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## Functions of the Board

Under section 14(1) of the Thoroughbred Racing Board Act 1996, the Board has the following functions:

- a) all the functions of the principal club for New South Wales and committee of the principal club for New South Wales under the Australian Rules of Racing,
- b) to control, supervise and regulate horse racing in the State,
- c) to initiate, develop and implement policies considered conducive to the promotion, strategic development and welfare of the horse racing industry in the State and the protection of the public interest as it relates to the horse racing industry,
- d) functions with respect to the insuring of participants in the horse racing industry, being functions of the kind exercised by the AJC on the commencement of this section, and such other functions with respect to insurance in the horse racing industry as may be prescribed by the regulations,
- e) such functions as may be conferred or imposed on the Board by or under the Australian Rules of Racing or any other Act,
- f) such functions with respect to horse racing in New South Wales as may be prescribed by the regulations.

# MISSION STATEMENT

**“To establish a dynamic NSW Thoroughbred Industry which advances participation, ensures integrity and delivers quality racing at all levels.”**

## VISION

### Objectives

- Provide a committed, user-friendly, professional and cost effective administration which uses best business practice in serving all aspects of the NSW Thoroughbred Racing Industry.
- Provide Leadership and Strategic Direction to ensure the NSW Thoroughbred Racing Industry achieves revenue growth, profitability and greater returns to Owners and Industry Participants.
- Provide a Racing product which appeals to all demographics, and take all actions necessary to guarantee integrity and confidence in the sport.
- Maximise betting turnover on NSW Thoroughbred meetings by accommodating punters' needs and desires, and working with TAB Limited to promote new wagering products, to keep up with changes in demand.

## CURRENT MEMBERS OF THE BOARD



Back row (L-R): Graeme Pash, John Costigan, Phillip Esplin, Brian Reardon  
Front row: Bob Lapointe, Don Hopkins, Peter V'landys

### **D E Hopkins (Don)**

VICE CHAIRMAN  
NSW COUNTRY RACING  
COUNCIL NOMINEE  
Appointed 13 March 2000 for 4 years  
Re-appointed 12 March 2004  
for 4 years  
Attended 13 meetings

### **J B Costigan (John)**

LICENSED PERSONS NOMINEE  
Appointed 13 March 2000 for 2 years  
Re-appointed 12 March 2002 for 4 years  
Attended 12 meetings

### **R M Lapointe (Bob)**

OWNERS AND BREEDERS NOMINEE  
Appointed 13 March 2000 for 4 years  
Term ended 12 March 2004  
Re-appointed 17 May 2004 for 4 years  
Attended 10 meetings

### **G F Pash (Graeme)**

SYDNEY TURF CLUB NOMINEE  
Appointed 1 August 2003  
Re-appointment 13 March 2004  
for 4 years  
Attended 13 meetings

### **D P R Esplin (Phillip)**

AUSTRALIAN JOCKEY CLUB  
NOMINEE  
Appointed 13 March 2002 for 4 years  
Attended 13 meetings

### **B J Reardon (Brian)**

PROVINCIAL ASSOCIATION OF  
NSW NOMINEE  
Appointed 18 March 2002 for 4 years  
Attended 13 meetings

### **A G Hartnell AM (Tony)**

Appointed 12 June 2000 for 4 years  
Resigned June 2004  
Attended 13 meetings

### **M J Hill (Merv)**

Appointed October 1999  
Resigned December 2003  
Attended 5 meetings

### **P N V'landys (Peter)**

Appointed 23 February 2004  
Attended 5 Meetings



1 October 2004

The Hon Grant McBride MP  
Minister for Gaming and Racing  
Level 13, 55 Hunter Street  
Sydney NSW 2000

Dear Minister,

In accordance with Section 29 of the Thoroughbred Racing Board Act 1996 as amended, I submit to you the eighth Annual Report of the NSW Thoroughbred Racing Board (TRB) - now Racing NSW – covering the period from 1 July 2003 to 30 June 2004.

Important changes to senior management positions occurred during the reporting year. In December 2003 Mr Merv Hill, who had been CEO of Racing NSW since October 1999, left the organisation. In June 2004 Mr Tony Hartnell, who had been Chairman for just over 4 years, resigned due to ill health. I take the opportunity to express the Board's appreciation to Tony Hartnell who made a significant contribution to the organisation and to racing in NSW. Mr Peter V'Landys was appointed Chief Executive in December 2003 and took up the position in February 2004.

Perusal of the reports from the various departments of Racing NSW contained within this document emphasises the major focus the Board of Racing NSW has on integrity and financial matters, insofar as they effect the management of racing in NSW. Integrity policy in NSW is viewed by many racing nations as world's best practice. Staff, in the stewards' area, licensing, laboratory, veterinary, registration, handicapping and training, must be commended for their dedication in

sustaining high quality outcomes. Financial improvements in the management of insurance matters have been significant during this year. The industry's specialised workers compensation fund now has assets of \$21.165m which matches the requirements for current and future needs. This will enable workers compensation fees to be stabilised. Additionally, the creation of a national captive fund involving all States for public liability insurance should result in the stabilising of premiums in this area of insurance.

Prizemoney payouts and TAB returns to the industry have again increased during the year. Growth in TAB turnover in the country sector is worthy of special note. For the first time country sector market share of TAB sales has matched the take out rate by that sector.

NSW racing provides 20 of the top 50 races (by value) in Australia. The top 2 races in NSW remain the AAMI Golden Slipper and the San Miguel Doncaster Handicap. Total prizemoney paid in NSW this year was \$97.1m.

The new tourism promotion "Easter in Sydney" underlined the prominent role thoroughbred racing plays in NSW. The outstanding autumn carnivals staged by the AJC and STC contributed to an injection of \$57m into the NSW economy, with both clubs reporting significant rises in crowd numbers. The Australian Easter Sales at Randwick also played its part with yearlings being sold in total for more than \$75m. NSW retains its forefront position as the State with the largest thoroughbred breeding industry, and as the State which stages the most race meetings – 806.

Once again there has been a constant rise in the number of visitors to the Racing NSW website. The site is a valuable asset to this State's racing industry and provides an excellent source of information to stakeholders, participants and the general public. The website's ascending popularity was again recognised with it winning its second award – Best Information Website – at the annual Australasian Thoroughbred Internet Awards.

During the year a number of important challenges, related to the use of racing intellectual property, have continued or emerged. The Board continues to monitor and take action where appropriate, in conjunction with RACINGCORP or the Australian Racing Board, in the following matters:

- TABCorp takeover of TAB Ltd,
- Unapproved and/or illegal use of racing intellectual property by overseas or interstate betting operatives.

BOBS – our State's bonus incentive scheme – is now into its third season. It has received great support from breeders and racehorse owners. Some 170 stallions were paid up for the scheme for the start of the 2004 season with every major NSW stud now participating in the scheme.

In comparison with other industries, racing has had a relatively stable structure over the past seven years. Towards the end of the reporting year the Board resolved to change a number of structures and practices within the organisation as detailed in the new Strategic Plan. These changes will result in significant financial savings and reflect proposals put to Board representatives by industry participants during a statewide consultation process. The primary objective of the new program is to sustain and/or increase industry participation.

Finally, I would like to pay tribute to the efforts of all our Racing NSW staff which ensured that the many identified projects and policies become a reality.

I must also acknowledge the enduring dedication and commitment from the staff and committees of all NSW Race Clubs, along with all participants in the NSW racing industry, which has again resulted in an excellent racing year.



**D E (Don) HOPKINS**  
ACTING CHAIRMAN



Upon taking the role of Chief Executive of Racing NSW in late February of this year, the Board's main prerequisite was to formulate a Strategic Plan for the industry.

In order to accomplish this task, I believed it was imperative to consult all facets of the NSW Thoroughbred Industry. Accordingly, during the period 19 March to 26 May 2004, I convened and attended 25 public meetings at widely located venues throughout NSW. Those attending the meetings included owners, trainers, jockeys, stablehands, club officials, sponsors, bookmakers and punters. In addition, meetings were held with Industry Associations, Race Clubs and 98 written submissions were also received.

The major common source of concern was that it has become increasingly difficult to procure a reasonable financial return from the Industry. In particular, country trainers were finding it financially unviable as they were experiencing cash flow problems, and the high cost of Workers Compensation and Public Liability insurances were driving them out of the Industry. The second major common issue among racing participants was programming. In particular, owners were frustrated by paying to have their horses trained and not being provided the opportunity to compete in a race.

In drafting the Strategic Plan, I formed the view that the 22% decline in horse numbers over a 10-year period and the 41% decline in trainers and 52% decline in jockeys over the same period were due to the Thoroughbred Industry in NSW being under funded by about \$100million. This was further compounded by the fact that the monies currently distributed were going to a small base of participants and not benefiting the widest possible number of stakeholders.

Consequently, this under funding has made it extremely difficult for NSW to compete on an equal playing field with the Victorian Industry.

The three codes of racing in Victoria receive between \$50-60m per annum more than their counterparts in NSW. This is due to Victoria receiving approximately \$70m from their share of poker machine revenue. When the TAB was privatised in Victoria, the Government provided the Victorian Racing Industry with a 25% share of the emerging poker machine revenue. Unfortunately, when the TAB was privatised in NSW, there was already a mature club industry with over 90,000 poker machines which ruled out any prospects of the NSW Racing Industry receiving any share in gaming machine revenue. To date, the NSW Racing Industry has received no monies whatsoever from gaming.

Compounding the disparity between Victoria and NSW is that the Victorian Racing Industry receives between 5.5 to 6 cents in every \$1 bet on their TAB; as compared to 4.5 cents the NSW Industry receives from every \$1 bet on the NSW TAB. If the NSW Racing Industry received a similar return, would mean an additional \$65m of funding for our racing.

In order to increase funding, the New South Wales Racing Industry took the opportunity to renegotiate elements of the Racing Distribution Agreement (this is the agreement which outlines the contractual relationship between the three codes of Racing in NSW and TAB Limited) when TABCorp took over TAB Limited.

TABCorp was required by the NSW Government to dispose of TAB Limited's Gaming Assets, due to the perceived conflict of interest in TABCorp also being proprietor of Star City Casino. One of the major gaming assets held by TAB was the contract with the NSW Government to monitor all poker machines in NSW. Star City Casino itself held over 1,000 poker machines, hence TABCorp may have had a conflict in monitoring our State's poker machines. Unfortunately, this meant that the NSW Racing Industry - which was to receive a 25% share of gaming profit - was required to provide TABCorp authority to sell the Gaming Assets.

As mentioned previously, the NSW Racing Industry has never received

any monies from gaming whereas the Victorian Racing Industry receives \$70m per annum. Accordingly, the NSW Racing Industry, via RACINGCORP, negotiated with TABCorp to allow the disposal of the gaming business and other concessions for additional payment of product fee and a share of savings made when the wagering operations of TABCorp and TAB Limited were merged.

The payment of the additional product fee will be phased in over 4 years and is as follows:

| Financial Year             | Additional Product Fee |
|----------------------------|------------------------|
| 2004/2005                  | \$2.25m                |
| 2005/2006                  | \$4.5m                 |
| 2006/2007                  | \$6.75m                |
| 2007/2008                  | \$9m                   |
| Subsequent Financial Years | \$9m, increased by CPI |

The NSW Racing Industry could also receive between \$10-15m from the savings when the TABCorp and TAB wagering operations are merged. Accordingly, by the 2008 financial year, the three codes of Racing in NSW could receive an additional \$20m per annum in funding. This goes some of the way to correct the disparity between NSW and Victoria and reduces the current deficit in the funding the NSW Racing Industry requires to be viable.

The lack of funding in NSW has also been caused by Corporate Bookmakers and unlicensed organisations using the NSW racing product and not paying for the privilege. As stated, TAB Limited is required to pay 4.5 cents in every \$1 bet to the NSW Racing Industry. Corporate Bookmakers and Betting Exchanges are currently not paying any monies for the use of the NSW racing product. As NSW punters are betting with these wagering operators, it has meant that the NSW Racing Industry is losing between \$15m to \$20m in funding annually.

The Strategic Plan, which was released in July, addresses all the problems mentioned above. I must stress, however, that the plan is only a starting point in rectifying the current ills of the industry and more analysis and solutions are required.

**P N (Peter) V'landys**  
CHIEF EXECUTIVE



Racing NSW and all NSW race clubs are bound by various agreements that determine the flow of financial distributions from TAB Limited.

## RACING DISTRIBUTION AGREEMENT (RDA)

The RDA outlines the contractual relationship between all codes of the NSW racing industry and TAB Limited. For example, it determines the minimum amount of race meetings each code and sector must supply to TAB. It also sets out how fees payable to all codes of the racing industry by TAB are to be calculated.

## ROLES OF EACH PARTY

The roles of each party are:

- The NSW racing industry supplies the “product” to TAB Limited,
- TAB Limited “sells” the product through wagering outlets,
- The racing industry receives a share in the net wagering revenue and profits of TAB,
- Each of the racing codes and sectors must co-operate in matters such as programming and race date allocation so as to fulfill the mutual objectives of the racing industry and TAB.

## OBJECTIVES OF RDA

The mutual objectives of TAB and the racing industry are broadly to:

- Encourage public interest and attendance in racing in NSW,
- Promote the quality and development of the codes,
- Maximise Net Wagering Revenue and Wagering Earnings.

## RACINGCORP (formerly NSW Racing Pty Ltd)

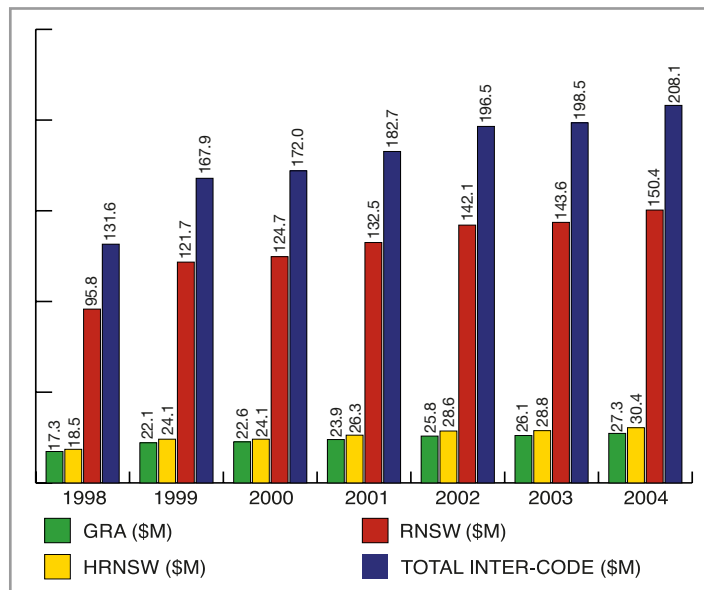
Racing NSW, Harness Racing NSW and Greyhound Racing Authority of NSW are the controlling bodies of each racing code in NSW. Together, they established the company RACINGCORP to represent them under the Racing Distribution Agreement (RDA).

RACINGCORP is the interface between all codes of the racing industry and TAB Limited. Its function is to perform, as agent for each representative body severally, the terms of the RDA. The funds paid to all codes of the racing industry by TAB Limited are received by RACINGCORP.

The Board of RACINGCORP comprises 4 members from the thoroughbred code, 2 members from the harness code and 2 members from the greyhound code. The thoroughbred code members for the 2003/04 FY were: **Mr Tony Hartnell** (resigned June 2004), **Mr Don Hopkins**, **Mr Graeme Pash**, **Mr Phillip Esplin**, **Mr Bob Lapointe** (replaced Mr Hartnell)

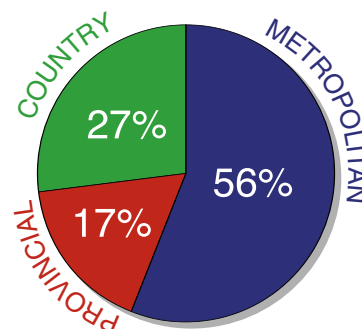
## INTER-CODE AGREEMENT

The Inter-Code is an agreement between the thoroughbred, harness, and greyhound codes. It determines the basis upon which funds received by RACINGCORP from TAB Limited are distributed between the codes. It also outlines the terms under which RacingCorp is operated, controlled and funded. The funds are allocated primarily on fixed portions. Since privatisation of the TAB, the allocation of funds has been as follows:

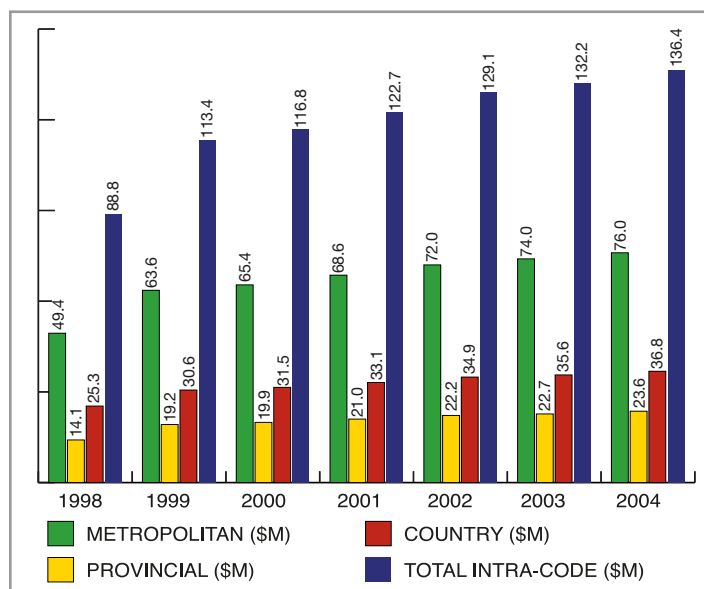


## INTRA-CODE AGREEMENT

The Intra-Code Agreement sets out the distribution of monies between the metropolitan, provincial and country thoroughbred sectors. The first \$115m of distributions are set at fixed percentages.



The remainder of funds above \$115m is split 50% on the fixed portions and 50% on market share of TAB sales. Since privatisation of the TAB, the allocation of funds has been as follows:





Racing NSW is the governing body of thoroughbred racing in this state – controlling, supervising and regulating the industry.

Racing NSW also initiates, develops and implements policies considered conducive to the promotion, strategic development, and welfare of the industry in NSW, and protects the public interest as it relates to the horse racing industry.

The departments within Racing NSW's structure include: Stewards; Stakes Payment; Laboratory; Industry Training; Veterinary; Public Relations & Media; Human Resources; Handicapping; Insurance; Licensing; Registration; Information Technology; NSW Country; Finance; Magazine; and Racing Services.

Achievements by departments over the past 12 months include:

## STEWARDS

- Introduced rules relating to safety issues at pre-dawn track sessions, including: track riders wearing warning lights on skull caps, and the wearing of reflective gear by horse handlers and horses;
- Compulsory wearing of skull caps and protective vests by Clerks of Courses;
- In conjunction with NSWJA ,development of strict guidelines with regards to the clearance to return to riding of riders suffering head and neck injuries;
- Conduct of Starters' conferences at Goulburn and Scone. Proposed resolutions include: reduction of loading times, less tolerance of unruly horses, starter to be on the stand prior to last horse being loaded.
- Refinement to computer systems to facilitate public release of the following information: horses gelded since last run, horses withdrawn at barriers last start: plating details of all horses.
- Printing of 3rd edition of Racing NSW Rules of Racing and distribution to licensees;
- Introduction of rules barring licensees from betting with betting exchanges and the banning of access to betting exchange websites on racecourses;
- Monitoring of betting exchange transactions at all NSW TAB race meetings;
- Investigation and report into the activities of commission agents on NSW racetracks;
- Conduct of training courses for Stewards including Administrative Law, OH&S and various computer courses.

## STAKES PAYMENT SYSTEM

A key accomplishment of Stakes was the changeover of software for issuance of Recipient Created Tax Invoices (RCTIs) and Statements issued to over 3,000 clients monthly. The new software is net-based and forms the basis for on-line access by clients. The mass distribution of RCTIs statements via e-mail now occur. Eventually payments of accounts on-line will be available.

It is envisaged that as a result of the above, there will be significant cost savings and a more efficient broad-based

service where clientele are able to monitor their accounts (on-line) on a daily basis. This will reduce operational costs associated with postage and stationary, and provide clients with a prompt and more 'global' method for paying accounts in debt.

Secondly, some modifications have been made to the layout of the RCTIs and Statements to ensure compliance with the ATO in terms of reporting GST and income. Additionally, the management of the Stakes Payment System has identified some key issues to enable the ATO to 'educate' clients so that leakage of GST is minimised and reporting of income and GST is within existing tax laws.

## LABORATORY (ARFL)

The past 12 months has been quite a significant year for the Australian Racing Forensic Laboratory with the following accomplishments:

- achieved 100% in the Association of Official Racing Chemists annual proficiency test;
- average turnaround time for negative samples has been maintained at 8.5 working days;
- research papers were presented at the International Conference of Racing Chemists and Veterinarians in Dubai and at the International Association of Forensic Toxicologists Conference in Melbourne;
- a research grant from the World Anti-Doping Agency was jointly secured between the ARFL, Charles Sturt University and the Australian Sports Drug Testing Laboratory for research into EPO;
- two new liquid chromatograph-mass spectrometers were added to the drug testing equipment;
- ipratropium, a broncho-dilator drug, was detected for the first time in harness and thoroughbred urine samples.

## INDUSTRY TRAINING

### Apprentice rides

| Season      | Apprentice rides | Available rides | % of total |
|-------------|------------------|-----------------|------------|
| 2001 – 2002 | 11,461           | 59,201          | 19.36%     |
| 2002 - 2003 | 12,996           | 56,773          | 22.89%     |
| 2003 - 2004 | 12,223           | 56,797          | 21.54%     |

Whilst the overall percentage of apprentice riders for the 2003 – 2004 season is down from the previous year, the number of apprentice jockeys riding in the metropolitan and provincial areas has increased with more leading apprentices represented in the metropolitan and provincial areas.

### Apprentice winning rides

|                     | 2002 – 2003 | 2003 – 2004 |
|---------------------|-------------|-------------|
| <b>Metropolitan</b> | 119         | 156         |
| <b>Provincial</b>   | 176         | 181         |
| <b>Country</b>      | 917         | 821         |

### Academy and Apprentice-related Training

Results from Academy training have resulted in 17 riders being given permission to ride in trials with 9 of these receiving permits to ride in races. Apprentice schools were conducted at Horsley Park, Orange and all regional centres.

## KEY ACCOMPLISHMENTS

### Riders Advisory Panel

Joint venture with Stewards, a Riders Advisory Panel was set up to assist young apprentices with race day mentoring. Malcolm Fitzgerald (Training Support Officer) and senior riders in each region are part of the panel.

### Funded Projects

WorkCover provided \$38,670 for Racing NSW OH&S Form Guide Training which resulted in 48 trainers and club managers attaining 'Train the Trainer' accreditation. This project also allowed the ongoing development of Safe Work Method Statements.

The Australian National Training Authority provided \$100,000 for a project which is aimed at developing and implementing strategies to improve employment outcomes for racing industry participants and to determine the skills and training needs currently and in the future. A major component of this was the trackwork rider surveys and trackwork rider employment template.

### DET NAC Rising Star Series

The Department of Education and Training New Apprenticeships Centre's 'Rising Star' 2003 Series was held between September and late November. Jay Ford won the Series on 21 points.

### Racing Industry Careers

Increase in profile of careers in racing with Racing NSW representation at 15 careers markets (each market attracting between 2,000 and 7,000 students) pony club camps, and escorted school visits to race meetings.

### VETERINARY

Dr Craig Suann attended the 15th International Conference of Racing Analysts and Veterinarians (ICRAV) held in Dubai, 21 to 27 March, 2004. During the Conference he presented three papers:

- Equine performance - lessons from contemporary exercise physiology;
- Drug effects in athletic animals - insights into performance;
- Non-prohibited substances.

The last paper was presented during a plenary session on "Therapeutic substances - the road to reform" and clarified the reasons for the introduction of AR178C(2), the rule which specifies substances excepted from being declared prohibited substances.

Dr Suann was re-appointed as one of two veterinary members of the Scientific Advisory Council to the International Federation of Horseracing Authorities and continues to be a member of the ICRAV Standing Committee and the Executive Committee of the International Group of Specialist Racing Veterinarians.

Dr Graham Doherty was appointed as Official Veterinarian to replace Dr Mark Caves who resigned in February 2004.

### PUBLIC RELATIONS & MEDIA

This department now controls the state's official racing calendar, Racing NSW Magazine - an award winning

magazine which is published each month. The magazine was formerly outsourced to a production company, but has since been brought 'in-house' resulting in substantial savings. The magazine has been revamped and now contains a broader cross-section of features in order to appeal to a more extensive readership and advertiser base. Initiatives include Travel and Fashion features, as well as an expanded coverage of City, Provincial, Country and Picnic racing.

PR & Media maintains constant communication with the media, providing news and information concerning Racing NSW and the racing industry in this state, and is the conduit between the Board and the media in providing information including Board policy and announcements, racing inquiries and appeals, and current affairs.

The Department also provides updates in real time of the Racing NSW website [www.racingnsw.com.au](http://www.racingnsw.com.au) adding articles and news items to the site as they happen, and also maintains all facets of the site. The Board sees the industry website as being a major promotional tool into the future, in addition to its potential to facilitate e-commerce type transactions within the industry.

### HUMAN RESOURCES

Following the appointment of CEO, Peter V'Landys, a fresh approach to core values took place with a renewed emphasis on a "customer first" and "best practice" culture.

Outstanding services and solutions not only to racing state-wide and nationally, but also internationally is the desired service culture for staff.

In delivering this conviction, employee feedback has been a fundamental tool in assessing our core values and formulating a new strategic plan for Racing NSW. Ideas and concerns translated directly from one-on-one staff interviews with the CEO have been an invaluable tool and highlight of the process.

With input from a diverse cross section of over 100 employees, from such varied roles as stipendiary stewards, forensic services to the registration of racehorses nationally, listening and responding to ideas and initiatives is fostering a joint commitment to well-being and potential of the industry.

Whilst employees are located throughout the state, services over the past year have been consolidated to our Head Office to maximise the return to the industry.

New frameworks have been put in place, with successful negotiations achieved for our laboratory operations resulting in increased productivity, a new classification system and unified team structure and benefits.

Rigorous analysis is underway including organisational structure and work practices, the services we offer and the way we do business. By developing new ideas for the way we work and run Racing NSW, this will put us at the forefront of achieving a "best practice" culture.





## HANDICAPPING

The Handicapping panel is responsible for the handicapping of all meetings conducted throughout NSW and last racing season issued a total of 79,772 handicap ratings for the 806 race meetings conducted.

### Research & Development

Ratings-Based Handicapped commenced within the country and provincial regions on October 1. Testing within the metropolitan area continued at that time utilising the single rating template. However, with continued inconsistencies within the metropolitan ratings, a template was developed to better align the metropolitan races. The Board adopted the dual template policy at its February meeting and it was agreed that ratings-based handicapping be further tested and developed with a final submission to be placed to the Board in early 2005.

### Racing Conferences

The Senior Handicapper attended the December and July meetings of the Australian Pattern Committee (formerly the Australian Group & Listed Advisory Group) in his role as NSW representative. The Committee completed its review of the nation's Black Type races and prepared a paper on recommendations and future directions of the nation's pattern races to the Australian Racing Board.

## INSURANCE

Due to strategies developed and implemented by the Insurance department, injury management compliance, practices and procedures have continued to improve in the Racing industry. This is reflected by: improved participation by employers and employees, early and improved return to work, reduced average cost of claim, reduced outstanding reserves, reduced outstanding number of claims, and reduced compensation payments during 2003/2004.

The Mutual Public Liability scheme for Racing Clubs in NSW, ACT, Queensland and Victoria has had a successful first year. The Racing NSW Insurance department proposed this initiative and was also instrumental in its development. The scheme has produced significant savings in premiums and promises to give all participating states greater control and flexibility into the future.

Continued improvement in Claims Management and Processing has been reflected in: assessment of new claims within 24hrs, pro-active follow-up of claims; follow-up claims reported in media, prompt turn around of payment, reduced telephone enquires and reduced complaints.

Occupational Health & Safety (OH&S) initiatives proposed by the Insurance department and developed in conjunction with many other Racing NSW departments have been implemented. It is difficult to quantify the success of OH&S in the short term but is worthy of note that:

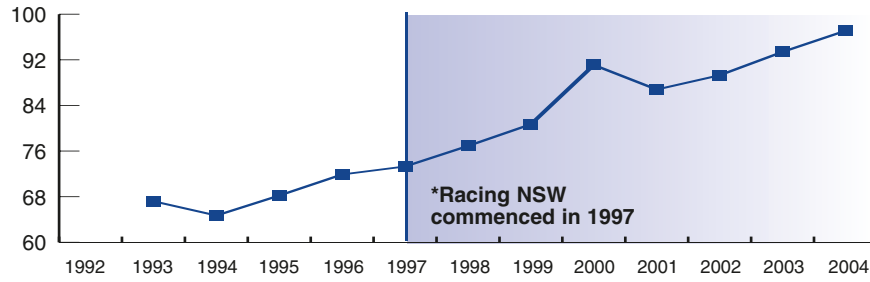
- The trend of a catastrophic claim (pelagic) every two years has not continued, the last being 1998;
- Severity of injuries generally has reduced in the industry;
- Awareness of and participation in OH&S issues within Racing NSW and by Clubs and Trainers has improved;
- Increased mention of OH&S issues in industry publications such as the Racing NSW magazine;
- Racing NSW has an industry policy statement in regards to OH&S;
- Racing NSW's Industry Training has incorporated OH&S into many aspects of training in the industry and has been instrumental in presenting specific OH&S training to the industry;
- Racing NSW has been a leader in many areas of OH&S in Australian racing.

## LICENSING

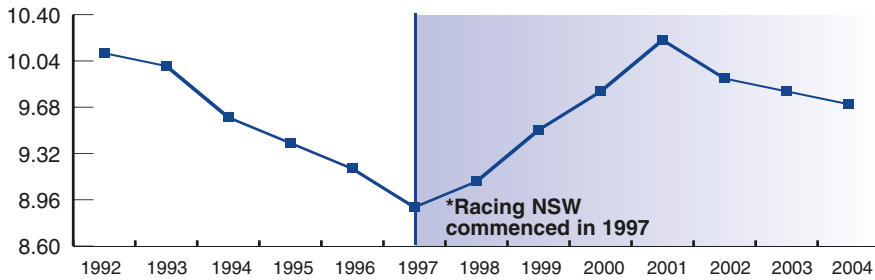
- Licensed over 6,000 industry participants including 1,346 Trainers, 288 Jockeys, 117 Apprentice Jockeys and 217 Bookmakers.
- Development of a policy to be followed when notification is received that a rider has suffered an epileptic seizure.
- Introduction of day clerks licenses on Melbourne Cup day for Bookmakers Clerks in the Metropolitan and Provincial area.
- Approved first Company Bookmakers licence.
- Introduction of amended guarantee requirements for Bookmakers with annual turnover in excess of \$30million.

|              | METROPOLITAN   |                | PROVINCIAL     |                | COUNTRY        |                | TOTAL          |                |
|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|              | Total<br>03/04 | Total<br>02/03 | Total<br>03/04 | Total<br>02/03 | Total<br>03/04 | Total<br>02/03 | Total<br>03/04 | Total<br>02/03 |
| Trainers     | 119            | 133            | 226            | 243            | 1001           | 1040           | 1346           | 1416           |
| Jockeys      | 83             | 80             | 25             | 25             | 180            | 174            | 288            | 279            |
| Apprentices  | 17             | 17             | 10             | 15             | 90             | 82             | 117            | 114            |
| App Riders   | -              | -              | -              | -              | 42             | 34             | 42             | 34             |
| Bkmakers     | 58             | 57             | 10             | 12             | 149            | 154            | 217            | 223            |
| BM Clerks    | 441            | 412            | 62             | 56             | 405            | 421            | 908            | 889            |
| SH Riders    | 501            | 495            | 241            | 254            | 537            | 484            | 1279           | 1233           |
| SH Non Rid   | 537            | 554            | 334            | 351            | 902            | 914            | 1773           | 1819           |
| Foreperson   | 63             | 58             | 31             | 30             | 142            | 144            | 236            | 232            |
| Rid Agents   | 15             | 17             | 8              | 6              | 8              | 8              | 31             | 31             |
| <b>Total</b> | <b>1834</b>    | <b>1823</b>    | <b>947</b>     | <b>992</b>     | <b>3456</b>    | <b>3455</b>    | <b>6237</b>    | <b>6270</b>    |

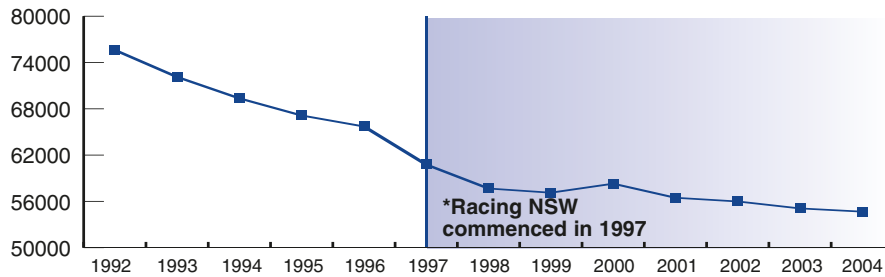
## PRIZEMONEY [\$M]



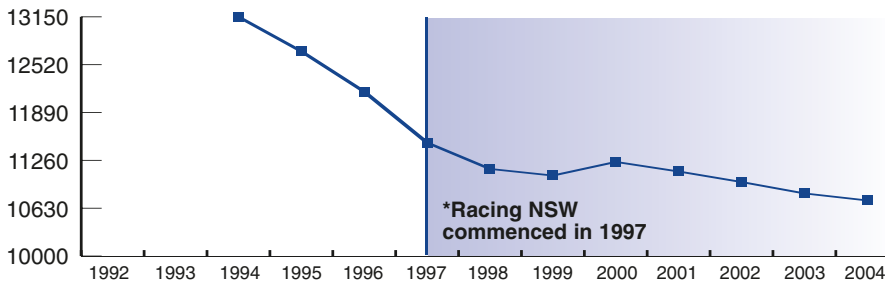
## AVERAGE NUMBER OF STARTERS PER RACE



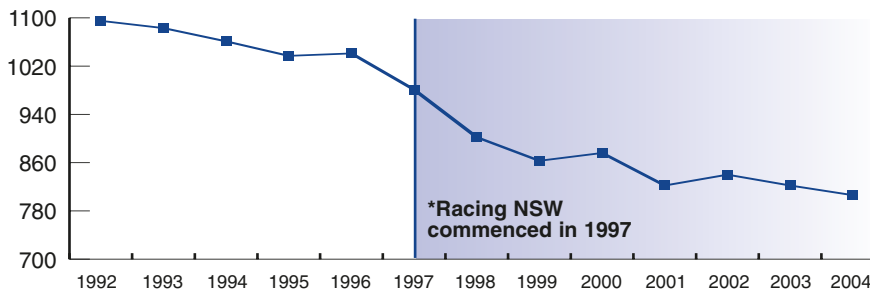
## TOTAL NUMBER OF STARTERS



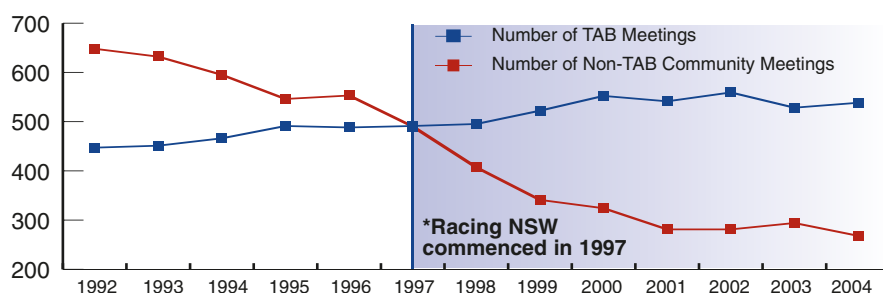
## INDIVIDUAL HORSES THAT STARTED



## NUMBER OF RACE MEETINGS



## TAB MEETINGS V COMMUNITY MEETINGS [INCLUDING PICNIC]





The Racing NSW Breeder Owner Bonus Scheme (BOBS) pays bonuses to the owners of NSW-bred 2YO and 3YO horses that are nominated to the scheme.

For a horse to be eligible, its sire must have had its Sire Contribution paid to the scheme for that foal crop (one times the Advertised Service Fee). Entry for the horse is \$660. The scheme is overseen by a Management Committee.

### MANAGEMENT COMMITTEE

Bob Lapointe . . . . . Racing NSW (BOBS Chairman)  
 Stan Hayes . . . . . Racing NSW Country  
 John Messara . . . . . Aushorse  
 Brian Reardon . . . . . Racing NSW  
 Michael Ryan . . . . . Thoroughbred Breeders NSW  
 Antony Thompson . . . . . Aushorse  
 Stephen van Eyk . . . . . NSWROA  
 Les Young . . . . . RIPAC  
 Peter V'Landys . . . . . CEO, Racing NSW

### BOBS 2003-04

The Racing Breeder Owner Bonus Scheme (BOBS) has finished its second season. BOBS 2003' had many changes to the original model of BOBS 2002. The improvements included:

- 2YO's included,
- Country TAB included,
- 12.5% bonus to stallion nominators,
- Shift to a conception based scheme,
- Stakeholder representation on the BOBS Management Committee.

The scheme is conducted on the racing season. 38% of races won by 2YO's and 3YO's at TAB meetings in NSW were won by BOBS horses.

| Race                  | Number of bonuses won | Amount   | Total bonuses won <sup>1</sup> |
|-----------------------|-----------------------|----------|--------------------------------|
| Metropolitan Saturday | 65                    | \$20,000 | \$1,300,000                    |
| Metropolitan midweek  | 85                    | \$10,000 | \$850,000                      |
| Provincial            | 171                   | \$5,000  | \$855,000                      |
| Country TAB           | 308                   | \$5,000  | \$1,540,000                    |
| <b>Total</b>          | <b>629</b>            |          | <b>\$4,545,000</b>             |

<sup>1</sup>The scheme is based on the racing season running from 1st August until 31st July

### AWARDS

The best performed horses were as follows:

| Category                                  | Horse          | Bonuses   | Nominator/Owner                                                                 |
|-------------------------------------------|----------------|-----------|---------------------------------------------------------------------------------|
| Best performed stallion                   | Flying Spur    | \$315,000 | Paul Whelan                                                                     |
| Best performed Metropolitan trained horse | Santissima     | \$80,000  | Woodlands Stud Synd (Mgrs: Estate Of The Late J H Ingham & R W Ingham)          |
| Best performed Provincial trained horse   | Mindreader     | \$65,000  | C.G. Kimber & Ms L.M. Manwaring                                                 |
| Best performed Country trained horse      | Silk and Money | \$55,000  | G.W. Pond, Mrs J.J. McCartney, B.A. Cooper, J.S. Tyson, T.D. Atkins & N. Clarke |

### BOBS FINANCIAL REPORTS 2003-04

| Transactions Summary                         |                    | 2003/04            |                    | 2002/03            |
|----------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| <b>- Contributions to the Scheme</b>         |                    |                    |                    |                    |
| BOBS - Sires Contributions                   | \$3,098,800        |                    | \$994,832          |                    |
| BOBS - Racehorse Nominations                 | \$1,344,800        |                    | \$463,800          |                    |
| BOBS - Industry Contribution                 | <u>\$3,500,000</u> |                    | <u>\$2,555,000</u> |                    |
|                                              |                    | \$7,943,600        |                    | \$4,013,632        |
| <b>- Payments from the Scheme</b>            |                    |                    |                    |                    |
| BOBS - Bonuses Paid                          | \$4,120,000        |                    | \$1,977,500        |                    |
| BOBS - Administration                        | <u>\$77,563</u>    |                    | <u>\$150,917</u>   |                    |
|                                              |                    | \$4,197,563        |                    | \$2,128,417        |
| <b>Net Annual Surplus</b>                    |                    | <b>\$3,746,037</b> |                    | <b>\$1,885,215</b> |
| <b>Financial Position (All Transactions)</b> | <b>30-Jun-04</b>   |                    | <b>30-Jun-03</b>   |                    |
| BOBS - Sires Contributions                   | \$4,093,632        |                    | \$994,832          |                    |
| BOBS - Racehorse Nominations                 | \$1,808,600        |                    | \$463,800          |                    |
| BOBS - Industry Contribution                 | <u>\$6,055,000</u> |                    | <u>\$2,555,000</u> |                    |
| <b>Less:</b>                                 |                    | \$11,957,232       |                    | \$4,013,632        |
| BOBS - Bonuses Paid                          | \$6,097,500        |                    | \$1,977,500        |                    |
| BOBS - Administration                        | <u>\$228,480</u>   |                    | <u>\$150,917</u>   |                    |
|                                              | \$6,325,980        |                    | \$2,128,417        |                    |
| <b>Surplus/(Deficit)<sup>2</sup></b>         |                    | <b>\$5,631,252</b> |                    | <b>\$1,885,215</b> |

<sup>2</sup>In regard to the surplus, BOBS collects money in advance from stallion and racehorse owners to help fund the scheme. Funding is required for contingent liabilities until YE 2008.



## DECISION ON CHARGES

| Area                | Upheld | Dismissed | Withdrawn | \$200 Refunded | Total Charges |
|---------------------|--------|-----------|-----------|----------------|---------------|
| Appeal Panel        | 2      | 24        | 5         | 2              | 26            |
| Racing Associations | -      | 4         | 1         | -              | 4             |

\* Appellants are required to lodge a \$200 deposit, which may be refunded at the discretion of the Panel.

## SUMMARY OF CHARGES APPLICABLE TO APPEAL CASES

| Rule         | Description                                                                                                                                                                                                                                                                                                                                                                         | Amount    |
|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| AR81A(a)     | Any rider commits an offence and may be penalised if a sample taken from him is found by an analyst to contain the presence of a substance banned by AR81B                                                                                                                                                                                                                          | 1         |
| AR135(b)     | The rider of every horse shall take all reasonable and permissible measures throughout the race to ensure that his horse is given full opportunity to win or to obtain the best possible place in the field                                                                                                                                                                         | 1         |
| AR137(a)     | Any rider may be punished if, in the opinion of the Stewards, he is guilty of careless, improper, incompetent or foul riding                                                                                                                                                                                                                                                        | 10        |
| AR145        | If a horse carries more than a half a kilogram in a flat race, or two kilograms in a steeplechase or hurdle race over weight imposed or declared, the rider and any other person at fault may be punished.                                                                                                                                                                          | 1         |
| AR175(a)     | The Committee of any Club or the Stewards may punish any person, who, in their opinion, has been guilty of any dishonest, corrupt, fraudulent, improper or dishonourable action or practice in connection with racing.                                                                                                                                                              | 1         |
| AR175(j)     | The Committee of any Club or the Stewards may punish any person guilty of improper or insulting behaviour at any time towards the Committee of any Club or Association or any member thereof, or Stewards, or any official, in relation to their or his duties                                                                                                                      | 1         |
| AR175(q)     | The Committee of any Club or the Stewards may punish; any person who in their opinion is guilty of any misconduct, improper conduct or unseemly behaviour.                                                                                                                                                                                                                          | 4         |
| AR178        | When any horse that has been brought to a racecourse for the purpose of engaging in a race and a prohibited substance is detected in any sample taken from it prior to or following its running in any race, the trainer and any other person who was in charge of such horse at any relevant time may be punished                                                                  | 6         |
| AR189A       | (1) Notwithstanding the provisions of AR178C(2), no persons without the permission of the Stewards may administer or cause to be administered any medication to a horse on race day prior to such horse running in a race.<br>(2) The Stewards may order the withdrawal from a race engagement any horse that has received medication in contravention of subrule (1) of this rule. | 1         |
| <b>Total</b> |                                                                                                                                                                                                                                                                                                                                                                                     | <b>26</b> |

## REPRESENTATION TABLE

|                          | Dismissed | Upheld   |
|--------------------------|-----------|----------|
| Represented by Solicitor | 11        | 1        |
| Represented Self         | 13        | 1        |
| <b>Totals</b>            | <b>24</b> | <b>2</b> |

## RACING APPEAL TRIBUNAL

There were no Appeals lodged with the Racing Appeals Tribunal during 2003-2004.





# FINANCIAL STATEMENTS

|           |                                        |
|-----------|----------------------------------------|
| <b>12</b> | <b>Statement of Financial Position</b> |
| <b>13</b> | <b>Statement of Cash Flow</b>          |
| <b>14</b> | <b>Notes</b>                           |
| <b>25</b> | <b>Declaration &amp; Audit Report</b>  |

# Statement of Financial Performance

NSW THOROUGHBRED RACING BOARD ABN 86 281 604 417  
FOR THE YEAR ENDED 30 June, 2004

|                                                                                                       | Note     | 2004<br>\$        | 2003<br>\$        |
|-------------------------------------------------------------------------------------------------------|----------|-------------------|-------------------|
| <b>REVENUE</b>                                                                                        |          |                   |                   |
| <b>Revenue from Operating Activities</b>                                                              |          |                   |                   |
| Sale of Goods - Publications                                                                          | 6 (i)    | 814,979           | 838,192           |
| Sale of Services                                                                                      | 6(ii)    | 14,376,215        | 12,883,617        |
| First Charge                                                                                          | 6(iii)   | 10,339,857        | 11,122,202        |
|                                                                                                       |          | <u>25,531,051</u> | <u>24,844,011</u> |
| <b>Revenue from Non Operating Activities</b>                                                          |          |                   |                   |
| Proceeds on Disposal of Assets                                                                        | 6(iv)    | 1,184,292         | 141,154           |
| Movement in net market value of Land and Buildings<br>integral to insurance activities                |          | 106,500           | 871,020           |
| Interest other parties                                                                                | 6(v)     | 576,472           | 350,497           |
| Movement in net market value of investments<br>integral to insurance activities                       |          | 1,445,094         | -                 |
|                                                                                                       |          | <u>3,312,358</u>  | <u>1,362,671</u>  |
| <b>REVENUE FROM ORDINARY ACTIVITIES</b>                                                               |          | <u>28,843,409</u> | <u>26,206,682</u> |
| <b>EXPENSES</b>                                                                                       |          |                   |                   |
| Administration                                                                                        | 6(vi)    | 5,785,557         | 5,077,625         |
| Licensing                                                                                             | 6(vii)   | 625,581           | 208,187           |
| Provincial Association                                                                                | 6(viii)  | 144,440           | 118,902           |
| Race Results                                                                                          | 6(ix)    | 132,955           | 90,366            |
| Cost of Goods Sold - Publications                                                                     | 6(x)     | 839,964           | 800,701           |
| Laboratory                                                                                            | 6(xi)    | 2,318,078         | 2,304,470         |
| Handicapping                                                                                          | 6(xii)   | 339,929           | 427,863           |
| Stewards                                                                                              | 6(xiii)  | 3,132,731         | 2,884,600         |
| Veterinary                                                                                            | 6(xiv)   | 692,408           | 712,433           |
| Syndicates                                                                                            | 6(xv)    | 168,949           | 186,155           |
| Media                                                                                                 | 6(xvi)   | 164,028           | 207,299           |
| Industry Training                                                                                     | 6(xvii)  | 445,078           | 421,700           |
| Stakes Payments                                                                                       | 6(xviii) | 434,253           | 455,156           |
| Information Technology                                                                                | 6(xix)   | 1,049,923         | 1,573,077         |
| Racing Office                                                                                         | 6(xx)    | 377,337           | 205,601           |
| Insurance                                                                                             | 6(xxi)   | 6,621,924         | 7,767,093         |
| Movement in net market value of investments<br>integral to insurance activities                       |          | -                 | 201,712           |
| Borrowing Costs                                                                                       | 6(xxii)  | 148,576           | 199,704           |
| <b>EXPENSES FROM ORDINARY ACTIVITIES</b>                                                              |          | <u>23,421,711</u> | <u>23,842,644</u> |
| Share of net losses of entities accounted for using the equity<br>method of accounting                |          | (49,549)          | (3,854)           |
| <b>PROFIT FROM ORDINARY ACTIVITIES<br/>BEFORE INCOME TAX EXPENSE</b>                                  | 6(xxiii) | <u>5,372,149</u>  | <u>2,360,184</u>  |
| <b>INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES</b>                                             |          | -                 | -                 |
| <b>PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX</b>                                               |          | <u>5,372,149</u>  | <u>2,360,184</u>  |
| <b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING<br/>FROM TRANSACTIONS WITH OWNERS AS OWNERS</b> | 21       | <u>5,372,149</u>  | <u>2,360,184</u>  |

The accompanying notes form part of these Financial Statements



## Statement of Financial Position

|                                                   | Note | 2004<br>\$        | 2003<br>\$         |
|---------------------------------------------------|------|-------------------|--------------------|
| <b>CURRENT ASSETS</b>                             |      |                   |                    |
| Cash Assets                                       | 8    | 8,309,099         | 4,687,761          |
| Receivables                                       | 9    | 9,339,266         | 6,924,067          |
| Other                                             | 10   | 151,207           | 158,906            |
| <b>TOTAL CURRENT ASSETS</b>                       |      | <b>17,799,572</b> | <b>11,770,734</b>  |
| <b>NON-CURRENT ASSETS</b>                         |      |                   |                    |
| Investments accounted for using the equity method | 11   | 4,565,632         | -                  |
| Other Financial Assets                            | 12   | 12,135,273        | 10,690,179         |
| Investment in land and buildings                  | 13   | 3,840,000         | 3,733,500          |
| Plant and Equipment                               | 14   | 3,346,268         | 3,629,748          |
| <b>TOTAL NON-CURRENT ASSETS</b>                   |      | <b>23,887,173</b> | <b>18,053,427</b>  |
| <b>TOTAL ASSETS</b>                               |      | <b>41,686,745</b> | <b>29,824,161</b>  |
| <b>CURRENT LIABILITIES</b>                        |      |                   |                    |
| Payables                                          | 15   | 5,845,410         | 6,269,893          |
| Breeders and Owners Bonus Scheme                  | 16   | 5,631,252         | 1,885,215          |
| Employee Benefits Provisions                      | 17   | 1,172,194         | 1,039,352          |
| Workers Compensation Provisions                   | 18   | 5,422,253         | 5,465,987          |
| Other                                             | 19   | 1,221,245         | 1,473,900          |
| Non Interest Bearing Loans                        | 20   | 3,337,378         | -                  |
| <b>TOTAL CURRENT LIABILITIES</b>                  |      | <b>22,629,732</b> | <b>16,134,347</b>  |
| <b>NON-CURRENT LIABILITIES</b>                    |      |                   |                    |
| Employee Benefits Provisions                      | 17   | 506,866           | 406,800            |
| Workers Compensation Provisions                   | 18   | 15,742,947        | 15,847,963         |
| <b>TOTAL NON-CURRENT LIABILITIES</b>              |      | <b>16,249,813</b> | <b>16,254,763</b>  |
| <b>TOTAL LIABILITIES</b>                          |      | <b>38,879,545</b> | <b>32,389,110</b>  |
| <b>NET ASSETS/(LIABILITIES)</b>                   |      | <b>2,807,200</b>  | <b>(2,564,949)</b> |
| <b>EQUITY</b>                                     |      |                   |                    |
| Accumulated Surplus/(Losses)                      | 21   | 2,807,200         | (2,564,949)        |
| <b>TOTAL EQUITY</b>                               |      | <b>2,807,200</b>  | <b>(2,564,949)</b> |

The accompanying notes form part of these Financial Statements

## Statement of Cash Flows

|                                                             |      |                  |                  |
|-------------------------------------------------------------|------|------------------|------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                  |      |                  |                  |
| Receipts from customers                                     |      | 26,226,410       | 27,920,872       |
| Payments to suppliers and employees                         |      | (22,155,255)     | (25,621,649)     |
| Interest and Investment earnings received                   |      | 576,473          | 350,497          |
| Borrowing costs                                             |      | (148,576)        | (199,704)        |
| <b>NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES</b> | 7(b) | <b>4,499,052</b> | <b>2,450,016</b> |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                  |      |                  |                  |
| Payments for property, plant and equipment                  |      | (1,012,299)      | (1,002,810)      |
| Payments for interest in associated entities (RISA)         |      | (293,460)        | -                |
| Proceeds from sale of plant and equipment                   |      | 134,292          | 141,154          |
| Loans from related parties                                  |      | 293,752          | 1,174,930        |
| <b>NET CASH PROVIDED BY/ (USED IN) INVESTING ACTIVITIES</b> |      | <b>(877,715)</b> | <b>313,274</b>   |
| <b>NET INCREASE/(DECREASE) IN CASH</b>                      |      | <b>3,621,337</b> | <b>2,763,290</b> |
| Cash at beginning of the financial year                     |      | 4,687,761        | 1,924,471        |
| <b>CASH AT THE END OF THE FINANCIAL YEAR</b>                | 7(a) | <b>8,309,099</b> | <b>4,687,761</b> |

The accompanying notes form part of these financial statements.

# Notes

to the Financial Statements for the year ended 30 June, 2004.

## NOTE 1:

### STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers the NSW Thoroughbred Racing Board ("The Board").

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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

a) **Property, plant and equipment** are measured on the cost basis. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

b) **Depreciation:** The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to the Board commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to depreciation. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

| Class of Asset      | Depreciation Rate |
|---------------------|-------------------|
| Plant and Equipment | 5-40%             |
| Land and Buildings  | 2.50%             |

c) **Leases:** Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Board are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Board will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

d) **Investments:** Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by the Members of the Board to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed

from the quoted market value for listed investments or the underlying net assets for other non-listed investments. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Investments integral to the Board's insurance activities, including investments in land and buildings are measured at net market values at the reporting date. Changes in net market value of such investments are recognised as revenues or expenses in the financial year in which the changes occur.

e) **Receivables:** All trade debtors are recognised at the amounts receivable and are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

f) **Investments in Associates:** Investments in associates are recognised in the financial statements by applying the equity method of accounting.

g) **Foreign Currency Transactions and Balances:** Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit or loss from ordinary activities as they arise.

Exchange differences arising on hedged transactions undertaken to hedge foreign currency exposures, other than those for the purchase and sale of goods and services, are brought to account in the profit from ordinary activities over the lives of the hedges.

Costs or gains arising at the time of entering hedged transactions for the purchase and sale of goods and services, and exchange differences that occur up to the date of purchase or sale, are deferred and included in the measurement of the purchase or sale. Gains and losses from speculative foreign currency transactions are brought to account in the profit from ordinary activities when the exchange rate changes.

h) **Employee Benefits:** Provision is made for the Board's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Board to accumulation employee superannuation funds and are charged as expenses when incurred.

A liability in respect of defined benefit superannuation is recognised in the provision for employee benefits, and is measured as the difference between the present value of employee's accrued benefits at the reporting date and the





# Notes

## to the Financial Statements for the year ended 30 June, 2004.

net market value of the superannuation fund's assets at that date. The present value of accrued benefits is based on expected future payments which arise from membership of the fund to the reporting date. Consideration is given to expected future wage and salary levels, experience of employees departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows. The amount charged to the statement of financial performance in respect of superannuation represents the contributions made by the Board to the superannuation fund, adjusted by the movement in the liability.

- i) **Cash:** For the purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.
- j) **Revenue:** Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).
- k) **Trade, Stakes payments and other creditors:** These amounts represent liabilities for goods and services provided to the Board prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.
- l) **Breeders Owners Bonus Scheme:** The NSW Thoroughbred Racing Board has been appointed to administer the Breeders and Owners Bonus Scheme by the Board. The scheme is an incentive scheme to encourage the use by breeders of stallions based in New South Wales. Nomination fees are collected from stallions and their eligible progeny. A contribution is made by the industry via the TAB Distribution. Prize money is then paid out of these funds to eligible racehorse and stallion owners according to published criteria. The expenses of managing the scheme are also deducted via a management fee. Scheme surpluses at year end are rolled over into the following year for payment in future periods. Any scheme deficit is to be funded by a further deduction from industry funds through the TAB distributions.
- m) **Insurance:** Premiums received are recognised from the attachment date and are measured over the period of insurance in a pattern in accordance with the incidence of risk. Liabilities for outstanding claims are recognised for direct and inwards reinsurance business and measured as the present value of expected future payments.
- n) **Goods and Services Tax (GST) :** Revenues and expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the costs of the acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.
- o) **Comparative Figures:** Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.
- p) **Non-Current Assets :** The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The recoverable amount is assessed on the basis the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts. The write-down is recognised in the statement of financial performance in the reporting period in which it occurs.
- q) **Going Concern:** The financial statements have been prepared on a going concern basis, which contemplates continuity of normal activities and the realisation of assets and settlement of liabilities in the normal course of business. At 30 June 2004, the Board has a net asset surplus of \$2,807,200 (2003: \$2,564,949 deficit). The turnaround is attributable to the strong financial performance of the Board during 2004. The Members of the Board are of the opinion that the Board will continue to be able to pay its debts as and when they fall due on the basis that the Intra-code Agreement allows the Board to levy an administration charge on wagering receipts received from Tab Limited.

### NOTE 2: CONSOLIDATED OPERATIONS

The NSW TRB - Administration includes the administrative functions of the Board in accordance with the Thoroughbred Racing Board Act 1996. The Board provides the independent integrity functions of the NSW Thoroughbred Racing Industry including Licensing, Stewards, Veterinary and Laboratory. In addition it provides the co-ordination of the NSW Thoroughbred Racing Industry including race programming, stakes payments and industry training. Also included are Racing Colours Registration, NSW Racing Magazine, Syndicates, Leases and Transfers and the NSW TRB Insurance Fund separately. The consolidated results encompass all divisions noted above.

### NOTE 3: INCOME TAX

The Board being a non-profit organisation established for the promotion of thoroughbred racing is exempt from Income Tax pursuant to the provisions of Section 50-45 of the Income Tax Assessment Act (1997), as amended.

### NOTE 4: ECONOMIC DEPENDENCY

The Board received 35.80% (2003 : 42.44% ) of its income via a First Charge on the distribution of wagering receipts to the Thoroughbred Racing Industry. This distribution is governed by the NSW Racing Distribution Agreement as entered into by NSW Racing Pty Limited and Tab Limited. Consequently, the NSW Thoroughbred Racing Board is economically dependent on Tab Limited.

# Notes

to the Financial Statements for the year ended 30 June, 2004.

## NOTE 5: EVENTS SUBSEQUENT TO BALANCE DATE

On 1 July 2004 the Board's name officially changed to Racing NSW. Legislation has been introduced to amend the Thoroughbred Racing Board Act, 1996 so as all references to the NSW Thoroughbred Racing Board are replaced with Racing NSW. As such, the Board will refer to itself as Racing NSW in all communications and agreements.

On 30 August 2004 the Board unilaterally rescinded all Racing Information Services Australia ("RISA") transactions, including the RISA participation agreement dated 26 November 2003 on the basis of misrepresentation of certain crucial matters. This rescission has not been accepted by the recipient RISA and a determination of the validity of the rescission will need to be made in the near future. On the assumption the rescission is valid the affect on financial disclosures is detailed as follows:-

1. The 42% stake in the Registrar of Racehorses returns to Racing NSW and the sale price of \$1,050,000 would be confirmed as refundable. This reverses the gain on disposal posted to the Statement of Financial Performance in these accounts, in the amount of \$1,050,000. As the Board's stake in the Registrar had a nil carrying value, the reversal impacts fully on Accumulated Surplus within the Statement of Financial Position reducing this amount by \$1,050,000.
2. The payment of the purchase price of the investment in RISA in the amount of \$4,680,838 reverts and the indebtedness to RISA in the amount of \$3,337,378 would no longer be payable. Both these transactions are reversed from the Board's Statement of Financial Position. There will be no further impact on the Board's equity position based on 1. above.
3. An amount of \$115,206 that has been equity accounted as a loss in RISA, that reduced the carrying amount of the investment in RISA reverses. This has the impact of increasing the surplus in the Statement of Financial Performance and Accumulated Surplus within the Statement of Financial Position by an amount of \$115,206.
4. Based on the 42% stake in the Registrar of Racehorses returning to Racing NSW as outlined in 1. above, the Board brings to account in its Statement of Financial Performance a Share of net gains of entities accounted for using the equity method an amount of \$57,786, being from the period 1 December 2003 to 30 June 2004. This increases the surplus in the Accumulated Surplus within the Statement of Financial Position by \$57,786.
5. Expenses will be incurred in pursuing the rescission of Racing NSW's involvement in RISA. The Directors have not been able to quantify the costs that will be incurred in pursuing these matters.

From 1 August 2004, part of the administrative function of the Country Racing Council Ltd is being merged with the activities of the Board as part of the Board's strategic plan.

No other matters or circumstances have arisen since the end of the financial year which will significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

## NOTE 6: STATEMENT OF FINANCIAL PERFORMANCE

- (i) Sale of Goods - Publications income is derived from the sale of advertising space in the Breeding and Racing and NSW Racing magazines as well as subscriptions to NSW Racing magazine by industry participants and customers.

- (ii) Sale of Services - represents income derived from the sale of services to the racing industry - including stewards, handicapping, laboratory, veterinary, race results, syndicates and stakes payments
- (iii) First Charge represents a charge to the industry based on the budgeted expenditure for the year.
- (iv) Proceeds on Disposal of Assets represents amounts received on sale or trade in of assets.
- (v) Interest - represents investment earnings and interest income.
- (vi) Administration expenses represent the administrative costs of the Board including executive, finance, property, human resources, appeals, and consultants.
- (vii) Licensing expenditure represents staff and office costs associated with the derivation of this income stream.
- (viii) Provincial Association costs represent the staffing and administrative costs associated with the Provincial Officer and the representation of the interests of Provincial Association members.
- (ix) Race Results Expenditure represents staff, consultants and office costs associated with the deriving of income for the provision of race result information.
- (x) Publications expenditure includes staff and office costs as well as all production and selling costs.
- (xi) Laboratory expenditure includes staffing, depreciation of capital expenditure, consumables and occupancy costs.
- (xii) Handicapping expenditure includes staff and office costs.
- (xiii) Stewards expenditure includes staffing costs, shorthand writers, office costs as well as the costs associated with the Broadmeadow office.
- (xiv) Veterinary expenditure includes staff, research horses, consumables and office costs.
- (xv) Syndicates expenditure includes staffing and office costs.
- (xvi) Media costs include staff, participation in national advertising, promotional activities and monitoring of media.
- (xvii) Industry Training expenditure represent staffing costs as well as educational costs associated with the training of apprentice jockeys.
- (xviii) Stakes Payments costs include staffing, consultants, system development, bank charges and office costs.
- (xix) Information Technology represents the cost of providing an IT platform to the Board and supporting staff costs.
- (xx) Racing Office represents the cost of coordinating race dates and programming throughout NSW. Also includes payments to the trainer service centre \$232,736 (2003: \$184,735) that deals direct with trainers on matters such as accepting nominations & scratchings.
- (xxi) Workers Compensation Insurance Fund. This Fund is designed to provide workers compensation insurance cover for employees of NSW Racing Clubs, Associations, and trainers of racehorses against liability relating to injury, loss or damage either sustained or caused by jockeys, apprentices, stable hands, workers, servants, employees or agents in their employment or acting on their behalf pursuant to NSW Workcover legislation. In July 2000 the Board signed a service contract with ASWIG Pty Limited. This contract specified that ASWIG are to provide to the Board management services in relation to the insurance fund.
- (xxii) Borrowing costs include interest expense, bank charges and bank guarantee fees.



# Notes

to the Financial Statements for the year ended 30 June, 2004.

## NOTE 6: STATEMENT OF FINANCIAL PERFORMANCE (CONT.)

|                                                                                                       | 2004<br>\$       | 2003<br>\$       |
|-------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>(xxiii) Profit/Loss from Ordinary Activities.</b>                                                  |                  |                  |
| The result from ordinary activities has been determined after :                                       |                  |                  |
| Borrowing Costs                                                                                       |                  |                  |
| - Other parties                                                                                       | 148,576          | 199,704          |
| <b>Total Borrowing Costs</b>                                                                          | <b>148,576</b>   | <b>199,704</b>   |
| Depreciation of non-current assets                                                                    |                  |                  |
| - Plant and Equipment                                                                                 | 1,188,015        | 1,150,547        |
| <b>Total Depreciation</b>                                                                             | <b>1,188,015</b> | <b>1,150,547</b> |
| Bad and Doubtful Debts                                                                                |                  |                  |
| - Trade Debtors                                                                                       | 123,162          | 30,000           |
| <b>Total Bad and Doubtful Debts</b>                                                                   | <b>123,162</b>   | <b>30,000</b>    |
| Rental Expense on Operating Lease                                                                     | 261,576          | 199,661          |
|                                                                                                       | <b>261,576</b>   | <b>199,661</b>   |
| Total (Gain)/Loss on disposal of non-current assets:                                                  |                  |                  |
| - Property, Plant and Equipment                                                                       | 26,528           | (21,683)         |
| - Interest in associated entity (Registrar of Racehorses)                                             | 1,050,000        | -                |
| <b>Total Gain/(Loss) on disposal of non-current assets</b>                                            | <b>1,076,528</b> | <b>(21,683)</b>  |
| Remuneration of Auditor                                                                               |                  |                  |
| - audit                                                                                               | 80,173           | 82,844           |
| - other services                                                                                      | 20,160           | 16,790           |
| <b>Total Remuneration of Auditor</b>                                                                  | <b>100,333</b>   | <b>99,634</b>    |
| (xv) Individually Significant Items:                                                                  |                  |                  |
| Increase/(Decrease) in Provision relating to Insurance Claims Liability as recommended by the Actuary | 148,750          | (758,554)        |

## NOTE 7: STATEMENT OF CASH FLOWS

### a) Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the balance sheet as follows: -

|             |                  |                  |
|-------------|------------------|------------------|
| Cash        | 8,309,099        | 4,687,761        |
| <b>Cash</b> | <b>8,309,099</b> | <b>4,687,761</b> |

### b) Reconciliation of Cash Flow from Operating Activities

|                                                      |                  |                  |
|------------------------------------------------------|------------------|------------------|
| Operating profit after income tax                    | 5,372,149        | 2,360,184        |
| (Profit) on Sale of Assets                           | (1,076,528)      | (21,683)         |
| Reduction in Success Fee Reserve                     | -                | (314,406)        |
| Increase in Leave Provisions                         | 232,907          | 271,811          |
| Depreciation                                         | 1,188,015        | 1,150,547        |
| Share of net loss of associated entity               | 115,206          | -                |
| Unrealised (Surplus)/loss on investment              | (1,445,094)      | 201,712          |
| Gain on revaluation of Land and Buildings            | (106,500)        | (871,020)        |
|                                                      | <b>4,280,156</b> | <b>2,777,145</b> |
| (Increase)/decrease in trade debtors                 | (2,028,107)      | 153,803          |
| (Increase)/decrease in prepayments                   | 7,700            | (9,654)          |
| (Increase)/decrease in Stakes Payment debtors        | (914,508)        | 1,335,890        |
| (Increase)/decrease in other debtors                 | 233,662          | (1,334,177)      |
| Increase/(decrease) in trade creditors               | 3,957,643        | (3,734)          |
| Increase/(decrease) in Stakes Payment Creditors      | (1,131,105)      | 675,193          |
| Increase/(decrease) in sundry creditors and accruals | 242,361          | (385,896)        |
| (Decrease) in Insurance Claims Provision             | (148,750)        | (758,554)        |
|                                                      | <b>218,896</b>   | <b>(327,129)</b> |
| Cash Flows from operating activities                 | <b>4,499,052</b> | <b>2,450,016</b> |

# Notes

to the Financial Statements for the year ended 30 June, 2004.

|                     | 2004<br>\$              | 2003<br>\$              |
|---------------------|-------------------------|-------------------------|
| <b>NOTE 8: CASH</b> |                         |                         |
| Cash at Bank        | 4,327,278               | 1,262,526               |
| Deposits at Call    | <u>3,981,821</u>        | <u>3,425,235</u>        |
| <b>Total Cash</b>   | <u><b>8,309,099</b></u> | <u><b>4,687,761</b></u> |

The deposits bear floating interest rates between 4.75% and 5.1% (2003: 3.8% and 4.73%). Cash at bank bears interest at 3.85% (2003: 3.45%). The deposits at call are pledged as security for the ANZ Bank Guarantee to Workcover (Note 18).

## NOTE 9: RECEIVABLES

|                                             |                         |                         |
|---------------------------------------------|-------------------------|-------------------------|
| Trade Debtors                               | 2,676,817               | 542,861                 |
| Provision for Doubtful Debts                | (156,963)               | (51,113)                |
| Sundry Debtors                              | 1,149,126               | 1,384,534               |
| Amounts receivable from associated entities |                         |                         |
| - NSW Country Racing Council Limited        | 997,386                 | 2,107,754               |
| - Registrar of Racehorses                   | 300,453                 | 340,948                 |
| - NSW Racing Pty Ltd                        | 1,059,616               | 295,744                 |
| - Australian Racing Board Pty Ltd           | 241,512                 | 148,274                 |
| - Stakes Payment Debtors                    | 3,018,839               | 2,104,331               |
| Bank Guarantee                              | <u>52,480</u>           | <u>50,734</u>           |
| <b>Total Receivables</b>                    | <u><b>9,339,266</b></u> | <u><b>6,924,067</b></u> |

The Board undertakes accounting support for the NSW Country Racing Council Limited, Registrar of Racehorses, NSW TRB Insurance Fund, NSW TRB Group Training Company Limited, NSW Racing Pty Limited and the Australian Racing Board Pty Limited. Amounts disclosed above as receivable from other entities are payable to the NSW TRB by these entities for expenses paid on their behalf. These are summarised as follows:

|                                      | Expenses Paid on<br>behalf of entity | Receipts taken<br>on behalf of entity |
|--------------------------------------|--------------------------------------|---------------------------------------|
| - NSW Country Racing Council Limited | 53,319,985                           | 54,430,353                            |
| - Registrar of Racehorses            | 2,381,167                            | 2,421,662                             |
| - NSW Racing Pty Ltd                 | 3,712,251                            | 2,948,379                             |
| - Australian Racing Board Pty Ltd    | 2,535,686                            | 2,442,448                             |

## NOTE 10: OTHER CURRENT ASSETS

|             |                       |                       |
|-------------|-----------------------|-----------------------|
| Prepayments | <u>151,207</u>        | <u>158,906</u>        |
|             | <u><b>151,207</b></u> | <u><b>158,906</b></u> |

## NOTE 11: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| (a) Name of Entity                            | Principal Activity                              | Balance Date | Ownership Interest |      | Voting Power |      |
|-----------------------------------------------|-------------------------------------------------|--------------|--------------------|------|--------------|------|
|                                               |                                                 |              | 2004               | 2003 | 2004         | 2003 |
| Interest in associated entity:                |                                                 |              |                    |      |              |      |
| Racing Information Services Australia Pty Ltd | Maximising benefits<br>of racing<br>information | 31/07/2004   | 42%                | -%   | 33%          | -%   |

Significant influence is derived over Racing Information Services Australia Pty Ltd ("RISA") through the Board's appointment of a nominee director.

## Movements in carrying amounts

|                                          | 2004<br>\$              | 2003<br>\$      |
|------------------------------------------|-------------------------|-----------------|
| At beginning of financial year           | -                       | -               |
| Investment during year                   | 4,680,838               | -               |
| Share of operating loss after income tax | <u>(115,206)</u>        | <u>-</u>        |
| At end of financial year                 | <u><b>4,565,632</b></u> | <u><b>-</b></u> |

|                                       |                                  |            |   |     |
|---------------------------------------|----------------------------------|------------|---|-----|
| Interest in joint venture partnership | Registration of<br>Racehorses in |            |   |     |
| Registrar of Racehorses               | Australia                        | 30/06/2004 | - | 42% |

## Movements in carrying amounts

|                                                   |                 |                 |
|---------------------------------------------------|-----------------|-----------------|
| At beginning of financial year                    | -               | -               |
| Investment during year                            | -               | 3,854           |
| Share of operating profit/(loss) after income tax | 65,657          | (3,854)         |
| Receipts from Registrar of Racehorses             | <u>(65,657)</u> | <u>-</u>        |
| At end of financial year                          | <u><b>-</b></u> | <u><b>-</b></u> |



# Notes

to the Financial Statements for the year ended 30 June, 2004.

## NOTE 11: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT.)

In November 2003, the Board divested its 42% interest in the Registrar of Racehorses to Racing Information Services Australia Pty Ltd (RISA). In turn the Board acquired a 42% interest in RISA at a cost of \$4,680,838, funded partly by a loan from RISA of \$3,337,378. RISA is involved in coordinating racing information and maximising the benefits of this information to its partners who represent the racing industries of states throughout Australia.

|                                | 2004<br>\$        | 2003<br>\$        |
|--------------------------------|-------------------|-------------------|
| ANZ Wholesale Investment Trust | 12,135,273        | 10,690,179        |
|                                | <u>12,135,273</u> | <u>10,690,179</u> |

The ANZ Wholesale Investment Trust is mortgaged to the ANZ Bank and acts as security for the ANZ Bank Guarantee to Workcover. (Note 18)

## NOTE 13: INVESTMENT IN LAND AND BUILDINGS

|                                        |                  |                  |
|----------------------------------------|------------------|------------------|
| Land and Buildings at net market value | 3,840,000        | 3,733,500        |
| <b>Total Land and Buildings</b>        | <u>3,840,000</u> | <u>3,733,500</u> |

The Baxter Road property is mortgaged to the ANZ Bank and acts as security for the ANZ Bank Guarantee to Workcover (Note 18). The valuation was prepared on the basis of Net Market Value as defined by the Australian Property Institute in a report dated 5 July 2004. The 2004 valuations at net market value were based on an independent assessment by Colliers International, a member of the Australian Property Institute.

## NOTE 14: PLANT and EQUIPMENT

|                                        |                  |                  |
|----------------------------------------|------------------|------------------|
| Plant and Equipment - at cost          | 5,507,328        | 5,841,318        |
| Less accumulated depreciation          | 2,161,060        | 2,211,570        |
| <b>Total Plant and Equipment</b>       | <u>3,346,268</u> | <u>3,629,748</u> |
| Movement in Carrying Amounts           |                  |                  |
| Balance at Beginning of Year           | 3,629,748        | 3,896,956        |
| Additions                              | 1,012,299        | 1,002,810        |
| Disposals                              | (107,764)        | (119,471)        |
| Depreciation Expense                   | (1,188,015)      | (1,150,547)      |
| Carrying Amount at the end of the year | <u>3,346,268</u> | <u>3,629,748</u> |

## NOTE 15: PAYABLES

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| Trade Creditors                     | 420,732          | 209,126          |
| Other Creditors and Accruals        | 1,054,236        | 559,736          |
| Stakes Payment Creditors            | 3,947,476        | 5,078,581        |
| Benevolent Fund                     | 422,966          | 422,450          |
| <b>Total Creditors and Accruals</b> | <u>5,845,410</u> | <u>6,269,893</u> |

Stakes Payments Creditors represent balances on industry participant accounts that are due to be paid out. Benevolent Fund is an amount held in trust to be applied to eligible industry participants under significant financial hardship.

## NOTE 16: BREEDERS AND OWNERS BONUS SCHEME

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Breeders and Owners Bonus Scheme | 5,631,252        | 1,885,215        |
|                                  | <u>5,631,252</u> | <u>1,885,215</u> |

## 17: PROVISIONS FOR EMPLOYEE BENEFITS

|                             |                  |                  |
|-----------------------------|------------------|------------------|
| Current                     |                  |                  |
| Employee Leave Entitlements | 1,172,194        | 1,039,352        |
| <b>Total Current</b>        | <u>1,172,194</u> | <u>1,039,352</u> |

|                          |                |                |
|--------------------------|----------------|----------------|
| Non-Current              |                |                |
| Employee Benefits        | 506,866        | 406,800        |
| <b>Total Non-Current</b> | <u>506,866</u> | <u>406,800</u> |

|                                           |                  |                  |
|-------------------------------------------|------------------|------------------|
| 17a) Aggregate Employee Benefit Liability | <u>1,679,060</u> | <u>1,446,152</u> |
|-------------------------------------------|------------------|------------------|

|                                               |                  |                  |
|-----------------------------------------------|------------------|------------------|
| Provision for employee benefits - current     | 1,172,194        | 1,039,352        |
| Provision for employee benefits - non-current | 506,866          | 406,800          |
| Included in Other creditors and accruals      | 76,599           | 72,824           |
| Aggregate Employee Benefit liability          | <u>1,755,659</u> | <u>1,518,976</u> |

|                                      |    |    |
|--------------------------------------|----|----|
| 17b) No of employees at balance date | 81 | 84 |
|--------------------------------------|----|----|

# Notes

to the Financial Statements for the year ended 30 June, 2004.

|                                                                                                                                                                                                                                                                                                                                                                              | 2004<br>\$     | 2003<br>\$     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>17: PROVISIONS FOR EMPLOYEE BENEFITS (CONT.)</b>                                                                                                                                                                                                                                                                                                                          |                |                |
| <b>Superannuation Fund</b>                                                                                                                                                                                                                                                                                                                                                   |                |                |
| A number of employees of the Board are entitled to benefits on retirement, disability or death from the Board Superannuation Plan. The fund provides defined lump sum benefits based on years of service and final average salary. Information relating to the fund based on the latest target funding reports as at the 27 July 2004 and the 25 May 2003 are set out below. |                |                |
| Present value of employees accrued benefits                                                                                                                                                                                                                                                                                                                                  | 2,933,030      | 2,864,195      |
| Net market value of assets held by the fund to meet future benefit payments                                                                                                                                                                                                                                                                                                  | 2,607,215      | 2,486,598      |
| Excess of the present value of employees accrued benefits over assets held to meet future benefit payments                                                                                                                                                                                                                                                                   | <u>325,815</u> | <u>377,597</u> |

## NOTE 18: PROVISIONS FOR WORKERS COMPENSATION INSURANCE LIABILITIES

|                                                  |                   |                   |
|--------------------------------------------------|-------------------|-------------------|
| Current                                          |                   |                   |
| Provision for Insurance Outstanding Claims       | 5,422,253         | 5,465,987         |
| <b>Total Current</b>                             | <u>5,422,253</u>  | <u>5,465,987</u>  |
| Non-Current                                      |                   |                   |
| Provision for Insurance Outstanding Claims       | 15,742,947        | 15,847,963        |
| <b>Total Non-Current</b>                         | <u>15,742,947</u> | <u>15,847,963</u> |
| <b>Total Provisions for Workers Compensation</b> | <u>21,165,200</u> | <u>21,313,680</u> |

### Provision for Insurance Outstanding Claims

An actuarial valuation of the Insurance Fund's outstanding claims was performed by independent actuaries McMahon Actuarial Services as at 30 June 2004. The ANZ Bank have issued guarantees amounting to \$21,193,000 in favour of Workcover Authority of NSW. As at 27 September 2002 the limit was increased to \$21,200,000 as required under the term's of the Board's insurance licence. In accordance with actuarial recommendations the Board has provided for a prudential margin of 25% (2003 - 25%) of the central estimate of liabilities in recognition of the uncertainty of future estimates and the inherent variability of conditions affecting future claim payments.

## NOTE 19: OTHER

|                 |                  |                  |
|-----------------|------------------|------------------|
| Deferred Income | 1,221,245        | 1,473,900        |
|                 | <u>1,221,245</u> | <u>1,473,900</u> |

Monies received by the Board at the balance date for products or services not yet provided are classified as deferred income. These items include subscriptions received for registration of racing colours, license fees, Workers Compensation Insurance premiums and subscriptions to NSW Racing magazine.

## NOTE 20: NON INTEREST BEARING LIABILITIES

|                      |                  |          |
|----------------------|------------------|----------|
| Loan payable to RISA | 3,337,378        | -        |
|                      | <u>3,337,378</u> | <u>-</u> |

The Board acquired an interest in Racing Information Services Australia Pty Limited (RISA) funded partly by a loan from RISA. The loan does not bear interest.

## NOTE 21: ACCUMULATED LOSSES

|                                                           |                  |                    |
|-----------------------------------------------------------|------------------|--------------------|
| Accumulated losses at beginning of the financial year     | (2,564,949)      | (4,925,133)        |
| Net profit from Ordinary Activities after income tax      | 5,372,149        | 2,360,184          |
| Accumulated surplus/(losses) at end of the financial year | <u>2,807,200</u> | <u>(2,564,949)</u> |

## NOTE 22: CAPITAL AND LEASING COMMITMENTS

|                                                                                                |                |                |
|------------------------------------------------------------------------------------------------|----------------|----------------|
| Operating Lease Commitments                                                                    |                |                |
| Non-cancellable operating lease contracted for but not capitalised in the Financial statements |                |                |
| Payable not later than 1 year                                                                  | 62,914         | 62,914         |
| Payable later than 1 year and not later than 5 years                                           | 67,906         | 158,273        |
|                                                                                                | <u>130,820</u> | <u>221,187</u> |
| Capital Expenditure Projects                                                                   |                |                |
| Payable not later than 1 year                                                                  | 29,986         | -              |

## NOTE 23: CONTINGENT LIABILITIES

The Board organises public liability insurance on behalf of all bodies, including race clubs in the NSW racing industry. The insurance is placed through a Captive Fund participated in by the racing industries of NSW, Victoria and Queensland. Under the Captive Fund, participating states are liable for claims up to of \$2 million with reinsurance responsible for claims beyond this amount. At balance date, the fund had assets net of liabilities and provisions amounting to \$517,042. While it is not envisaged any shortfall in funding will occur from operations in the year ended 30 June 2004, any shortfall due to under-performance would be shared among participating bodies and race clubs in NSW.



# Notes

to the Financial Statements for the year ended 30 June, 2004.

## **NOTE 23: CONTINGENT LIABILITIES (CONT.)**

The Board are not aware of any material contingent liabilities which are required to be disclosed in these financial statements, other than the guarantees provided by the ANZ Bank in favour of Workcover Authority of NSW amounting to \$21,193,000 (2003 : \$21,193,000) at balance date, against a facility of \$21,200,000 (2003 : \$21,200,000). Unused facilities at balance date amount to \$7,000 (2003 : \$7,000).

Assets pledged as security.

The carrying amounts of assets pledged as security for the financial guarantees issued by the ANZ Bank in favour of Workcover are set out in notes 8,12 and 13.

A registered mortgage debenture over all the assets of the Board is held by the ANZ Bank

The deposits at call are pledged as security for the ANZ Bank Guarantee to Workcover.

## **NOTE 24: ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL REPORTING STANDARDS**

In accordance with AASB1047, for years ending on or after 30 June 2006, the financial report for the Board will be required to comply with Australian equivalents to International Financial Reporting Standards (IFRSs) instead of Australian Accounting Standards presently on issue. Comparative financial statements must also be presented in accordance with Australian equivalents to IFRSs for the year ending 30 June 2005.

Finance staff have commenced training conducted by the Australian Society of CPAs and been briefed by technical experts regarding the effects of these changes on the Board. Assessment of the changes and their impact is ongoing. To date the following issues have been identified that will affect the Board. No internal financial system or policy changes have been made for any other matters. Business impacts from this change are in the process of being assessed.

### **Changes on Key Accounting Policies**

The Board has identified the following key differences in accounting policies that are expected to arise from adopting Australian equivalents to IFRSs.

#### **Revenue on Disposal of Assets**

Currently the entity includes gross revenue received on disposal of assets as revenue. Under Australian equivalents to IFRSs, gains and losses on sale of assets will be recognised on a net basis in revenue, resulting in lower revenue being recorded by the entity.

#### **General Insurance Contracts**

Investments integral to the Board's insurance activities, including investments in land and buildings are currently measured at net market value at the reporting date. Changes in net market value of such investments are recognised as revenues or expenses in the financial year in which the changes occur.

Revised standard AASB 1023 "General Insurance Contracts" requires that investment properties that back general insurance liabilities are measured using the fair value model under AASB 140 "Investment Property".

Included in investments that are integral to the insurance activities are land and buildings which are owner-occupied and therefore do not meet the definition of investment properties under AASB 140 "Investment Property". Revised AASB 1023 "General Insurance Contracts" requires that such owner-occupied property be accounted for under the revaluation model (fair value) described in AASB 116 "Property, Plant and Equipment" which means that revaluations that are currently debited or credited directly to the statement of financial performance will have to be credited to an asset revaluation reserve in future. If there is an overall decrement in the value of the property, and there are insufficient credits in the asset revaluation reserve, any excess will be debited directly to the profit and loss statement.

On transition at 1 July 2004, application of the new policy may result in an overall increase of the value of land and buildings because net market values will have to be increased by costs to sell to arrive at fair values. In addition, any past adjustments to net market value which have been recognised through profit and loss, will need to be transferred from opening balances of retained earnings to an asset revaluation surplus.

#### **Post Employment Benefits**

In this report, the Board has recognised a shortfall in funding for its defined benefit superannuation scheme. On adoption of Australian equivalents to IFRSs, the entity will continue to recognise the net position of each scheme in the statement of financial position, with a corresponding entry to the statement of financial performance based on valuations of the scheme in accordance with the standard AASB 119 Employee Benefits. Future movements in the net position of each scheme will be recognised in the statement of financial performance resulting in increased volatility of future earnings.

#### **Impairment of Assets**

The Board currently assesses the amount of impairment of assets by comparing assets valued on the cost basis to determine whether they are in excess of their recoverable amount. As the Board is a not-for-profit entity under Australian equivalents to IFRSs, it will be required to determine the recoverable amount as the higher of fair value less costs to sell and value in use (which is depreciated replacement cost). It is likely that this change in policy and basis for calculation will lead to fewer impairment losses being recognised. It is likely that when the new policy is initially applied on transition at 1 July 2004 that it will have no effect on opening balances of retained earnings at that date.

# Notes

to the Financial Statements for the year ended 30 June, 2004.

## NOTE 25: MEMBERS

a) Names of Board Members who have held office during the financial year are

- A G Hartnell (Chairman, resigned 3 July 2004)
- Nominated by Australian Jockey Club - D P R Esplin
- Nominated by Sydney Turf Club - G F Pash
- Nominated by Provincial Association of NSW - B J Reardon
- Nominated by Board of Directors of NSW Country Racing Council - D E Hopkins (Deputy Chairman )
- Nominated by eligible industry bodies to represent the interests of Licensed Persons and Race club employees - J B Costigan
- Nominated by eligible industry bodies to represent the interests of Owners and Breeders of thoroughbred racehorses - R M Lapointe
- Chief Executive - P N V'Landys
- Chief Executive (Former, retired December 2003) - M J Hill

b) Remuneration of Non-Executive Board Members

|                                         | 2004           | 2003           |
|-----------------------------------------|----------------|----------------|
|                                         | \$             | \$             |
| Income paid or payable to all directors | <u>440,814</u> | <u>434,036</u> |

## Number of Non-Executive Board Members whose income was within the following bands

|                       |   |   |
|-----------------------|---|---|
| \$0 - \$9,999         | - | 1 |
| \$40,000 - \$49,999   | 1 | 5 |
| \$50,000 - \$59,999   | 4 | - |
| \$70,000 - \$79,999   | 1 | 1 |
| \$110,000 - \$119,999 | 1 | 1 |

## NOTE 26: COMPANY DETAILS

The NSW Thoroughbred Racing Board was established as an entity under The Thoroughbred Racing Act 1996.

As such it is an entity incorporated and domiciled in Australia.

The registered office and principal place of business of the Board is: 81-83 Baxter Road, Mascot, NSW, 2020.

## NOTE 27: FINANCIAL INSTRUMENTS

| Note                               | Floating Interest Rate |                   | Non Interest Bearing |                   | Total            |                   |                   |
|------------------------------------|------------------------|-------------------|----------------------|-------------------|------------------|-------------------|-------------------|
|                                    | 2004                   | 2003              | 2004                 | 2003              | 2004             | 2003              |                   |
| Financial Assets:                  |                        |                   |                      |                   |                  |                   |                   |
| Cash                               | 8                      | 8,309,099         | 4,687,761            | -                 | -                | 8,309,099         | 4,687,761         |
| Receivables                        | 9                      | -                 | -                    | 9,339,266         | 6,924,067        | 9,339,266         | 6,924,067         |
| Investments                        | 11,12                  | 12,135,273        | 10,690,179           | 4,565,632         | -                | 16,700,905        | 10,690,179        |
| <b>Total Financial Assets</b>      |                        | <b>20,444,372</b> | <b>15,377,940</b>    | <b>13,904,898</b> | <b>6,924,067</b> | <b>34,349,270</b> | <b>22,302,007</b> |
| Weighted average interest rate     |                        | 8.77%             | 1.23%                |                   |                  |                   |                   |
| Financial Liabilities:             |                        |                   |                      |                   |                  |                   |                   |
| Loans and Overdrafts               | 20                     | -                 | -                    | 3,337,378         | -                | 3,337,378         | -                 |
| Trade and sundry creditors         | 15                     | -                 | -                    | 5,845,410         | 6,269,893        | 5,845,410         | 6,269,893         |
| <b>Total Financial Liabilities</b> |                        | <b>-</b>          | <b>-</b>             | <b>9,182,788</b>  | <b>6,269,893</b> | <b>9,182,788</b>  | <b>6,269,893</b>  |

Weighted average interest rate

|                                           |                   |                   |                  |                |                   |                   |
|-------------------------------------------|-------------------|-------------------|------------------|----------------|-------------------|-------------------|
| <b>Net financial assets/(liabilities)</b> | <b>20,444,372</b> | <b>15,377,940</b> | <b>4,722,110</b> | <b>654,174</b> | <b>25,166,482</b> | <b>16,032,114</b> |
|-------------------------------------------|-------------------|-------------------|------------------|----------------|-------------------|-------------------|

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements. A significant proportion of receivables from associated entities include amounts receivable from NSW Racing Pty Ltd and NSW Country Racing Council Limited. The receivables as at 30 June 2004 were \$1,059,616 (2003 \$295,744) and \$997,386 (2003 \$2,107,754) respectively. The Board does not have any material credit risk exposure to any other single debtor or group of debtors under financial instruments entered into by the Board.

The net fair values of financial assets and liabilities approximate to the carrying amounts at balance date.





# Notes

to the Financial Statements for the year ended 30 June, 2004.

## NOTE 28: SEGMENT REPORTING

|                                                | 2004                                |                    |                   | 2003                                |                    |                    |
|------------------------------------------------|-------------------------------------|--------------------|-------------------|-------------------------------------|--------------------|--------------------|
|                                                | NSW<br>Thoroughbred<br>Racing Board | Insurance          | Total             | NSW<br>Thoroughbred<br>Racing Board | Insurance          | Total              |
| Primary Reporting - Business Segments          |                                     |                    |                   |                                     |                    |                    |
| Revenue                                        |                                     |                    |                   |                                     |                    |                    |
| External Sales                                 | 16,408,290                          | 9,122,761          | 25,531,051        | 15,789,196                          | 9,054,815          | 24,844,011         |
| Other Revenue                                  | 1,577,529                           | 1,734,829          | 3,312,358         | 361,726                             | 1,000,945          | 1,362,671          |
| <b>Total Segment Revenue</b>                   | <b>17,985,819</b>                   | <b>10,857,590</b>  | <b>28,843,409</b> | <b>16,150,922</b>                   | <b>10,055,760</b>  | <b>26,206,682</b>  |
| Expenditure                                    |                                     |                    |                   |                                     |                    |                    |
| Depreciation                                   | 15,526,876                          | 6,706,820          | 22,233,696        | 14,629,320                          | 8,062,777          | 22,692,097         |
| Share of Loss of associated entity/partnership | 1,188,015                           | -                  | 1,188,015         | 1,150,547                           | -                  | 1,150,547          |
| <b>Total Segment Expenditure</b>               | <b>16,764,440</b>                   | <b>6,706,820</b>   | <b>23,471,260</b> | <b>15,783,721</b>                   | <b>8,062,777</b>   | <b>23,846,498</b>  |
| <b>Segment Result</b>                          | <b>1,221,379</b>                    | <b>4,150,770</b>   | <b>5,372,149</b>  | <b>367,201</b>                      | <b>1,992,983</b>   | <b>2,360,184</b>   |
| Assets                                         |                                     |                    |                   |                                     |                    |                    |
| Segment Assets                                 | 21,677,172                          | 20,009,573         | 41,686,745        | 11,924,513                          | 17,899,648         | 29,824,161         |
| <b>Total Assets</b>                            | <b>21,677,172</b>                   | <b>20,009,573</b>  | <b>41,686,745</b> | <b>11,924,513</b>                   | <b>17,899,648</b>  | <b>29,824,161</b>  |
| Liabilities                                    |                                     |                    |                   |                                     |                    |                    |
| Segment Liabilities                            | 17,232,345                          | 21,647,200         | 38,879,545        | 10,253,969                          | 22,135,141         | 32,389,110         |
| <b>Total Liabilities</b>                       | <b>17,232,345</b>                   | <b>21,647,200</b>  | <b>38,879,545</b> | <b>10,253,969</b>                   | <b>22,135,141</b>  | <b>32,389,110</b>  |
| <b>Net Assets/(Liabilities)</b>                | <b>4,444,827</b>                    | <b>(1,637,627)</b> | <b>2,807,200</b>  | <b>1,670,544</b>                    | <b>(4,235,493)</b> | <b>(2,564,949)</b> |

The primary business activity is the NSW Thoroughbred Racing Board provision of racing services to the industry.

The secondary activity is the Workers Compensation Fund. All income and expenditure is incurred within the thoroughbred racing industry within the state of New South Wales, Australia.

## NOTE 29: RELATED PARTIES

The members of the Board of the NSW Thoroughbred Racing Board during the year were:

|               |               |                                   |
|---------------|---------------|-----------------------------------|
| A.G. Hartnell | B.J. Reardon  | R.M. Lapointe                     |
| D.P.R. Esplin | D.E. Hopkins  | P.N. V'Landys                     |
| G.F. Pash     | J.B. Costigan | M.J. Hill (retired December 2003) |

An amount of \$140,006 (2003 : \$15,380) was expended on legal fees to Atanaskovic Hartnell. A G Hartnell is both a partner in the firm of Atanaskovic Hartnell and Chairman of the NSW Thoroughbred Racing Board. These transactions are conducted at arms length. Agistment fees for research horses of \$6,848 (2003 : \$6,359) were expended to Muskoka Farm. Muskoka Farm is owned by R M Lapointe, a Board member of the NSW Thoroughbred Racing Board. These transactions are conducted at arms length.

Mr D.E. Hopkins, Mr D.P.R. Esplin and Mr G.F. Pash, all Board members of the NSW Thoroughbred Racing Board, are also Directors of NSW Racing Limited and each beneficially own one Class A share unit in NSW Racing Proprietary Limited. At the balance date Mr A.G. Hartnell beneficially held one Class A share unit in NSW Racing Proprietary Limited.

## NOTE 30: INSURANCE ACTIVITIES

|                                                                                      | 2004              | 2003              |
|--------------------------------------------------------------------------------------|-------------------|-------------------|
| Premium revenue                                                                      | 8,583,331         | 7,234,257         |
| Reinsurance recoveries and other recoveries revenue                                  | -                 | 617,598           |
| Investment revenue                                                                   | 1,734,829         | 1,000,945         |
| First Charge                                                                         | -                 | 621,818           |
| Other Income                                                                         | 500,985           | 581,143           |
|                                                                                      | <b>10,819,145</b> | <b>10,055,761</b> |
| General and Administration                                                           | 1,032,452         | 989,891           |
| Direct claims                                                                        | 4,786,231         | 6,151,174         |
| Outwards reinsurance                                                                 | 888,138           | 720,000           |
| Investment expense write-down                                                        | -                 | 201,712           |
|                                                                                      | <b>6,706,821</b>  | <b>8,062,777</b>  |
| Underwriting result for the financial year excluding investments revenue and expense | 2,377,495         | 1,193,751         |

# Notes

to the Financial Statements for the year ended 30 June, 2004.

## NOTE 30: INSURANCE ACTIVITIES (CONT.)

|                                    | 2004              | 2003              |
|------------------------------------|-------------------|-------------------|
| Investments                        |                   |                   |
| Land and buildings                 | 3,840,000         | 3,733,500         |
| ANZ Trust                          | 12,135,273        | 10,690,179        |
|                                    | <u>15,975,273</u> | <u>14,423,679</u> |
| Operating Assets                   |                   |                   |
| Bank                               | 3,981,821         | 3,425,235         |
| Bank guarantee                     | 52,479            | 50,734            |
| Reinsurance recoveries             | 1,706,679         | 1,706,679         |
|                                    | <u>5,740,979</u>  | <u>5,182,648</u>  |
| Liabilities                        |                   |                   |
| Outstanding claims                 | 22,871,879        | 23,020,629        |
| Unearned Premiums                  | 518,437           | 821,191           |
|                                    | <u>23,390,316</u> | <u>23,841,820</u> |
| <b>a) Outstanding Claims</b>       |                   |                   |
| Gross undiscounted claim liability | 24,172,160        | 23,410,000        |
| Discount to present value          | (4,505,000)       | (3,680,000)       |
| Third party recoveries             | (890,000)         | (972,000)         |
| Re-insurance recoveries            | (1,845,000)       | (1,707,000)       |
|                                    | <u>16,932,160</u> | <u>17,051,000</u> |
| Prudential margin                  | 4,233,040         | 4,262,750         |
|                                    | <u>21,165,200</u> | <u>21,313,750</u> |
| Current                            | 5,422,253         | 5,466,250         |
| Non-current                        | 15,742,947        | 15,847,500        |
|                                    | <u>21,165,200</u> | <u>21,313,750</u> |

The average weighted term to settlement of the outstanding liabilities is 3.3 years (2003: 3.1 years).

The following average inflation rates and discount rates were used in measuring the liability for outstanding claims:

|                | 2004      |            | 2003      |            |
|----------------|-----------|------------|-----------|------------|
|                | Next Year | Thereafter | Next Year | Thereafter |
| Inflation rate | 4.00%     | 4.00%      | 4.00%     | 4.00%      |
| Discount Rate  | 5.80%     | 5.80%      | 5.00%     | 5.00%      |

## b) Net claims incurred for current year and change in incurred for prior years.

|                                             | 2004                           |                               | 2003                     |                               |
|---------------------------------------------|--------------------------------|-------------------------------|--------------------------|-------------------------------|
|                                             | Current Year<br>Incurred<br>\$ | Reassess Prior<br>Years<br>\$ | 1 Year<br>Incurred<br>\$ | Reassess Prior<br>Years<br>\$ |
| Gross undiscounted incurred claims          | 6,337,000                      | 92,000                        | 6,223,000                | (900,000)                     |
| Undiscounted reinsurance & other recoveries | (97,000)                       | (82,000)                      | (144,000)                | 923,000                       |
| Net undiscounted incurred claims            | <u>6,240,000</u>               | <u>10,000</u>                 | <u>6,079,000</u>         | <u>23,000</u>                 |
| Discounting of incurred claims              | (925,000)                      | (403,000)                     | (765,000)                | 102,000                       |
| Discounting recoveries                      | 8,000                          | 29,000                        | 16,000                   | (105,000)                     |
|                                             | <u>5,323,000</u>               | <u>(364,000)</u>              | <u>5,330,000</u>         | <u>20,000</u>                 |
| Gross discounted incurred claims            | 5,412,000                      | (311,000)                     | 5,458,000                | (798,000)                     |
| Discounted reinsurance & other recoveries   | (90,000)                       | (53,000)                      | (128,000)                | 818,000                       |
| Net discounted incurred claims              | <u>5,322,000</u>               | <u>(364,000)</u>              | <u>5,330,000</u>         | <u>20,000</u>                 |

The claim cost incurred consists of paid to date plus estimate of outstanding liabilities plus administration expenses.



# Declaration

for the year ended 30 June, 2004

## DECLARATION BY MEMBERS OF THE BOARD

The Members of the Board declare that:

(1) the financial statements comprising the Statement of Financial Performance, Position and Cash Flows and accompanying notes:

- (i) give a true and fair view of the financial position of the NSW Thoroughbred Racing Board as at 30 June 2004 and its performance for the year ended on that date.
- (ii) are in accordance with the Thoroughbred Racing Board Act 1996 and comply with the Accounting Standards and other mandatory professional reporting requirements and

(2) as at the date of this declaration there are reasonable grounds to believe that the NSW Thoroughbred Racing Board will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Members of the Board and is signed for and on behalf of the Racing NSW.

Mr D.E. HOPKINS

Acting Chairman  
Director

Mr R.M. LAPOINTE

Director

Dated at Sydney this 18th day of October, 2004.

# Audit Report

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THE NSW THOROUGHBRED RACING BOARD

### Scope

#### *The Financial Report and Members of the Board's Responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the Declaration by the Members of the Board of the NSW Thoroughbred Racing Board ("the TRB"), for the year ended 30 June 2004.

The Members of the Board are responsible for the preparation and true and fair presentation of the financial report in accordance with the Thoroughbred Racing Act 1996. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit Approach*

We have conducted an independent audit in order to express an opinion to the Members of the Board of the TRB. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Thoroughbred Racing Board Act 1996, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the TRB's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Members of the Board.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

### Audit Opinion

In our opinion, the financial report of the NSW Thoroughbred Racing Board is in accordance with:

- a) the NSW Thoroughbred Racing Board Act 1996, including:
  - i) giving a true and fair view of the TRB's financial position as at 30 June 2004 and of its performance for the year ended on that date and;
  - ii) complying with Accounting Standards in Australia and;
- b) other mandatory reporting requirements in Australia.

BDO

Chartered Accountants

R.I. Peck  
Partner

Signed at Sydney, this 18th day of October, 2004.