>766</u></u>	<u><u>679</u></u>

(b) Movement in provisions

	Employee benefits 2013 \$'000's	On-costs 2013 \$'000's	Total 2013 \$'000's
Opening balance	586	93	679
Additional provisions made	75	12	87
Closing balance	<u>661</u>	<u>105</u>	<u>766</u>
Current	566	90	656
Non-current	95	15	110
	<u>661</u>	<u>105</u>	<u>766</u>

13. Deferred Income

Advance commercial income	588	106
Advance ticket sales	2,734	4,424
	<u>3,322</u>	<u>4,530</u>

14. Derivatives

Current foreign exchange forward contracts	(5,695)	(7,101)
Non-current foreign exchange forward contracts	(4,944)	(14,303)
Non-current foreign exchange options contracts	861	1,025
	<u>(9,778)</u>	<u>(20,379)</u>

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

**Notes to and Forming Part of the Financial Statements
for the Financial Year Ended 30 June 2013**

	2013 \$'000's	2012 \$'000's
15. Equity		
(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	(21,404)	(25,124)
Current year reserve	10,764	3,720
Reserve at the end of the year	<u>(10,640)</u>	<u>(21,404)</u>
(c) Asset revaluation reserve		
Reserve at the beginning of the year	3,224	3,357
Current year reserve	-	(133)
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	11,057	14,580
Current year net (loss)/ surplus	1,036	(3,523)
Accumulated surplus at the end of the year	<u>12,093</u>	<u>11,057</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 2013**

(a) Categorisation of financial instruments

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

2012	Contractual financial assets/liabilities designated at fair value or held for trading \$'000's	Contractual financial assets – loans and receivables \$'000's	Contractual financial liabilities at amortised cost \$'000's	Total \$'000's
Contractual financial assets:				
Cash and deposits	-	17,156	-	17,156
Receivables: *				
Trade and other debtors	-	1,666	-	1,666
Total contractual financial assets	-	18,822	-	18,822
Financial liabilities				
Payables: *				
Trade and other payables	-	-	2,745	2,745
Financial Derivatives	20,379	-	-	20,379
Total contractual financial liabilities	20,379	-	2,745	23,124

* 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 2013

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

2013	Net holding gain/loss \$'000's	Total interest income \$'000's	Total \$'000's
Contractual financial assets			
Financial assets – loans and receivables	-	2,030	2,030
Total contractual financial assets	-	2,030	2,030
2012	Net holding gain/loss \$'000's	Total interest income \$'000's	Total \$'000's
Contractual financial assets			
Financial assets – loans and receivables	-	1,598	1,598
Total contractual financial assets	-	1,598	1,598

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.

On-Balance Sheet financial instruments

The credit risk on the Corporation's financial assets is the carrying amount of receivables, net of the provision for doubtful debts. 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.

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

Off – Balance Sheet financial instruments

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.

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

2013	Government Agencies Triple-A credit rating \$'000's	Financial institutions Double-A credit rating \$'000's	Other Min Triple-B Credit rating \$'000's	Total \$'000's
Cash and deposits	16,135	3,146	-	19,281
Receivables	-	-	803	803
Total contractual financial assets	16,135	3,146	803	20,084
2012	Government Agencies Triple-A credit rating \$'000's	Financial institutions Double-A credit rating \$'000's	Other Min Triple-B Credit rating \$'000's	Total \$'000's
Cash and deposits	16,662	494	-	17,156
Receivables	-	-	1,666	1,666
Total contractual financial assets	16,662	494	1,666	18,822

(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.

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

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

	Carrying amount	Not past due and not impaired	Past due but not impaired		
			Less than 1 month	1-3 months	3 months – 1 year
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
2013 Payables	2,098	1,586	385	120	7
2012 Payables	2,745	2,394	24	254	73

(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 and foreign exchange options that fall due after this date.

These forward foreign exchange contracts and foreign currency options 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 for cash at bank, these financial assets can be left at floating interest rates without exposing the Corporation to significant bad risk, and monitors movements in interest rates on a regular basis.

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

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

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

2013	Weighted average effective interest rate %	Carrying amount \$'000's	Interest rate exposure		Non- interest Bearing \$'000's
			Fixed interest rate \$'000's	Variable interest rate \$'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
Total financial assets		20,084	16,135	3,146	803
<i>Financial liabilities</i>					
Payables		2,098	-	-	2,098
Derivatives		9,778	-	-	9,778
Total financial liabilities		11,876	-	-	11,876

2012	Weighted average effective interest rate %	Carrying amount \$'000's	Interest rate exposure		Non- interest Bearing \$'000's
			Fixed interest rate \$'000's	Variable interest rate \$'000's	
<i>Financial assets</i>					
Cash at bank	3.43%	13,495	-	13,495	-
Cash on deposit	3.78%	3,661	3,661	-	-
Receivables		1,666	-	-	1,666
Total financial assets		18,822	3,661	13,495	1,666
<i>Financial liabilities</i>					
Payables		2,745	-	-	2,745
Derivatives		20,379	-	-	20,379
Total financial liabilities		23,124	-	-	23,124

(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 2012 and 2013 years. For financial derivatives, the Corporation is exempt from disclosing gross values (refer note 16 (e)).

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

(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.

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 Grand 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.

	2013 \$000's	2012 \$000's
Operating leases relate to office and storage facilities		
Non-cancellable operating leases payable:		
- Not longer than one year	768	644
- Longer than one year but not longer than five years	1,059	1,070
	<u>1,827</u>	<u>1,714</u>

18. Commitments for expenditure

The Corporation has commitments associated with foreign exchange forward and options contracts (refer Note 14).

19. Contingent Assets and Liabilities

There are no contingent assets for the year ended 30 June 2013.

The Corporation received a Notice pursuant to section 264 of *The Income Tax Assessment Act 1936* requiring it to produce documents and furnish information to the Australian Taxation Office. The Corporation has responded to the Notice. The Corporation continues to cooperate with the Australian Taxation Office in relation to the Notice and the

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

Corporation's response. The financial effect (if any) cannot be quantified and the timing of the outcome of the audit cannot be specified due to the audit process still being in progress.

20. Reconciliation of net result for the period to net cash flows from operating activities

Net Result for the Period	1,036	(3,523)
Non-cash movements:		
Capital works transferred to Parks Victoria	429	3,422
(Gain)/loss on sale of non-current assets	(184)	268
Depreciation and amortisation of non-current assets	2,674	2,513
Movements in assets and liabilities:		
Decrease/(Increase) in receivables	918	(360)
(Decrease)/Increase in payables	(572)	(1,467)
(Decrease)/Increase in provisions	87	178
(Decrease)/Increase in deferred income	(1,208)	1,497
(Decrease)/Increase in derivatives	164	(1,457)
Net cash flows from/(used in) operating activities	<u>3,344</u>	<u>1,071</u>

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, 1 July 2012 to 30 June 2013	
Accountable Officer	- Mr Andrew Westacott	1 July 2012 to 30 June 2013
Members of the Board	- Mr Ronald Walker AC CBE	1 July 2012 to 30 June 2013
	- Ms Laura Anderson	1 July 2012 to 30 June 2013
	- Mr William Bowness	1 July 2012 to 30 June 2013
	- Mr Patrick Flannigan	1 July 2012 to 30 June 2013
	- Ms Gillian Franklin	1 July 2012 to 30 June 2013
	- Mr John Harnden AM	1 July 2012 to 30 June 2013
	- Mr Alan Oxley	1 July 2012 to 30 June 2013
	- Mr Ken Ryan AM	1 July 2012 to 30 June 2013
	- Mr James Strong AO	1 July 2012 to 27 November 2012

(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 (2012: \$400,000 - \$409,999).

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

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

(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, James Strong)

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

Sponsorship Arrangements

Qantas Airways Limited (Ken Ryan, James Strong)

Provision of Services

Qantas Airways Limited (Ken Ryan, James Strong)

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

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 857 tickets (retail value: \$617k exc GST) for the 2013 Formula One Grand Prix (2012: 747 tickets) and 134 tickets (retail value: \$35k exc GST) for the 2012 Motorcycle Grand Prix (2011: 99 tickets) were either used by Responsible Persons free of charge or were provided to entities related to Responsible Persons under contractual obligation.

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

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's 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.

	Base Remuneration		Total Remuneration	
	2013 No.	2012 No.	2013 No.	2012 No.
\$260,000 - \$269,999	-	-	2	-
\$250,000 - \$259,999	-	-	-	1
\$240,000 - \$249,999	-	-	-	1
\$230,000 - \$239,999	-	-	1	-
\$220,000 - \$229,999	2	2	-	-
\$210,000 - \$219,999	-	-	1	1
\$200,000 - \$209,999	1	-	1	1
\$190,000 - \$199,999	1	1	1	1
\$180,000 - \$189,999	1	-	-	-
\$170,000 - \$179,999	1	2	-	-
\$160,000 - \$169,999	-	-	1	1
\$150,000 - \$159,999	1	-	-	-
\$140,000 - \$149,999	-	-	1	-
\$130,000 - \$139,999	-	1	-	1
\$120,000 - \$129,999	1	-	-	-
\$110,000 - \$119,999	-	2	-	2
\$100,000 - \$109,999	-	1	-	-
Total remuneration of executive officers for the year included above amounted to	\$1,494,442	\$1,468,725	\$1,678,430	\$1,644,462
Number of Executives	8	9	8	9
Total annualised employee equivalent (AAE) **	7.6	8.5	7.6	8.5

** 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.

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 \$182,580 (2012: \$190,661) were made to the fund by the Corporation during the year, this was in accordance with the statutory superannuation contribution rate of 9% (2012: 9%). There were no amounts owing at the end of the year. The total number of current employees in the fund at 30 June 2013 was 27 (2011: 23).

Contributions were also made to 24 other eligible superannuation funds where employees exercised a choice of fund. Contributions amounting to \$407,682 (2012: \$358,470) were made to these funds by the Corporation during the year. This was in accordance with the statutory

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

superannuation contribution rate of 9% (2012: 9%). There were no amounts owing at the end of the year.

24. Events Subsequent to Balance Date

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 2015. 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.

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

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

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.

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'.

Notes to and Forming Part of the Financial Statements for the Financial Year Ended 30 June 2013

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.

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 present fairly the financial transactions during the financial year and the financial position at the end of the year;
- (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 27 August 2013

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



Ronald J Walker AC CBE
Chairman



Andrew Westacott
Chief Executive Officer



Peter Hough
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 2013 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 2013 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 2013 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
2 September 2013


for John Doyle
Auditor-General

5. 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 'Andrew Westacott', with a long horizontal stroke extending to the right.

Andrew Westacott
Chief Executive Officer
27 August 2013

The Australian Grand Prix Corporation proudly acknowledges its sponsors and official suppliers of the 2013 Formula 1® Rolex Australian Grand Prix



The Australian Grand Prix Corporation proudly acknowledges its sponsors and official suppliers of the 2012 Air Asia Australian Motorcycle Grand Prix





Australian Grand Prix Corporation

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