



RACING NSW



ANNUAL REPORT

2006

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 takes 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 work with Tabcorp to promote new wagering products, that reflect changes in demand.

FUNCTIONS OF THE BOARD

Under section 13(1) of the *Thoroughbred Racing Act 1996* (NSW), 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; and
- f) such functions with respect to horse racing in New South Wales as may be prescribed by the regulations.

CONTENTS

Chairman's Report	2	Annual Trends	19
Chief Executive's Report	3	Regulatory	20
Integrity	6	Administrative and Financial Structure	24
Laboratory	8	Insurance	25
Veterinary Services	10	Appeals	26
Commercial	11	Financial Statements	27
Industry	14		

Front Cover picture of Takeover Target (Jay Ford) by Chris Lane (Fairfax photos)

Rear Cover picture of NSW Apprentice Jockeys by Brett Costello (News Ltd): (left to right) Peter Wells, Josh Parr, Pat Murphy, William Pearson, Brett Poulus, Joe Fujii, Natalie Lye, Todd Pannell, Tim Clark, Tye Angland, Kathy O'Hara.

MEMBERS OF THE BOARD



G M Pemberton AC (Gary)
CHAIRMAN

Independent Chairman appointed
by the Board
Appointed 15 November 2004 for 4 years
Attended 12 meetings



D E Hopkins (Don)
DEPUTY CHAIRMAN

Nominated by Racing NSW Country
Re-appointed 12 March 2004 for 4 years
Attended 13 meetings



N F Bracks (Noel)

Nominated by the Australian Jockey Club
Appointed 13 March 2006 for 4 years
Attended 3 meetings



G F Pash (Graeme)

Nominated by the Sydney Turf Club
Re-appointed 13 March 2004 for 4 years
Attended 11 meetings



B J Reardon (Brian)

Nominated by the Provincial Association
of NSW
Re-appointed 13 March 2006 for 4 years
Attended 8 meetings



R M Lapointe (Bob)

Nominated by eligible industry bodies
which represent the owners and breeders
of thoroughbred racehorses
Re-appointed 17 May 2004 for 4 years
Attended 13 meetings



D P R Esplin (Phillip)

Nominated by eligible industry bodies
which represent the interests of licensed
persons and race club employees
Appointed 13 March 2006 for 4 years
Attended 13 meetings



R A Ferguson (Rob)

Independent additional Board Member
appointed by the Board in accordance
with section 6(4) of the Thoroughbred
Racing Act 1996
Appointed 1 November 2004 for 2 years
Attended 13 meetings



P N V'landys (Peter)

RACING NSW CHIEF EXECUTIVE
Appointed 23 February 2004
Attended 13 meetings

J B Costigan (John)

Nominated by eligible industry bodies which represent the interests of
licensed persons and race club employees
Re-appointed 12 March 2002 for 4 year term which expired 12 March
2006
Attended 8 meetings

MEMBERS' DEPUTIES

G Barnett

Deputy for B J Reardon. Attended 3 meetings

M D Doyle

Deputy for N F Bracks. Attended 1 meeting

CHAIRMAN'S REPORT



Gary Pemberton AC
Chairman Racing NSW

The Hon. Grant McBride MP
Minister for Gaming & Racing
Level 35
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Dear Minister,

In accordance with Section 29 of the *Thoroughbred Racing Act 1996 (NSW)* I submit to you the 10th Annual Report of Racing NSW covering the period 1st July 2005 to 30th June 2006.

In the 2005/06 year, Racing NSW achieved a number of important financial and operational objectives. The organisation:

- reduced its call on industry funds through the first charge against Tabcorp distributions,
- reduced operational costs from \$15.8 million to \$13.9 million,
- expanded its staff resources and capacity to service the industry, and
- delivered a consolidated surplus of \$1.281 million.

During the year Racing NSW moved to self management of the industry's Workers' Compensation Fund. A skilled internal management team has been established which will deliver reduced administration costs, increased expertise and improved controls.

As part of the process, an extensive actuarial assessment of the Fund was conducted to ensure Racing NSW had adequate provisions to fund future claims. As a result of the assessment, the Board increased provisions by \$3.5 million to a total of \$27.9 million. The provision includes a 25% prudential margin for contingencies.

In the context of the decision on claims provisions, the Board has considered it prudent to take the 2005/06 surplus to reserves.

Post 30th June, premises owned by the Workers' Compensation Fund at Mascot were sold at a satisfactory price. The transaction will allow an enhanced and more flexible investment strategy for the Fund going forward and provide an improved and more convenient head office for Racing NSW at reduced occupancy costs.

In a year in which the industry's revenue base was placed under pressure from falling totalizator sales, the NSW racing industry was able to increase returns to racehorse owners by \$4.3 million to \$125.86 million (taking the total increase over the past two years to \$15.53 million).

As a result of the 3.1% fall in totalizator sales, revenue to the NSW thoroughbred racing industry from variable product fees fell by \$6.2 million. The decrease was largely influenced by the split television signal and there was an instant turnaround in wagering turnover

immediately following the settlement. While turnover has not returned to former levels, the Board is hopeful that the recovery will continue throughout the 2006/07 financial year.

To increase prizemoney under these circumstances is a significant industry achievement. However, structural and competitive changes to the wagering landscape will continue to impact upon the industry's wagering outlook. Revenue growth prospects for the industry remain conservative. The ability of the industry to continue to realize efficiency gains will be essential to future prosperity.

Against that background, the appointment of Mr K M Brown AM to conduct an independent review of the *Thoroughbred Racing Act 1996 (NSW)* is welcome.

Clarification of responsibilities and accountabilities within the NSW thoroughbred industry is now of major importance in providing a framework to deal with the challenges ahead and take the industry forward in an increasingly difficult financial environment.

Racing NSW has resolved a number of long-running issues with Racing Information Services Australia (RISA) and has renegotiated the basis of its participation in RISA.

The resolution ensures the NSW industry retains control over its most valuable asset, i.e. the use of its intellectual property in racing information for wagering purposes. The new arrangements will also enhance future returns from the exploitation of intellectual property for non wagering purposes.

Under the arrangements Racing NSW has 42.7% equity in the company and its nominated director a right of veto. It is a significant advance for Racing NSW to hold equity in the entity which manages all of Australia's racing information and database.

The Board met on 13 occasions and I again acknowledge the application, dedication and expertise of my fellow Board members.

Mr John Costigan retired from the Board on 12th March 2006 having completed the maximum two terms as provided under the legislation. His contributions on behalf of the industry were significant and I express my personal appreciation.

I welcome Mr Noel Bracks to the Board following his nomination by the Australian Jockey Club. Mr Phillip Esplin continues as a member of the Board after being nominated by licensed persons.

The achievements of Racing NSW oblige me to thank many parties.

On behalf of the Board I thank the members of the Integrity Assurance Committee, the Appeal Panel, the Racing Industry Participants Advisory Group (RIPAC), the Racing Appeals Tribunal, the race club committees and the participant groups for their assistance and advice.

The management and staff of Tabcorp have consistently supported and assisted Racing NSW throughout the year.

I thank and acknowledge our Chief Executive, Peter V'landys and the entire staff of Racing NSW for their continuing achievements in delivering cost effective administration to the NSW industry.

The former Director-General of the Department of Gaming & Racing, Mr Ken Brown AM retired from the NSW Public Service earlier this year. Ken's contributions to the Racing Industry during his long career have been significant and are particularly acknowledged by Racing NSW.

Finally, I would also thank you and your Ministerial staff together with Mr John Whelan and the officers from the Office of Racing for your assistance and advice.

Yours sincerely

A handwritten signature in dark ink that reads "Gary Pemberton". The signature is fluid and cursive, written in a professional style.

G M PEMBERTON AC
CHAIRMAN



Peter V'landys
Chief Executive

The 2005/06 financial year again presented numerous challenges and opportunities for the NSW Thoroughbred Racing Industry. Of particular significance was the end of the split broadcast of races, the announcement of a Government Review of the *Thoroughbred Racing Act 1996* (NSW) and the restructuring of arrangements with Racing Information Services Australia (RISA).

Complete details of the operations of Racing NSW are outlined later in this Annual Report. However I have identified the major issues and achievements hereunder.

SPLIT BROADCAST

The telecasting of race meetings being split between two broadcasters was resolved towards the end of the financial year. The split broadcast significantly contributed to the fall in NSW totalizator betting during the year and had a major bearing on the overall finances of the industry. Fortunately, the resolution of the issue saw an immediate rebound in totalizator sales and Racing NSW is hopeful that sales and resulting industry revenues will return to their previous levels by the end of the 2006/07 financial year.

TABCORP DISTRIBUTION AND FINANCE

As a result of the 3.1% fall in totalizator sales, revenue to the thoroughbred racing industry from variable product fees for 2005/06 fell by \$6.2 million. However the effect on NSW race clubs was kept to a minimum with distributions to NSW clubs only falling by \$1.4 million (1%) due to the following:

- Racing NSW further reducing operating costs – totalling \$2.7 million over two years;
- Racing NSW distributed \$1.98 million from reserves;
- RACINGCORP (agent for the three racing codes in NSW) reduced the thoroughbred share of its costs by \$500,000; and
- Tabcorp paid an additional \$1.63 million in fixed fees (additional fee negotiated by RACINGCORP with Tabcorp following its takeover of TAB Ltd).

In addition, clubs' finances were enhanced by Racing NSW:

- negotiating reduced general insurance costs across all clubs of \$2.86 million per annum; and
- assisting the country sector in maintaining the reduction in their administrative costs by \$1.4 million per annum.

These combined factors have boosted the annual financial performance of the two metropolitan clubs by approximately \$2 million each. In addition, country and provincial clubs benefited by a total of \$3.62 million.

Racing NSW also undertook a complete restructure of the Workers' Compensation Fund and eliminated many of the inefficiencies which existed with the external management of that fund. This has contributed to direct savings of \$1 million per annum for trainers.

RETURNS TO OWNERS

Taking the above into account, returns to owners further increased this financial year. The Board's focus on maximizing returns to owners

is showing positive results with an increase of \$15.53 million (14.1%) since the implementation of the Racing NSW Strategic Plan in 2003/2004.

This is highlighted by the following table:

	2005/2006	2004/2005	2003/2004
Prizemoney	\$102,940,430	\$99,751,600	\$96,080,750
Unplaced Starter Rebates	\$691,630	\$1,864,500	\$1,449,076
BOBS — Bonuses paid	\$5,691,525	\$4,698,000	\$4,120,000
Appearance Fee of \$200 for horses not earning prizemoney	\$6,623,400	\$5,979,000	\$0
Country Cash Bonuses	\$0	\$95,000	\$208,500
Jockeys' Ride Fees paid on behalf of owners	\$6,818,167	\$6,384,567	\$5,500,814
Jockeys' Insurance paid on behalf of owners	\$2,848,895	\$2,787,430	\$2,721,733
	\$125,614,047	\$121,560,097	\$110,080,873
Increase	\$15,533,174		14.1% increase

RACING INFORMATION SERVICES AUSTRALIA (RISA)

As highlighted in the Chairman's Report, Racing NSW resolved a number of long-running difficulties with Racing Information Services Australia (RISA) and renegotiated the basis of its participation. RISA was established to undertake certain functions of State Principal Racing Authorities (PRA) which would provide synergies for the PRA's and to sell racing information to the market place.

Prior to the renegotiation, Racing NSW had a major concern that RISA was to have exclusive rights to the NSW racing information for sale to wagering operators (other than the holder of the NSW totalizator license).

RISA has now foregone any right to sell NSW racing information to wagering operators. Accordingly, all decisions relating to the supply of NSW racing information to wagering operators (including the setting of price and other terms of supply) will now be made by Racing NSW in consultation with the race clubs.

In turn, RISA has been granted a non-exclusive license to sell racing information to persons or organisations that do not use the information for wagering operations.

This new arrangement will provide maximum protection to the NSW racing product and will ensure the maximization of industry revenue. Equity in RISA not only enables the NSW industry to procure substantial cost savings and generate new revenue in the future, but for the first time Racing NSW has equity in the company which has the software that holds and manages all of Australia's racing information and data base.

Other major concessions gained by Racing NSW include:

- a reduction of \$1.5 million on the original price to allow a 42.7% equity in RISA for Racing NSW, and
- the NSW Director of RISA having a veto right over all RISA Board decisions.

RACE FIELDS LEGISLATION

The activities of interstate corporate bookmakers and interstate and overseas betting exchanges are continuing to have an adverse effect on the finances of the Racing Industry. In fact it has been stated that the Northern Territory bookmakers alone are holding approximately \$1.7 billion per annum on racing events. While accurate figures are not available to Racing NSW it is estimated that at least 40% (\$680 million) of this turnover could be as a result of investments by NSW punters.

In the early part of the financial year Racing NSW approached the Minister for Gaming & Racing requesting that he support the introduction of legislation to amend the Racing Administration Act to provide offence provisions for the unauthorized use of NSW-based race fields by any person whether within or outside the State and rights for the Racing Industry to collect fees from operators using NSW fields.

REVIEW OF THOROUGHBRED RACING ACT 1996 (NSW)

On 29th June 2006, the Minister for Gaming & Racing announced the establishment of an independent review of the *Thoroughbred Racing Act 1996* (NSW) and invited submissions from all interested parties. In response to the Minister's invitation Racing NSW undertook a thorough examination of the legislation under which it operates and lodged a detailed submission to the review.

The review is important in clarifying the role of bodies within the NSW racing industry and establishing future direction.

In commissioning this review, the Minister stated that it will remain Government policy to continue to have a representative controlling body for racing in New South Wales and that the review process will clarify, not diminish that policy.

The Supreme Court findings of Justice Bergin SC in the TVN dispute between Racing NSW and the Metropolitan clubs identified important limitations on the powers of Racing NSW in relation to any aspect (including consultation) of activities not specifically defined in the Act. In its submission Racing NSW stated that if the Government continues to require the controlling body to exercise a broadly based commercial role, it is clear that there are three specific constraints that preclude or inhibit any central body from being able to exercise that function:

- (i) the wording of the Act in relation to powers is not sufficiently specific to withstand challenge;
- (ii) there is no specific power to gather financial information and other data from race clubs and industry groups to provide a rational and quantitative basis for policy development; and
- (iii) the contractual framework of the Intracode Agreement conflicts with the provisions of the Totalizator Act 1997 (NSW) in relation to the ability to distribute funds to support industry needs and structural changes.

It is expected that the findings of the review will have been released by the time this report is published.

MERGING OF NSW TOTALIZATOR POOLS WITH SUPERTAB POOLS

The proposal to merge NSW totalizator pools with pools from Victoria and other States and Territories in the SUPERTAB pool did not proceed during the year following a request from the NSW Government that its taxation revenue be indemnified by Tabcorp. Racing NSW has been involved in further discussions with the Government and Tabcorp as well as interstate authorities to develop options by which the initiative can proceed. We will continue to insist that any agreements include appropriate provisions to protect the integrity of NSW pools, as well as any associated revenue flowing to the industry.

JOCKEYS' SUPERANNUATION AND CAREER FUND

Unfortunately, the effective riding careers for jockeys can be relatively short and in many cases, jockeys have not been in a position to adequately plan for their retirements at the end of their riding careers. As a result of this concern, the Board has had several discussions with the New South Wales Jockeys' Association to explore available options which might overcome this highly unsatisfactory situation. Following those discussions the Board approved a proposal to establish an assistance package along the following lines:

- From 1st March 2006, riding fees for jockeys riding in New South Wales races were increased across the board by \$5.00 per ride;
- New South Wales jockeys were encouraged to contribute the additional \$5.00 riding fee to a superannuation scheme;
- Where New South Wales jockeys contribute the increase to a superannuation scheme, Racing NSW will contribute an additional amount of \$2.50 per ride directly into the Career Benefit Scheme (to be established by Racing NSW);
- From 1st March 2007, a further increase in riding fees of an additional \$5.00 is to be granted with a further contribution of \$2.50 per ride paid into the Career Benefit Scheme, where the additional riding fee is contributed to a superannuation scheme.

The Career Benefit Scheme will be established by way of a Trust Fund to be managed by a committee comprising 4 members, i.e. 2 nominees of the NSW Jockeys' Association and 2 nominees from Racing NSW with one of the Racing NSW nominees to hold the position of Chairman.

All jockeys who were making superannuation contributions and who have retired from active riding will be eligible to apply for assistance from the Fund to help them to adjust to their new circumstances by way of retraining, relocation, or general financial assistance.

Racing NSW is confident that this initiative will be highly successful in ensuring the future financial well-being of jockeys in this State.

JOCKEYS' SAFETY REVIEW

At the instigation of Racing NSW a major national study was conducted during the year into issues relating to the safety and welfare of jockeys.

The project commenced mid 2005 with the most comprehensive study of jockey safety ever conducted by The Australian Racing Industry. The review involved participation of leading jockeys Darren Beadman, Jon Grisedale, Greg Childs, and Stephen Baster; the NSW and Australian Jockeys' Association; and a host of medical and technical experts and Stewards.

The review team made a series of separate recommendations in March 2006 for each State Principal Racing Authority to implement including:

- Rectification of the anomaly which existed between the minimum weights for standard races and Group and Listed handicap races throughout Australia. For example, the minimum weight for NSW metropolitan standard races is currently 53kg. However, the Group 1 Doncaster has a minimum of 50kg but with the mare and age allowance, the real minimum is 48.5kg. This meant jockeys who ride at 53kg for most races would have to waste significantly in order to ride horses on the minimum weight.
- Accordingly, the Australian Racing Board accepted the safety review committee recommendations and amended the minimum riding weights for all Group and Listed handicaps. This now sees the Melbourne and Caulfield Cup weight minimums lifted to 50kg, and all other Group 1 Handicaps to 51kg (however a variable age allowance will still be provided). All other Group and Listed handicap races will be increased to 52 or 53kg.

The weight for age scale will rise by 1kg.

The requirement of having the topweight carry 58kg at weight release, excluding Group 1 races and 57kg at acceptance time in all handicap flat races will apply.

The above weight changes are effective 1 January 2007.

- The adoption of new standards for jockey vests and helmets on the basis of detailed specifications developed by the review team, which will provide greater protection and comfort.
- The development of competencies and associated assessments to ensure proper training and capability assessment for all track riders.
- A fundamental overhaul of all aspects of apprentice training and employment conditions aimed at improving the safety of apprentices during the course of their apprenticeship.
- The development of a standardised national approach to careless riding infringements aimed at achieving stronger action against repeat offenders.
- Distribution of new nutritional guidelines for jockeys on raceday with a focus on health and weight control.
- Commissioning of further resources in the areas of jockey hydration and bone density, together with the development of a national database of horse and human injury which can be used to support further research.

Other recommendations address policies on field sizes, track facilities, medical attendants, analysis of jockey riding styles and stirrup lengths, the availability of cooling vests, mouthguards, riding footwear and components of general jockey training.

Since the recommendations were released, Racing NSW has successfully sourced additional funding from RIRDC, the Australian Government Rural Industries Research and Development Corporation.

The project, known as Health and Safety in Australian Racing, has been awarded \$50,000 per year for the next three years to contribute toward the development costs. The RIRDC funding is allocated under three distinct research definitions:

- (i) Retrospective analysis of horse and jockey injuries to help formulate future equipment and racetrack design;
- (ii) A national thoroughbred web based incident database, to more accurately record data for future analysis; and



- (iii) Development of new standards for jockey safety equipment relevant to Australian conditions. It is envisaged that a new design will be developed and manufactured for use by jockeys arising out of this work.

Those involved in the review are committed to seeing actions implemented which, with the support of our jockeys, can make a real difference to the lives of jockeys now and in the future.

COST EFFECTIVE DISPUTE RESOLUTION

During the year the Board approved the implementation of a system to resolve financial disputes between industry participants. The scheme has been developed for Racing NSW by the company Adjudicate Today and is based on similar schemes which have proved highly successful in resolving disputes in the Building Industries in New South Wales, Queensland and Victoria.

The scheme will allow any person associated with the racing industry to seek payment of an outstanding debt from other persons or organisations also involved in the racing industry and for their claim to be resolved in a timely and cost effective manner. It is anticipated that disputes would be settled within a matter of a few weeks with costs of the arbitrator to be met by the unsuccessful party to the dispute. The arbitrator will, on most occasions, consider the matter on written submissions from the parties. This is in stark contrast to the present situation where matters need to be brought before the Courts and involve long delays and prohibitive legal costs for both parties (quite often the legal costs far outweigh the outstanding debts). A submission has been forwarded to the Minister seeking the introduction of the enabling legislation into the Parliament during the second half of the financial year to allow the commencement of the scheme.

CAPTIVE FUND

To mitigate spiralling liability insurance costs to the NSW racing industry, Racing NSW entered a liability Captive Fund self insurance arrangement with the Queensland and Victorian racing industries in July 2003. The Fund operated for three years and the placement of liability insurance under this arrangement concluded in June 2006. The Fund is now in run-off phase through to June 2011 and at June 2006 the Fund's assessed surplus to NSW was \$1.6 million. Surplus funds at the end of the run-off period will be returned to the NSW racing industry.

From July 2006, Racing NSW opted to discontinue with the Captive Fund arrangement. Liability insurance has been secured on more traditional terms which were vigorously negotiated, reducing the annual premium expense to the NSW industry by \$692,000 and a further reduction in placement and management fees.

REVIEW OF COUNTRY RACING

The Board gave its approval to a broad review of Country racing being undertaken by Racing NSW Country. The review will cover all facets of Country racing and is intended to develop a strategy to increase opportunities for participants and the public and also maximise the viability of the respective race clubs.

It is expected that the review will cover such matters as the optimum number of race meetings and the allocation of suitable dates for those meetings, the most effective structure for race club administration and the effectiveness of the existing scheme for distributing funds to clubs as well as the Track Maintenance and Racecourse Development Schemes.

Racing NSW Country is expected to submit its report and recommendations for the Board's consideration by the end of 2006.

HAWKESBURY SATURDAY STAND-ALONE MEETING

A highly successful race meeting was conducted on a stand-alone basis by the Hawkesbury Race Club on Saturday, 29th April 2006.

This meeting was the first of three annual stand-alone Saturday meetings approved by Racing NSW and the club and its management are to be congratulated on its successful promotion. All performance indicators were exceeded with an attendance of over 10,000 and on and off course totalizator holdings of \$6.42 million. The club also paid \$320,000 in prizemoney and has committed \$450,000 in prizemoney for the 2007 meeting.

BOBS DOUBLE UPS

The feature of the Racing NSW Breeder Owner Bonus Scheme (BOBS) which distinguishes it from interstate schemes is that it gives bonus-

winning owners the capacity to benefit to an even greater extent by "doubling up" a winning cash bonus.

A metropolitan bonus on Saturday (net \$16,000 to the owner) can be converted to a \$32,000 bonus which can be used to purchase another BOBS-eligible horse at any sale. Similarly a \$10,000 bonus (net \$8,000 to the owner) can be converted to \$16,000, and a \$5,000 bonus (net \$4,000 to the owner) to \$8,000.

Feedback indicates that the Double Up is the single most popular feature of the BOBS Scheme.

The fact that Racing NSW has now enabled syndicate members to take either cash or "Double Up" individually has also pleased the racing community.

Breeders and owners both benefit from the "Double Ups" and indeed the major studs (who collectively contribute in excess of \$3 million annually) have stated that the "Double Ups" are the single reason they continue to support the BOBS Scheme.

Since its inception in January 2005, 324 individuals have elected to "Double Up" their share of a bonus.

As at the end of September 2006, \$2,482,268 was available in Double Ups to purchase the progeny of BOBS stallions at sales.

To date, \$1,537,632 has been redeemed, leaving a "buying pool" of \$944,635 available to be spent at future sales.

\$936,325 (60.1%) has been redeemed at Inglis sales, and \$516,507 (33.6%) at Magic Millions, with the balance at minor sales.

The value of the 101 horses purchased to date by this means is \$5,299,216.

The overall Double Up rate since inception is 21.2%. Last season it was 28.4%.

INTERNET BETTING

Racing NSW continues to receive approaches from the NSW Bookmakers' Co-Operative Ltd and the metropolitan clubs to lend its support to the establishment of a virtual bookmakers' ring in New South Wales, which would allow NSW bookmakers to accept internet sourced bets from off course punters up until race jump.

The final decision on this matter is one for the NSW State Government. Nevertheless, it is appropriate for Racing NSW to develop a clear policy on the issue.

In this respect, Racing NSW is not convinced that the establishment of a virtual bookmakers' ring in New South Wales would be in the best interests of the industry. In fact, based on figures available to it, the Board believes that it would be jeopardizing the future of the industry without any guaranteed benefits.

In the circumstances, the Board is still of the opinion that it should rely on the promised race field legislation to maximize industry revenue.

Accordingly, the Board has resolved to defer any further consideration of this matter until additional information is forthcoming and it is able to analyze the results of a similar exercise in Victoria.

CANBERRA RACE CLUB

Following changes to the ACT workers' compensation legislation, jockeys riding in the ACT did not have workers' compensation coverage from 1st July 2005. This situation resulted in the cessation of racing in Canberra for a period of some three months which in turn had flow on effects for the New South Wales industry because of the large number of NSW registered participants and horses which compete at the Canberra meetings.

After meeting legislative requirements of both jurisdictions and entering into appropriate contractual arrangements with the Canberra Race Club, Racing NSW approved of the inclusion of the Canberra club into the Racing NSW Workers' Compensation Fund. These arrangements allowed the Canberra Race Club to continue racing and assisted with the future of the industry in the ACT.

ACKNOWLEDGMENTS

I again take the opportunity to express my appreciation to the Board for their continued support during the year and in particular to the Chairman Mr Gary Pemberton AC whose leadership, mentoring and industry experience is invaluable.

Further, I also express my immense gratitude to all staff of Racing NSW for their hardworking, professional and conscientious efforts during the year.



Ray Murrphy
General Manager Integrity - Chairman of Stewards

STEWARDS DEPARTMENT

FUNCTIONS

The activities of the Stipendiary Stewards include:

- Ensuring the safe conduct and integrity of racing;
- Ensuring the welfare of the racehorse;
- Officiating at all race meetings and official trials in New South Wales;
- Attending and supervising trackwork;
- Conducting track and stable inspections;
- Administering drug testing operations, including out-of-competition testing;
- Addressing rider, track and horse safety issues;
- Conducting inquiries into race rides and conduct of licensed persons;
- Regulating and investigating wagering activities, and
- Investigating the use of prohibited substances.

PERSONNEL CHANGES

2005/06 generally saw a period of consolidation within the panel. However, in June it was announced that Deputy Chairman of Stewards, Greg Rudolph, who has filled that role for the past four years, was appointed to the position of General Manager, Commercial Operations, within Racing NSW. Also in June, Tim Saladine took up the post of Deputy Chief Steward with the HNWRA at Tamworth, replacing Andrew Ray. Chris Polglase and Tom Moxon, after successfully completing traineeships with the Stewards Department, were appointed as Cadet Stewards on the metropolitan panel.

Senior Steward Pat Hartman, after a career of some 36 years service as a Steward, officially retired during the season.

Underlining the strength of Stewards' training programs, a number of former NSW Stewards won important international and State posts during the past year including, Phillip Dingwall (Hong Kong Jockey Club), Michael Beattie (Chief Steward Macau Jockey Club), Cameron George (Senior Steward New Zealand Thoroughbred Racing), Martin Knibbs (Chief Steward Queensland Harness Racing) and Ian Patterson (General Manager of Racing Administration and Chairman of Stewards Harness Racing Victoria).

This year also saw the important appointment of David Dyson to oversee race judging operations and to accredit and train judges across NSW, a move that will serve to greatly professionalise this most critical area of racing.

STEWARDS' INQUIRIES

During the course of the year, Stewards dealt with a number of breaches of the Rules of Racing which resulted in the imposition of penalties, fines, suspensions and disqualifications. Three hundred breaches of the careless riding rule attracted penalties ranging between two meetings and one month suspensions. Six breaches of AR135(b) which requires a rider to take all reasonable and permissible measures to win or obtain the best possible placing were found, all resulting in a suspension of licence. Also, seven riders were suspended for returning to scale overweight with Stewards taking a strong stance in cases whereby a rider returning overweight may have cost connections a placing in the race. Two persons were warned off as being defaulters in betting and Stewards, in six cases, disqualified patrons for entry onto the racing surface during the course of a race meeting for endangering competitors.

DRUG TESTING

During the season 11,983 swab samples were collected from a total of 54,926 starters in NSW at a ratio of 1 swab from every 4.6 starters. In all, 18 samples were reported as containing prohibited substances.

Three disqualifications and six suspensions were handed down and fines up to \$8,000 issued for breaches of the prohibited substance rules.

Out-of-Competition testing saw 330 samples collected from a wide cross-section of stables. A change of strategy also occurred with urine samples being collected from a number of horses presented to pass a test or to have a ban lifted at official barrier trials. One trainer was disqualified for three months for presenting a horse at trials, when it was found to have a tranquiliser in its system.

This season also saw the introduction of the sampling of non-riding stable employees. A total of 301 licensees were tested with 18 jockeys and trackwork riders plus one stablehand penalised when samples were found to have banned substances detected in them.

New protocols for the custody, storage and transportation of samples were fully implemented during this racing season. Consequently, samples are being received by the Australian Racing Forensic Laboratory in a timelier manner and in the best condition to assist the analysts during the screening process.

In addition, with the introduction of AR80E, Stewards and the Official Veterinarian visited numerous training establishments and scrutinised medications being held on stable premises to ensure compliance with relevant State and Commonwealth legislation.

VISITING OFFICIALS

A number of international officials were hosted by Racing NSW Stewards during the year. In addition, John Zucal, Chairman of Stewards (RWWA) and Dion Villella (RVL), spent time with the panel.

Ray Murrphy, on behalf of Racing NSW, spent time in London assisting the City of London Police in their investigations into race fixing.

TRAINING AND DEVELOPMENT

In addition to continuing modules on the Diploma of Racing Administration, in February, Racing NSW Stewards attended an Administrative Law Seminar at Homebush. This was the first course run which extended to visiting Stewards from other jurisdictions across Australia, including Victoria, Queensland and the ACT. Guest speakers at the conference included Racing NSW Appeal Panel Principal Member, Mr Peter Capelin QC, and topics included procedural fairness, standard of proof, reasons for decisions and provision and gathering of evidence.

Stipendiary Steward Jim Walshe, also continued his association as the panel's liaison officer with apprentice jockeys. This included attendance at a number of block training sessions at the Sydney International Equestrian Centre at Horsley Park where presentations on the Rules of Racing and inquiry processes were delivered to apprentices.

CONFERENCES

Ray Murrphy represented Racing NSW at the National Chairman of Stewards Advisory Group meetings in Melbourne and Perth. He also represented NSW at the Australian Rules of Racing Review Advisory Group meeting in Sydney in June.

Jim Walshe attended and participated in a course in Investigation Techniques for Racing Stewards hosted by Racing Victoria Limited.

The annual Racing NSW Stewards' Conference was held in November at which Stewards were addressed by experts from many fields in racing control, including an address by the Hon. Justice McHugh, a recently retired Judge of the High Court of Australia.

DEVELOPMENTS

A number of developments and initiatives in which the Stewards Department has been closely involved include:

1. National Jockey Safety Review Committee, involving Ray Murrphy, Greg Rudolph and Marc Van Gestel;
2. Introduction of testing of stable employees for the presence of banned substances;
3. Barrier draw audit system development to ensure integrity of barrier draws;
4. Mandatory assessment of competency of trackwork riders seeking to ride on metropolitan and provincial training tracks;
5. Introduction of the regulation of medications permitted in racing stables (AR80E) including inspections of all registered stables to ensure compliance and to educate licensees on appropriate medication husbandry;
6. Development of uniform warning systems for training tracks;

7. Use of microchip scanners and introduction of Thoroughbred Identification Cards in the identification of this year's two-year-old crop;
8. Introduction of a Local Rule of Racing to allow for refund of monies invested by punters on horses scratched after acceptance in feature races;
9. Development of protocols to deal with inquiries into catastrophic injuries and sudden death of horses on the track including the ordering of necropsies;
10. Development of protocols to facilitate verification of eligibility for horses in sales related races;
11. Approval of a new careless riding penalty structure involving grading offences with reductions for mitigating factors, and
12. Betting Intelligence Monitoring Unit - Stewards continue to work towards establishing a betting monitoring unit including examination of monitoring systems in place with the NSW Police Department, Casino Control Authority and International All Sports.

LIAISONS AND CONTACTS

Industry matters continued to be addressed through liaison by Racing NSW Stewards with a number of bodies, including:

- NSW Racehorse Owners Association;
- Keeper of the Stud Book;
- ICC Anti-Corruption Unit;
- Australian Racing Board;
- NSW Jockeys' Association;
- Australian Trainers' Association (NSW Branch);
- NSW Bookmakers' Co-Operative Ltd;
- Australian Equine Veterinary Association;
- RSPCA;
- Racing NSW Integrity Assurance Committee;
- National Equine Integrity & Welfare Advisory Group;
- Combined Racing Codes Committee;
- Licensing Enforcement Agency, and
- Interstate and Overseas Principal Racing Authorities.





Allen Stenhouse
Official Analyst BSc (Hons), MBA

Australian Racing Forensic Laboratory (ARFL)

FUNCTIONS

The ARFL is primarily involved in four integrity functions associated with thoroughbred racing: the production and distribution of sampling kits; the receipt and analysis of samples; research into the detection of doping and quality assurance programs.

SAMPLING KITS

Kits for urine and blood collection are produced, tested and distributed to all racing centres in NSW and other clients around Australia. As a matter of integrity assurance these kits are tracked to ensure spare kits are returned. Non-compliance with sampling protocols is monitored and reported to the Stewards for investigation. An investigation into the time taken to deliver samples and the quality of the samples received at the ARFL revealed that the system needed improvement. Together with the Stewards, a system was designed in July 2005 that saw the introduction of procedures that keep samples chilled until and during transportation, resulting in better sample preservation.

RECEIPT AND ANALYSIS OF SAMPLES

Samples received in the ARFL are logged and tracked using a Laboratory Information Management System. From each sample, many sub-samples are taken and put through various tests for different classes of drugs. Most of the testing is automated and uses expensive sophisticated analytical instruments such as gas or liquid chromatograph mass spectrometers. Nearly 20,000 samples are analysed annually with only a very small percentage containing detectable amounts of prohibited substances (see table 1 for the 2005-2006 results). Analysts from the ARFL are required to give expert testimony at hearings inquiring into the detection of prohibited substances.

Table 1 – Annual animal samples statistics 1st July 2005 to 30th June 2006

	Urine	Blood Samples	TCO2	Prohibited Substances Detected
Metro T'breds NSW	1930	1431	1176	2
Provincial T'breds NSW	1273	313	875	1
Country T'breds NSW	3905	313	767	15
Greyhounds NSW	3082	-	-	55
Harness NSW	1610	48	1848	15
Others	481	409	98	11
TOTAL	12281	2514	4764	99
Out of Competition T'breds	10	320		0
Out of Competition Others	4	34		0
TOTAL	14	354		0

Samples are generally reported within 10 working days of their receipt. Samples requiring additional investigation in order to either clear or confirm a prohibited substance will take longer.

Human urine samples collected from jockeys, track riders and harness racing drivers are tested for banned substance as defined in the Australian Rules of Racing AR 81B and the corresponding Harness Racing Rules. More recently, a Local Rule was introduced to include stablehands.

Table 2 gives the results of this year's testing. Approximately 8% of samples contained banned substances.

Table 2 – Annual human samples statistics 1st July 2005 to 30th June 2006

Human Samples	Urine	Banned Substances Detected
Metropolitan NSW	114	6
Provincial NSW	42	4
Country NSW	145	14
Harness	25	2
Others	32	3
TOTAL	358	29

RESEARCH

Routinely, new substances are investigated and where possible, incorporated into existing screening tests. More complex research is also undertaken and published in peer-reviewed scientific journals. The reason for publishing this research is to have it established as scientific fact and to maintain the reputation of the ARFL. The following papers have been published over the last year:

- McKinney AR, Suann CJ, Stenhouse AM. The detection of modafinil and its major metabolite in equine urine by liquid chromatography/mass spectrometry. *Rapid Commun Mass Spectrom* 2005; 19: 1217-20.
- Hungerford NL, Sortais B, Smart CG, McKinney AR, Ridley DD, Stenhouse AM, Suann CJ, Munn KJ, Sillence MN, McLeod MD. Analysis of anabolic steroids in the horse: development of a generic ELISA for the screening of 17 α -alkyl anabolic steroid metabolites. *J Steroid Biochem Mol Biol* 2005; 96: 317-34.
- McKinney AR, Suann CJ, Stenhouse AM. Detection of 17 α -hydroxyprogesterone caproate in equine plasma by gas-chromatography-tandem mass spectrometry. *Rapid Commun Mass Spectrom* 2006; in press (accepted 5th April 2006).
- McKinney AR, Suann CJ, Stenhouse AM. A stereochemical examination of the equine metabolism of 17 α -methyltestosterone. *Anal Chim Acta* 2006; under review (submitted 17th February 2006).
- Keledjian J, Basgallop NJ, McKinney AR, Stenhouse AM. LC-MS/MS analysis of acidic, neutral and basic drugs in competitive sports urine. Application Note (SGE International Pty Ltd) 2006.

A significant effort has also been put into research which will give veterinarians better information to avoid legitimate treatments being the subject of inquiries. A lot of the above mentioned research was done in collaboration with Sydney University, Charles Sturt University and the Australian Sports Drug Testing Laboratory with grants from the World Anti-Doping Agency (WADA), Rural Industries Research and Development Corporation (RIRDC) and the Australian Federal Government.

QUALITY ASSURANCE

The following measures have been implemented to reduce false negatives (prohibited substances missed in samples):

- Over the last year software has been employed to double check results from mass spectrometers;
- Samples spiked with drugs are introduced into the screening procedure (without the analysts knowing) to see if they are detected. All spikes have been detected;



- 40 randomly selected negative samples are sent to another racing laboratory in the Asian region every quarter for re-screening. No prohibited substances have been detected;
- The Laboratory participates in International Inter-laboratory Testing Programs (IITP). Once per quarter samples containing drugs are sent to the Laboratory from Britain and the USA. All drugs have been detected and correctly identified, and
- Once a year the Laboratory participates in a proficiency test (8 samples) run by the Association of Official Racing Chemists (AORC). The ARFL scored 100%.
- The ARFL holds an international accreditation ISO 17025. External auditing for re-accreditation occurs every two years – the next is due later this year.

ADDITIONAL INVESTIGATIONS

This year saw the close of a two-year contract with the National Residue Survey which required analysing bovine and ovine urine for anabolic steroid residues. Over 1,000 samples were analysed in this two-year period. The purpose of this work is to assure overseas clients that our meat exports are free of anabolic residues.

The ARFL is one of five referee laboratories in the world for the Federation Equestre Internationale (FEI). Apart from analysing samples from equestrian events in Australia, samples from major

events in South East Asia are sent to ARFL. Samples from the World Cup events in Malaysia were analysed in ARFL.

The Royal Easter Show in Sydney now carries out extensive drug testing of animals competing in the various events staged at the Show. Again the ARFL also analyses these samples. In addition to these clients, organisations that use ARFL's services on a regular basis include:

Australian Appaloosa Association Ltd, The Arabian Horse Society of Australia, Alice Springs Turf Club, Australian Quarter Horse Association, Australian Stock Horse Society Ltd, Royal Bathurst Show, Berrima Horse Trials Inc, Boer Goat Breeders' Association, Canberra Racing Club, Central Northern Group of Show Societies, Dressage NSW Inc, Darwin Turf Club, Hunter Valley Quarter Horse Association, Instone Air Services Pty Ltd, International Road Transport Melbourne, Australian Limousin Breeders' Society Ltd, National Cutting Horse Association, National Hack Council, New England & North West Hack Association, NSW Arabian Horse Association, NSW Showjumping Council, Northern Territory Quarter Horse Association, New Zealand Bloodstock Limited, Paint Horse Association of Australia, Royal Canberra Show and The Riding Pony Stud Book Society Inc.

RACING NSW ADVISORY COMMITTEES

THE INTEGRITY ASSURANCE COMMITTEE (IAC)

The IAC has primary oversight of those aspects of the Board's functions that relate to Stewards, drug testing and control, licensing, handicapping and horse racing appeals.

The IAC Members are:

Mr M.G. Cummings - Chairman

Mr A.K. Davidson, AM MBE

The Hon J.C.J. Matthews

The *Thoroughbred Racing Act 1996* (NSW) does not prescribe the manner in which the IAC is to perform its role, nor confer upon the IAC any function other than to advise Racing NSW on the matters for which it has primary oversight.

The current procedures relevant to the functioning of the IAC are as follows:

- Reports to the monthly Board meeting of Racing NSW from the laboratory, veterinary, registration, licensing and stewards are circulated to the members of the IAC;
- Members of the IAC, by invitation, attend each meeting of the Licensing Committee, and
- Annually, and independent of the monthly reports to the Board, the IAC calls for integrity reports and interviews from representatives of the ARFL, Veterinary, Handicapping, Licensing, Registration and the Stewards Department.

The IAC reports to the Board after the review.

RACING INDUSTRY PARTICIPANTS ADVISORY COMMITTEE (RIPAC)

RIPAC was established under the *Thoroughbred Racing Act 1996* (NSW) as the vehicle by which industry representation is made to Racing NSW.

Members of RIPAC are as follows:

Mr Les Young (Chairman) - Nominated by the NSW Breeding Industry

Mr Paul Innes (Deputy Chairman) - Nominated by NSW Jockeys

Mr Ron Leemon - Nominated by NSW Licensed Trainers

Mr Ray McDowell - Nominated by NSW Racehorse Owners (Replaced Mr John Leslie on 21 March 2006)

Mr Matt Thistlethwaite - Nominated by the Labor Council of NSW to represent stablehands and race club employees

Dr Jack Ashman - Nominated by the NSW Bookmakers' Co-Operative to represent licensed bookmakers and bookmakers' clerks.

The position of Consumer Representative is vacant.

RIPAC met on nine occasions during the year.

In addition and as required under the Act, RIPAC held two conjoint meetings with the Board of Racing NSW. At those meetings RIPAC conveyed a number of recommendations to the Board.

Although RIPAC is an advisory body, its members and the Racing NSW Board acknowledge that it serves a useful purpose as a forum for the participant groups in NSW racing and enables the individual groups to know the viewpoints and perspectives of other groups leading to a greater understanding of mutual positions and concerns.



Dr Craig Suann
Senior Official Veterinarian

ROLES OF THE RACING NSW VETERINARY DEPARTMENT

The Racing NSW Veterinary Department:

- Provides and supervises veterinary services at metropolitan and provincial racetracks and supervises veterinary services provided by local practitioners at NSW country tracks;
- Monitors the collection of urine and blood samples from horses competing at metropolitan and provincial tracks;
- Provides advice to the Board and industry on veterinary and equine welfare issues and on matters relating to prohibited substances and their detection;
- Assists the ARFL in developing drug detection methods through the conduct of drug administration trials;
- Represents Racing NSW on national and international groups and committees deliberating on veterinary, equine welfare and drug control policy matters;
- Provides expert evidence to Stewards and at Appeals and other hearings for all three racing codes in NSW, and
- Safeguards the overall health and welfare of horses involved in thoroughbred racing in NSW.

KEY ACHIEVEMENTS

In the past year the Veterinary Department:

- Updated guidelines for official veterinarians attending race meetings in NSW, as well as procedures for blood sample collection as part of the Racing NSW drug control program;
- Continued the roll-out of the approval process for veterinarians attending country race meetings to include those attending non-TAB meetings;
- Participated in a review of sample storage and transportation procedures between racetracks State-wide and the Laboratory, to ensure the secure delivery of samples in an optimum condition and in a timely manner;
- Implemented new procedures for facilitating post-mortem examination of horses and introduced procedures for the post-mortem collection of urine samples for forensic analysis;
- Continued to conduct drug administration trials for the ARFL, and managed the operations of Racing NSW's Animal Care and Ethics Committee which supervises and monitors the health and welfare of the research horse herd;
- Assisted the Stewards in monitoring ambient conditions during hot weather to better manage the welfare of horses racing during the summer months;

- Chaired the Australian Racing Board's National Equine Integrity & Welfare Advisory Group (NEIWAG) which during the year developed new approaches to dealing with the analysis and reporting of therapeutic substances, facilitated new research into drug detection, and examined new strategies to better manage health, welfare and emergency diseases in thoroughbred racehorses;
- Attended training for the Consultative Committee for Emergency Animal Disease (CCEAD) organised by Animal Health Australia in Canberra, paving the way for involvement on any relevant CCEAD in the event of an outbreak of a major horse disease;
- Participated in "Exercise Pegasus", a simulation exercise dealing with a hypothetical, staged outbreak of equine influenza in Victoria and which also impacted on NSW. If an outbreak of equine influenza was to occur in NSW, and spread in an uncontrolled manner, overseas experience indicates that racing would most likely shut down for at least three months. This would have a major economic impact on the racing industry, and also on the State more generally, and
- Dr Craig Suann was one of the two veterinarians worldwide appointed to attend the annual meeting of the Scientific Advisory Council of the International Federation of Horseracing Authorities in Paris.

ANIMAL CARE AND ETHICS COMMITTEE (ACEC)

The Racing NSW ACEC was established according to the requirements of the *Animal Research Act 1985* (NSW) to monitor and supervise the team of research horses used for drug administration trials conducted as part of the research and development program of the ARFL. The Committee is chaired by Racing NSW Chief Executive, Mr Peter V'landys, and its external members are Mr Tony Gregory (Category C member), Mr John Muir (Category D member) and Ms Adrienne Clark (horse carer). The Category A member is Dr Craig Suann and the Category B member is ARFL Official Analyst, Mr Allen Stenhouse.

The ACEC approved four research proposals during the reporting period. The proposals were for a range of drug administration trials that assisted the ARFL in improving its drug testing capabilities.





James Murphy
General Manager - Commercial

RACING NSW - BREEDER OWNER BONUS SCHEME (BOBS)

BOBS is administered by a Management Committee that advises the Board of Racing NSW as to the operations of BOBS. The BOBS Management Committee consists of:

Mr Bob Lapointe (Chairman)	Racing NSW Board Member
Mr Don Hopkins	Racing NSW Board Member
Mr Brian Reardon	Racing NSW Board Member
Mr Stan Hayes	Racing NSW Country
Mr John Messara	Aushorse
Mr Michael Ryan	Thoroughbred Breeders NSW
Mr Antony Thompson	Aushorse
Mr Stephen van Eyk	NSW Racehorse Owners Association
Mr Les Young	RIPAC
Mr Peter V'landys	Chief Executive, Racing NSW
Mr Jim Murphy	Gen. Mgr Commercial, Racing NSW

The Committee meets regularly to monitor BOBS and to make recommendations to the Board of Racing NSW to enhance the Scheme.

IMPORTANT ENHANCEMENTS TO BOBS

The following significant enhancements were made to BOBS during the year:

- Bonuses were extended to non-TAB and Picnic meetings. Whilst the bonus (\$1,250) is less than other races, it has nevertheless been welcomed in country regions;
- Given the predominance of syndication in the industry, and the popularity of the "Double-Up" option in BOBS, individuals in a syndicate can either take cash or "Double-Up";
- Bonuses are now allocated on the value of prizemoney in a race rather than on geographical location. Any race, including provincial and country, which offers the equivalent of metropolitan prizemoney will attract a metropolitan bonus, and
- BOBS "Double-Up Credits" may now be used as follows:
 - To purchase eligible horses at "Ready to Run" public auction sales conducted by participating bloodstock sales companies;
 - To purchase shares in registered syndicates offered by Promoters and Authorised Representatives licensed by ASIC and approved by Racing NSW;
 - To purchase horses at Dispersal Auction Sales conducted by participating bloodstock sales companies;
 - To purchase any BOBS-eligible yearling sold by public auctions conducted by participating bloodstock sales companies.

In all cases where a BOBS "Double-Up Credit" is used, the horse which is purchased must be (a) BOBS eligible, (b) unraced, (c) purchased at auction and (d) the person to whom the "Double-Up" was issued must appear in the registered ownership of the horse which is purchased.

FINANCIAL HIGHLIGHTS OF THE SEASON

- BOBS distributed \$4,935,000 in cash bonuses last season - an increase of \$295,000 (6.3%) on last year's total of \$4,640,000;
- There were 736 bonuses won during the season, an increase of 51 (7.4%) on the previous year's total of 685;
- Of those bonuses, 124 (16.8%) were won by two-year-olds;
- In addition, "Double-Ups" of \$1,639,506 were claimed by owners, making an extra \$457,556 available to owners to purchase horses;
- The total benefit accrued by owners through BOBS last season was \$5,392,556;
- Since their introduction in January 2005, BOBS "Double Up" bonuses have now reached \$2,377,056;
- Since that time, 274 individuals have elected to "Double-Up" their bonuses and 98 vouchers worth \$1,516,022 have been used in the purchase of horses to the value of \$5,162,696;
- Overall take-up rate for "Double-Ups" since their inception is 22.5%, and last season the rate was 26.8%, demonstrating the increasing popularity of this innovation;
- Bloodstock auction companies are reporting that purchasers are now demonstrating a distinct preference for BOBS yearlings, and this is meaningful for the studs which have supported BOBS;
- BOBS is poised to expand significantly in the next few years as the impact of the generous support of the major NSW breeders is felt, by way of example, the number of stallions nominated for each series is as follows:
 - 2005 94 stallions
 - 2006 109 stallions
 - 2007 149 stallions
 - 2008 163 stallions
 - 2009 158 stallions
- These nominated stallions will increase the number of progeny eligible for bonuses in coming years, ensuring the future of the scheme.

BOBS 2005/06 RACING SEASON – FINANCIAL REPORT TO 30 JUNE 2006

	2005/06 (Racing)
Balance brought forward ¹	\$2,404,469
- Income	
Stallion Nominations	1,613,537
Racehorse Nominations	1,201,200
Racing NSW Contribution	3,000,000
Interest ²	221,783
Total Income - YTD	\$6,036,520
- Expenses	
BOBS Bonuses (Cash)	3,606,600
BOBS Bonuses (BOBS Buyer) ³	1,452,800
BOBS Expenses ⁴	90,156
Total Expenses — YTD	\$5,149,556
Series Surplus - YTD	\$886,964
Surplus carried forward	\$3,291,433

¹ Excludes stallion nominations for 2007, 2008 credited to the Scheme
² Interest on all BOBS funds held
³ Includes amounts elected to be taken as BOBS Buyer credits but not yet settled
⁴ Includes all BOBS expenses during this period

Cash flows have been developed until the 2010/2011 season and demonstrate the assured viability of BOBS.

COMMERCIAL (cont.)

SIRE PERFORMANCES

Sires whose progeny earned more than \$100,000 in BOBS cash bonuses during the season:

Rating	Sire	Stud	Bonuses	Amount
1	COMMANDS	Woodlands	52	\$455,000
2	ARENA	Lomar Park	25	\$236,250
3	CANNY LAD	Woodlands	31	\$225,000
4	REDOUTE'S CHOICE	Arrowfield	23	\$220,000
5	CATBIRD	Yarraman Park	26	\$190,000
6	STRATEGIC	Woodlands	33	\$192,500
7	BEAUTIFUL CROWN	Alanbridge	30	\$191,250
8	SECRET SAVINGS	Emirates	28	\$161,250
9	LANGFUHR	Vinery	22	\$151,250
10	OCTAGONAL	Woodlands	16	\$150,000
11	FASLIYEV	Coolmore	24	\$147,500
12	GRAND LODGE	Woodlands	17	\$135,000
13	MORE THAN READY	Vinery	17	\$130,000
14	OVER	Woodlands	18	\$130,000
15	QUEST FOR FAME	Woodlands	13	\$121,250
16	ENCOSTA DE LAGO	Coolmore	14	\$115,000
17	ORPEN	Coolmore	17	\$105,000
18	NUCLEAR FREEZE	Inverness	14	\$101,250
19	SHOVHOG	Widden	12	\$101,250

NSW TRAINERS OF MORE THAN 10 BOBS CASH BONUS WINNERS

Trainer	Location	Bonuses	Amount
Hawkes, J	Metropolitan	53	\$580,000
Waterhouse, Ms G	Metropolitan	28	\$190,000
Rogerson, G	Metropolitan	24	\$150,000
Godbolt, N	Mid North Coast	18	\$78,750
Markwell, Ms G	Provincial	15	\$80,000
Hickman, G	Metropolitan	14	\$130,000
Lees, K	Hunter & North West	14	\$120,000
Dale, M	South East	14	\$90,000
Perry, P	Hunter & North West	14	\$75,000
Portelli, G	Metropolitan	13	\$105,000
Simpson, R	Metropolitan	12	\$65,000
Walter, G	Metropolitan	11	\$115,000
Curtis, L	Metropolitan	11	\$65,000
Denham, J	Metropolitan	11	\$110,000

In addition to the above:

- 34 Trainers trained 3 BOBS Bonus winners
- 9 Trainers trained 4 BOBS Bonus winners
- 8 Trainers trained 5 BOBS Bonus winners
- 9 Trainers trained 6 BOBS Bonus winners
- 4 Trainers trained 7 BOBS Bonus winners
- 6 Trainers trained 8 BOBS Bonus winners
- 3 Trainers trained 9 BOBS Bonus winners

OWNERS WHO WON 6 OR MORE BOBS CASH BONUSES DURING THE SEASON

OWNER(S)	No.	VALUE
Woodlands Stud Syndicate	37	\$420,000
Mayfarm Lodge Racing	12	\$65,000
Moraitis, N	10	\$90,000
Godbolt, R; McKeand, G.	8	\$36,250
Dorricott, B; Dorricott, Mrs R; Cruwys, R; Cruwys, Mrs C.	6	\$75,000
His Excellency Nasser Abdullah Hussain Lootah	6	\$40,000

In addition to the above:

- 10 Owners or Syndicates won 5 BOBS Bonuses
- 11 Owners or Syndicates won 4 BOBS Bonuses
- 31 Owners or Syndicates won 3 BOBS Bonuses

HORSES WHICH WON 4 OR MORE BOBS CASH BONUSES DURING THE SEASON

Horse	Number	Value
NATURAL DESTINY	6	\$75,000
FUTURE FUNDS	5	\$17,500
IMPATIENT STAR	4	\$70,000
POSADAS	4	\$50,000
THE JACKAL	4	\$50,000
BOBADAH	4	\$40,000
RIGHTSON	4	\$30,000
THE FREE STATER	4	\$30,000
STRATEGIST	4	\$25,000

In addition to the above:

- 49 individual horses won 3 BOBS Bonuses each and
- 106 individual horses won 2 BOBS Bonuses each

MOST SUCCESSFUL TRACKS BY NUMBER OF BONUSES WON AT A TRACK

	Number	Value
METROPOLITAN		
1 Canterbury Park	50	\$510,000
2 Rosehill Gardens	32	\$600,000
3 Warwick Farm	34	\$390,000
4 Royal Randwick	27	\$480,000
5 Randwick Kensington	21	\$230,000
PROVINCIAL		
1 Kembla Grange	49	\$245,000
2 Broadmeadow	43	\$215,000
3 Wyong	35	\$175,000
4 Gosford	28	\$140,000
5 Hawkesbury	27	\$135,000
COUNTRY		
1 Muswellbrook	32	\$160,000
2 Port Macquarie	28	\$128,750
3 Taree	25	\$117,500
4 Tamworth	24	\$108,750
5= Grafton	21	\$105,000
5= Wagga	21	\$105,000
7 Goulburn	19	\$95,000
8 Queanbeyan	18	\$90,000
9 Nowra	17	\$85,000
10= Cessnock	12	\$60,000
10= Coffs Harbour	12	\$52,500
10= Scone	12	\$56,250

NSW TRAINERS' CO-OPERATIVE (THOROUGHBRED TRAINERS' SERVICE CENTRE - TTSC)

The Trainers' Co-operative was established by Racing NSW to assist licensed NSW trainers to:

- Improve their financial returns;
- Deliver quality service to their owners;
- Relieve trainers from the pressure of financial management, and
- Enable trainers to concentrate on their core activity.

The first six months has seen a slow and steady growth in membership coupled with great interest from trainers that hopefully will convert into membership in the future.

Membership has been drawn from not only the metropolitan areas but regional areas such as Ballina plus interest from areas such as Cowra and Scone.

The trainers who have joined appear to be well satisfied with the service provided and the difference that it has made to their business.

In addition the owners are certainly taking advantage of the variety of options available in paying their accounts. That is not to say that there are still not some debtors who delay payment but on the whole collections are well in advance of normal. This also reflects that there has been no need for any trainer "top-up" contributions so far.

The suppliers are also now aware of the change and relationships between suppliers and the TTSC have and are being established which is giving the suppliers confidence that they will be paid within terms. The tasks ahead over the next 12 months are:

1. To convert interest to membership and overcome a natural reluctance of trainers to place their financial affairs in the hands of a third party (the gradual increase in numbers shows that this is being overcome);
2. Accessing the trainers in the provincial areas which we believe can provide a large base of potential membership because what the TTSC offers is perfect for trainers in these areas but we need to get to them and an easier way has to be found apart from ringing every trainer individually;
3. Introducing trainers' access to the TTSC Racehorse Syndication Service functionality and enhancing their relationship with the TTSC will take time but will continue to grow.

OWNERSHIP

Racing NSW continues to recognise the important role played by owners in the Racing Industry. Through their nominees on the Board and on RIPAC, the owners mount a compelling case for the recognition of their contribution to the industry.

Racing NSW assists in the sponsorship of the NSW Racehorse Owners Association's "Racing's Night of Champions" at Royal Randwick, and presents the Tommy Smith, Theo Green and George Moore Awards at that function.

The initiatives announced at the beginning of the season have stimulated ownership, and this, combined with the increasing impact of BOBS, has made NSW a more attractive place to race horses.

The following initiatives have proven popular:

- Appearance fees;
- Standardised owner benefits;
- Placed rider payments, and
- The Racehorse Leasing Forum.

Additional initiatives which are at an advanced stage include:

- A standardised owner-trainer agreement, and
- A mechanism for dispute resolution between industry participants.

Racing NSW has consulted widely with industry participants on the above issues.

Racing NSW constantly monitors prizemoney levels, and is conscious of the importance of maintaining these at the highest affordable levels.

New South Wales is fortunate to have an enthusiastic and successful group of Racehorse Syndicators registered in the State. Recent ASIC legislation, intended to ensure a fair treatment of persons joining in racehorse ownership through syndication, has been embraced by Racing NSW syndicators.

The relatively few disputes in this area is testament to their professionalism.

There are 10 registered NSW promoters who have the full ASIC Dealer's Licence, whilst another 15 are Authorised Representatives of Promoters.

BOBS's conditions have been amended to allow syndicate members great flexibility in the way they are able to use their cash and "Double-Up" bonuses.





Brian Judd
General Manager - Industry

INDICATORS

During the year Racing NSW distributed \$138.5M to NSW race clubs. The infrastructure to distribute those funds to participants consisted of the conduct of 5,651 races over 792 race meetings to cater for 82,444 nominations.

REVENUE DISTRIBUTION

TAB distributions to race clubs remained static as a result of the depressed wagering environment. The negative effect on revenue of the split screen broadcasting arrangements, was partially offset by an injection of funds by Racing NSW to sustain 2004/05 levels.

Sector	2005/06	2004/05	2003/04
Metropolitan	\$76.8m	\$77.6m	\$76.0m
Provincial	\$23.9m	\$24.2m	\$23.6m
Country	\$37.8m	\$38.1m	\$36.8m
TOTAL	\$138.5M	\$139.9M	\$136.4M

PRIZEMONEY DISTRIBUTION

Although wagering revenue remained relatively static, race clubs were able to continue the marginal increases in prizemoney over the last three years. These figures need to be assessed in conjunction with the additional benefits to owners in the form of Appearance Fees (\$6.6million), BOBS payments (\$5.7m) and jockeys fees, transport and farrier rebates that are paid by clubs.

	2005/06	2004/05	2003/04
Metropolitan	\$64.1m	\$62.1m	\$60.6m
Provincial	\$13.8m	\$13.5m	\$13.5m
Country	\$24.8m	\$23.8m	\$21.6m
Picnic	\$0.3m	\$0.4m	\$0.4m
TOTAL	\$103.0M	\$99.8M	\$96.1M

APPEARANCE FEES

	2005/06	2004/05	2003/04
Metropolitan	\$0.9m	\$0.8m	\$0
Provincial	\$1.2m	\$1.2m	\$0
Country	\$4.4m	\$4.0m	\$0
TOTAL	\$6.6M	\$6.0M	\$0

BOBS PAYMENTS

	2005/06	2004/05	2003/04
Metropolitan	\$2.6m	\$2.1m	\$2.0m
Provincial	\$1.1m	\$0.8m	\$2.0m
Country	\$2.0m	\$1.8m	\$1.1m
TOTAL	\$5.7M	\$4.7M	\$4.1M

RACES/STARTERS

Metropolitan clubs conducted fewer races in 2005/06 and managed to increase the number of starters, whereas country, increased the total number of races mainly by converting non-TAB meetings to TAB meetings. Provincial clubs experienced a lowering in both the number of races and starters.

RACES	2005/06	2004/05	2003/04
Metropolitan	955	962	951
Provincial	989	1,002	1,046
Country TAB	2,402	2,330	2,192
Country Saturday TAB	348	59	0
Country Non-TAB	813	1,098	1,295
Picnic	144	157	152
TOTAL	5,651	5,608	5,636

The number of starters across the State increased by 692 from 54,234 to 54,926.

STARTERS	2005/06	2004/05	2003/04
Metropolitan	9,501	9,183	9,840
Provincial	9,715	10,129	10,893
Country TAB	25,341	24,740	22,718
Country Saturday TAB	3,167	599	0
Country Non-TAB	6,395	8,665	10,263
Picnic	807	918	876
TOTAL	54,926	54,234	54,590

Statewide	54,926 (up from 54,234 in 2004/05)
Metropolitan	9,501 (up from 9,183)
Provincial	9,715 (down from 10,129)
Country TAB	28,508 (up from 25,339)
Country Non-TAB	6,395 (down from 8,665)
Picnic	807 (down from 918)

On a State-wide basis the number of starters per race remained consistent with 2004/05 at 9.7 starters per race.

Average starters in the metropolitan sector showed an increase to 9.9 from 9.5 the previous year; the provincial sector average of 9.8 was down from 10.1 and an average of 10.5 for the country TAB sector, showed a slight decrease from 10.6 in 2004/05 although an additional 50 TAB meetings were held throughout the year, and overall the number of country starters increased from 34,922 to 35,710.

State-wide	9.7 (consistent with last year)
Metropolitan	9.9 (up from 9.5)
Provincial	9.8 (down from 10.1)
Country TAB	10.5 (down from 10.6)
Country Saturday TAB	9.1 (down from 10.2)
Country Non-TAB	7.9 (consistent with last year)
Picnic	5.6 (down from 5.8)

RACE MEETINGS

A total of 792 race meetings were held across the State during the 2005/06 season, a decrease of one meeting from 793 in 2004/2005.

The combined number of race meetings across the metropolitan/provincial sectors remained relatively static at 249 meetings compared to 250 in 2003/04 and 246 in 2004/05.

The number of TAB meetings held by the country sector in 2005/06 increased by 49 meetings as Saturday non-TAB meetings were converted to TAB meetings to fill the void left on Sky Channel by the split vision arrangements. This resulted in the number of non-TAB meetings across the country sector falling to 154 from 206 in 2004/05.



	2005/2006	2004/2005	2003/2004
Metropolitan	123	122	123
Provincial	126	124	127
Country TAB	315	306	287
Country Saturday TAB	49	8	0
Country Non-TAB	154	206	243
Picnic	25	27	256
TOTAL	792	793	806

WAGERING

TAB investments on NSW Thoroughbred events increased from \$1.111m to \$1.119m in 2005/06. Of the 2005/06 figure, metropolitan racing contributed 49% (50%), provincial 20% (20%) and country 31% (30%).

Sector	2005/2006	2004/2005	2003/2004
Metropolitan	\$553m	\$557m	\$576m
Provincial	\$220m	\$225m	\$229m
Country	\$346m	\$329m	\$301m
TOTAL	\$1,119M	\$1,111M	\$1,106M

Competition from alternative wagering operations continued to erode the turnover of on-course bookmakers from \$579m to \$502m in 2005/06.

Sector	2005/2006	2004/2005	2003/2004
Metropolitan	\$406m	\$465m	\$480m
Provincial	\$55m	\$68m	\$66m
Country	\$41m	\$46m	\$48m
TOTAL	\$502M	\$579M	\$594M

INFLUENCES

ALTERNATIVE WAGERING

The licensing of betting exchanges by the Tasmanian Government adds a further tier of wagering operators in Australia. This alternative form of wagering will have an influence not only on the revenue received from wagering by the Industry, but it also has the potential to vary administrators' views on what constitutes an attractive wagering proposition.

To date statistics have shown that investments on Betfair increase with smaller fields and shorter-priced favourites, unlike traditional win and place wagering alternatives.

In conjunction with interstate corporate bookmakers, betting exchanges also shift the wagering focus away from on-course bookmakers and State TAB operations. Internet and new media technology will continue this trend – a situation that NSW racing administrators need to accommodate and which Racing NSW is addressing.

BROADCASTING

Unfortunately race broadcasting, which should be the vehicle by which the racing product is promoted, had the reverse effect on thoroughbred racing during the year. The rejection of the split-screen arrangements by customers stalled the momentum the Industry was building and undermined the revenue base from wagering.

Fringe issues of broadcast content, availability in regional areas, the rollout of the TVN service and the poor presentation in licensed premises all contributed to a less than satisfactory situation.

RATINGS-BASED HANDICAPPING/PROGRAMMING

During the year the final stages of the project to introduce Ratings Based Handicapping and Programming were completed. This involved (public) access to ratings for all NSW horses on the Racing NSW website. The system will deliver efficiencies in the handicapping area and also increase the transparency in the handicapping process. It is expected that Ratings-Based Programming will commence in December 2006.

TRAINING FACILITIES

The demand for improved training facilities continues.

Of the provincial clubs, Gosford and Wyong race clubs both commenced work on all-weather tracks during 2005/2006. Gosford in the form of a new Pro-Track® commissioned in November 2005, and Wyong Race Club with a new Visco-Ride® track just completed.

Both of these surfaces contain polymer-based binders and as such, require no irrigation. They complement the Pro-Track® previously installed at Newcastle (Broadmeadow) and as such, three of the provincial racecourses now offer true all-weather training surfaces.

The STC at Rosehill and the Hawkesbury Race Club are both finalising plans for a similar installation.

The Country Racecourse Development Fund approved of financial assistance towards the construction of a new Stalok® all weather training track plus strategic re-alignment of the course proper and "B" grass surface at Clarence River Jockey Club.

This follows the installation of similar all weather tracks at Coffs Harbour and Dubbo.

TRAINED STARTERS

	2005/06
Metropolitan	\$11,857
Provincial	\$9,389
Country	\$31,604
TOTAL	\$52,850

TRENDS

METROPOLITAN RACING

During 2005/06, 123 metropolitan meetings were conducted, one more than the previous year. The total number of starters increased from 9183 to 9501 resulting in the average field size increasing from 9.5 to 9.9. Seven less races were staged for the season and pleasingly the instances of races with less than eight starters (each-way betting) reduced from 20.5% to 15.8%. Encouragingly, the average number of starters at Saturday metropolitan meetings increased from 9.7 to 10.3 and wagering turnover on Saturday meetings responded accordingly, increasing from \$388m to \$394m.

Overall however, wagering turnover decreased by \$4m, which was attributable to the split-screen arrangements that persisted for the majority of the year. Interestingly, racing trends for the year followed previous years with the average number of starters during the October to March period (9.5) being down on the remainder of the year (10.4) – a trend that needs to be corrected through the allocation of race dates and race programming. However, this is not an easy task as the metropolitan carnivals in Spring and Autumn and the Melbourne Cup to Christmas period all create a demand in their own right.

This was the first full year of the current race programming policy and whilst the indicators for Saturday racing are encouraging, there is still work to be done to fine tune midweek racing, which involves both metropolitan and provincial race clubs.

The four individual metropolitan racecourses produced the following results, highlighted by the strong performance of Rosehill meetings, which averaged 10.5 starters overall. Disappointingly, the regular midweek venue Canterbury only averaged 9.2 starters per race for the year, which contributed to the overall average not reaching 10 starters per race.

Track	Meetings	Races	Starters	Average	Turnover	Prizemoney
Randwick	31	257	2574	10.02	207.9m	26.56m
Rosehill	28	235	2478	10.54	202.0m	24.85m
Canterbury	36	256	2360	9.22	70.6m	6.37m
Warwick Farm	19	141	1430	10.14	53.1m	4.71m
Kensington	9	66	659	9.98	19.3m	1.57m
TOTAL	123	955	9501	9.95	552.9M	64.06M

INDUSTRY (cont.)

Metropolitan	Races	Starters	Average
Maidens	7	62	8.9
2yo	96	919	9.6
3yo	245	2332	9.5
Class 3	158	1653	10.5
Class 4	1	10	10.0
Class 6	132	1335	10.1
F/M	141	1366	9.7
Open	175	1824	10.4
TOTAL	955	9,501	9.9

In terms of performances, the year was highlighted by Darren Beadman's continuing success in riding 152 winners and John Hawkes dominating the season by training 133 winners.

	Name	Wins
Leading Jockey	Darren Beadman	152
Leading Apprentice	Tim Clark	33
Leading Trainer	John Hawkes	133
Leading Horse (by wins)	Paratroopers	6

PROVINCIAL RACING

The number of race meetings in the provincial area increased from 124 to 126 in 2005/06. Similar to the metropolitan clubs, Saturday meetings conducted by the Newcastle and Illawarra clubs showed improvement, with wagering turnover increasing from \$86m to \$95m and the average number of starters increasing to 10.5 per race. Overall however, in the provincial area, the average number of starters decreased to 9.8 with turnover down from \$225m to \$220m.

Close monitoring of the provincial racing trends is now required to stabilise the movement of horses between the metropolitan and provincial sectors to ensure that current programming policies are to the benefit of both sectors.

The five provincial clubs produced the following results, highlighted by the performance of Newcastle meetings, which averaged 10.2 starters per race and above the average of 9.8.

Track	Meetings	Races	Starters	Average	Turnover	Prizemoney
Gosford	21	161	1,470	9.13	33.9m	2.3m
Hawkesbury	22	175	1,712	9.78	40.3m	2.8m
Illawarra	30	233	2,317	9.94	51.0m	2.7m
Newcastle	31	244	2,493	10.22	58.2m	3.2m
Wyong	22	176	1,723	9.79	36.6m	2.6m
TOTAL	126	989	9,715	9.82	220.0M	13.6M

Provincial	Races	Starters	Average
Maidens	405	4,245	10.5
2yo	75	768	10.2
Class 1	203	1,922	9.5
Class 2	131	1,265	9.7
Class 3	34	314	9.2
Class 4	24	202	8.4
Class 5	24	175	7.3
Class 6	17	125	7.4
Open	76	699	9.2
TOTAL	989	9,715	9.8

	Name	Wins
Leading Jockey	Allan Robinson	62
Leading Apprentice	Kathy O'Hara	31.5
Leading Trainer	Gai Waterhouse	89
Leading Horse (by wins)	Where's Dad's Cash	4

The provincial year was highlighted by the inaugural Hawkesbury stand-alone Saturday meeting which attracted 96 starters; 17 more than the corresponding metropolitan meeting in 2005. Additionally, it produced \$6.4m in TAB turnover, which was commensurate with the metropolitan meeting the previous year.

COUNTRY RACING

Although the split vision arrangements during 2005/06 impacted on most sections of the industry, perhaps the country sector endured the most complex set of circumstances. Interest levels in country areas dropped with disrupted coverage on Austar; the downturn in turnover resulted in a depleted revenue base to fund country racing and there was the added responsibility of establishing an attractive Saturday afternoon TAB product.

During 2005/06, 49 Saturday TAB meetings were conducted with an average field size of 9.1 compared to the average for other TAB meetings of 10.5. The combination of the Saturday meetings with the increased number of regular TAB country meetings to 315 generally offset the drop in metropolitan and provincial turnover.

The above movements also reduced the number of Community meetings from 206 in 2004/05 to 154 in 2005/06.

TAB-Country	Meetings	Races	Starters	Average	Turnover	Prizemoney
A1 Category	285	2,160	22,328	10.34	281.8m	17.1m
A2 Category	78	582	6,095	10.47	62.8m	4.1m
B Category	1	8	85	10.63	1.6m	0.2m
TOTAL	364	2,750	28,508	10.36	346.2M	21.4M

Non TAB-Country	Meetings	Races	Starters	Average	Turnover	Prizemoney
A1 Category	48	246	1,861	7.57	0	1.0m
A2 Category	65	333	2,719	8.17	0	1.3m
B Category	41	234	1,815	7.76	0	1.1m
TOTAL	154	813	6,395	7.86	0	3.4M

Country	Races	Starters	Average
Maidens	1,250	13,068	10.5
2yo	73	680	9.3
Class 1	601	6,239	10.4
Class 2	442	4,439	10.0
Class 3	261	2,392	9.2
Class 4	183	1,674	9.1
Class 5	109	872	8.0
Class 6	138	1,085	7.9
Open	506	4,454	8.8
TOTAL	3,563	34,903	9.8

	Name	Wins
Leading Jockey	Greg Ryan	197.5
Leading Apprentice	Luke Morgan	67
Leading Trainer	Neil Godbolt	53
Leading Horse (by country wins)	Star Of Universe	8

NSW BLACK TYPE RACING

NSW-trained horses again produced exceptional performances in Black Type races in NSW and around Australia throughout the 2005/06 season.

Thirty one of the sixty-six Group One races run in Australia were won by NSW-trained horses (47%). The leading NSW Group One winning trainer for the year was Warwick Farm mentor John Hawkes, who trained seven Group One winners. Included in this seven were dual winners Rillings (Metropolitan and Caulfield Cup) and Mnemosyne (Thousand Guineas and Queen of the Turf), whilst individual winners Paratroopers (All-Aged), Headturner (AJC Derby) and Mentality (Champagne) completed a 'magnificent seven'.

Champion Randwick trainer Gai Waterhouse again had a stellar season, leading in five Group One winners, including dual winner Desert War (Epsom and Chipping Norton) and individual winners Lotteria (Myer Stakes), Fashions Afield (Flight Stakes) and Mr Celebrity (George Main).



Seven horses won two Group One races for the season, with arguably the stand-out performance coming from the Alan Denham-trained Eremein. After an outstanding 3YO season, Eremein missed the spring but was dominant during the Sydney Autumn Carnival, winning both the Ranvet and The BMW Classic after narrowly missing making it three Group One's in the Chipping Norton.

An up-and-coming star in the training ranks, John O'Shea, trained three Group One winners for the year. Stable star Racing to Win was victorious in the George Ryder and Doncaster Handicap whilst a horse owned in the same interests, Reigning to Win, won the last Group One of the season when first past the post in the T.J. Smith Stakes at Eagle Farm.

Of the thirty-one Group One wins by NSW trainers, twenty-one were won on NSW tracks, whilst the remaining ten were won interstate. The 'Cinderella story' of Joe Janiak and Takeover Target continued during the year when the bargain buy again showed his liking for

the Flemington straight, winning both the Lightning Stakes and Newmarket Handicap. Takeover Target and Joe later headed to England and contested legs of the Global Sprint Challenge; the sprinter experiencing success in the King Stand Stakes on opening day at the refurbished Royal Ascot course.

One of Takeover Target's main rivals throughout the season was the Gerald Ryan-trained Snitzel, who won the Oakleigh Plate prior to running a close second in the Newmarket and then being retired to stud.

Other notable interstate wins included Alan Denham's Spark of Life winning the Manikato at Moonee Valley early in the Victorian Spring Carnival and Bart Cummings producing God's Own to win the Caulfield Guineas in what was an astonishing victory, with Paratroopers (John Hawkes) and Primus (John O'Shea) completing a NSW trifecta in the race.

To round off the season, perennial Group One winner Clarry Conners was successful in the Queensland Oaks with Allow.

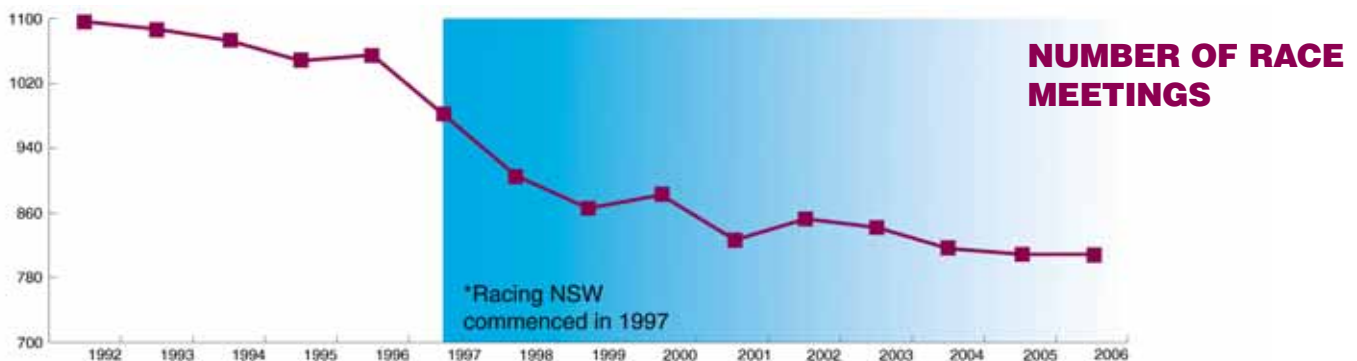
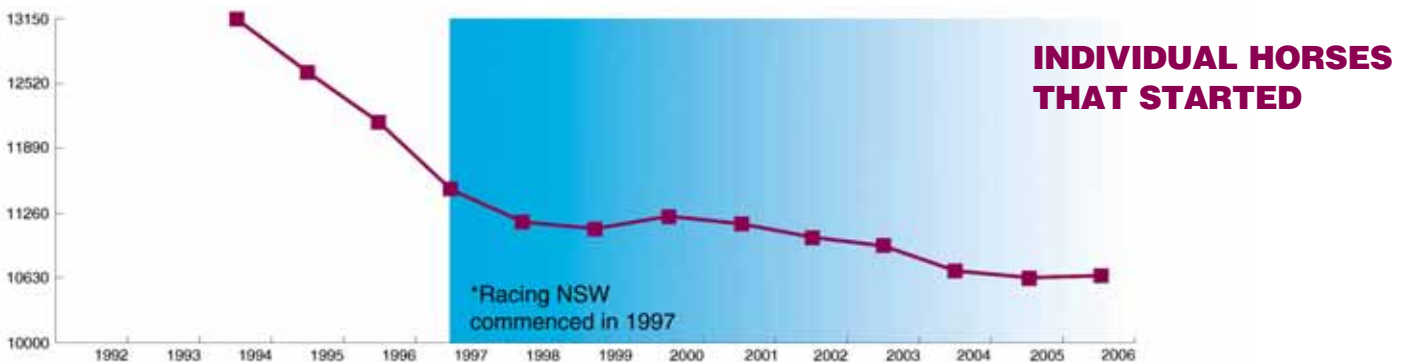
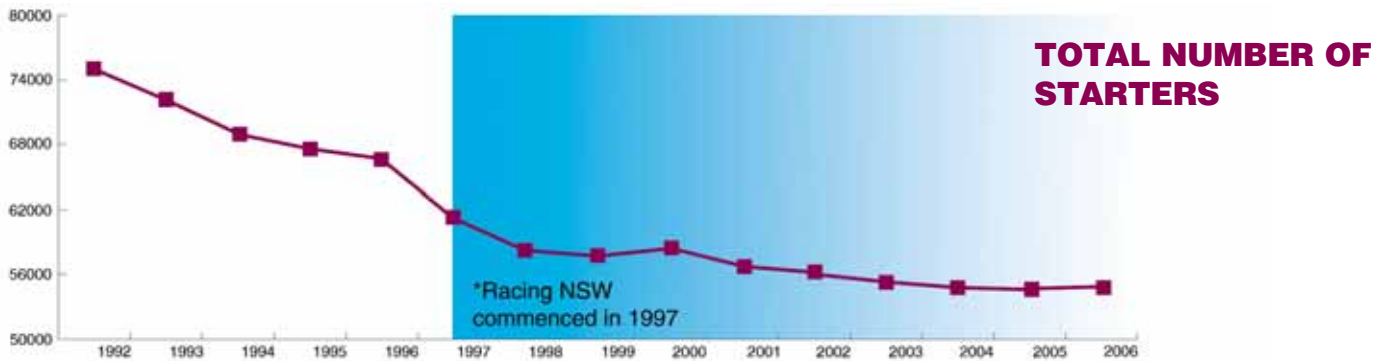
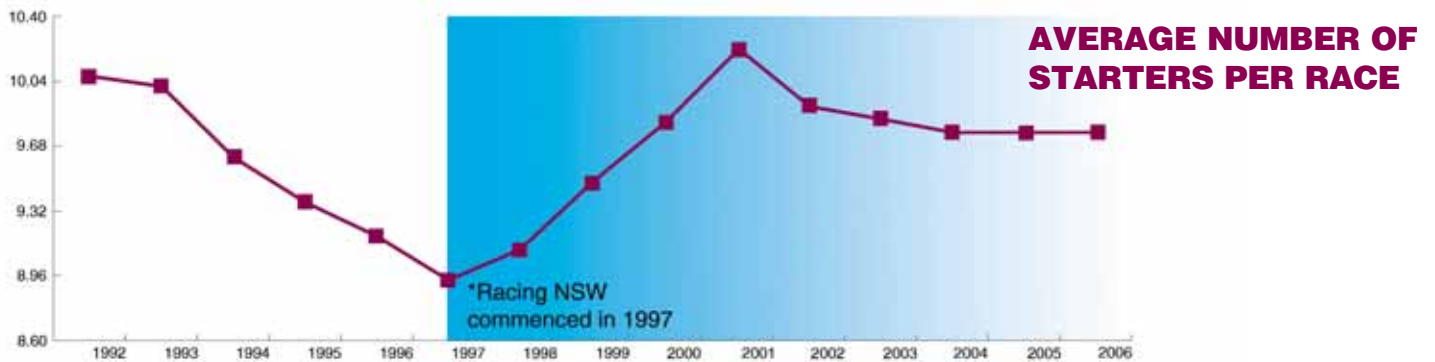
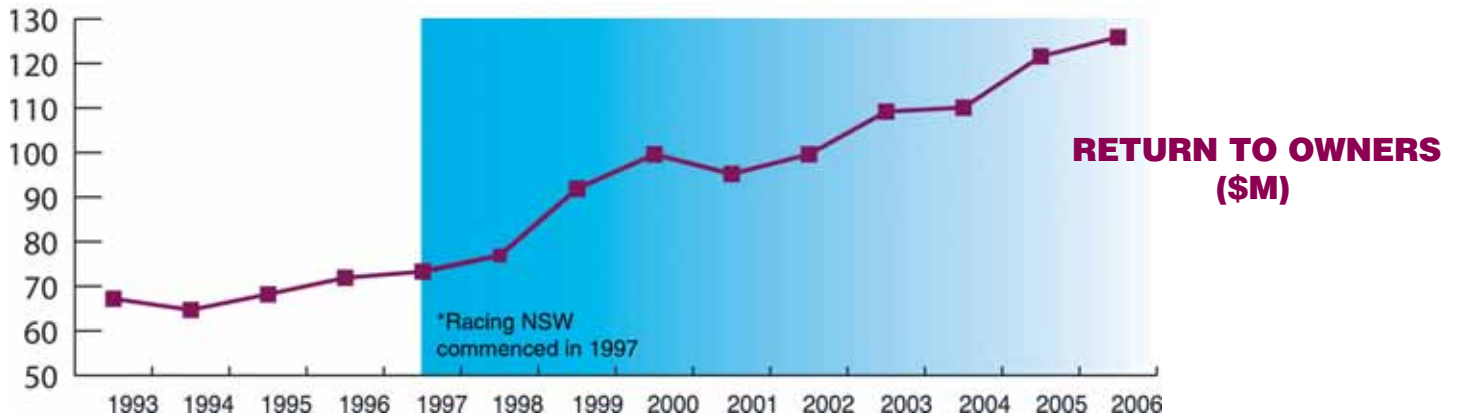
NSW BLACK TYPE WINNERS - 2005/06

Group	Race	Dist	Prize\$\$	Winner	Trainer
1	GEORGE MAIN STAKES	1600	350,000	Mr Celebrity	Gai Waterhouse
1	EPSOM HCP	1600	600,000	Desert War	Gai Waterhouse
1	THE METROPOLITAN	2400	600,000	Railings	John Hawkes
1	SPRING CHAMPION STAKES	2000	350,000	Hotel Grand	Anthony Cummings
1	FLIGHT STAKES	1600	350,000	Fashions Afield	Gai Waterhouse
1	CHIPPING NORTON STAKES	1600	250,000	Desert War	Gai Waterhouse
1	RANDWICK GUINEAS	1600	400,000	Hotel Grand	Anthony Cummings
1	COOLMORE CLASSIC	1500	600,000	Regal Cheer	Joe Pride
1	RANVET STAKES	2000	400,000	Eremein	Alan Denham
1	ROSEHILL GUINEAS	2000	500,000	De Beers	David Hayes
1	BMW CLASSIC	2400	2,000,000	Eremein	Alan Denham
1	GOLDEN SLIPPER STAKES	1200	3,000,000	Miss Finland	David Hayes
1	GEORGE RYDER STAKES	1500	400,000	Racing to Win	John O'Shea
1	QUEEN OF THE TURF STAKES	1500	400,000	Mnemosyne	John Hawkes
1	ARROWFIELD STAKES	2000	400,000	Serenade Rose	Lee Freedman
1	AJC AUSTRALIAN DERBY	2400	2,000,000	Headturner	John Hawkes
1	AJC SIRE PRODUCE STAKES	1400	450,000	Excites	Guy Walter
1	T J SMITH STAKES	1200	600,000	Red Oog	Joe Pride
1	DONCASTER HANDICAP	1600	2,000,000	Racing to Win	John O'Shea
1	AJC OAKS	2400	700,000	Serenade Rose	Lee Freedman
1	THE GALAXY	1100	375,000	Proprietor	Paul Perry
1	SYDNEY CUP	3200	800,000	County Tyrone	Kris Lees
1	CHAMPAGNE STAKES	1600	450,000	Mentality	John Hawkes
1	ALL AGED STAKES	1400	400,000	Paratroopers	John Hawkes
1	QUEEN ELIZABETH STAKES	2000	800,000	Eremein	Alan Denham
2	PREMIERE STAKES	1200	140,000	Shania Dane	John Hawkes
2	WARWICK STAKES	1400	200,000	Sir Dex	Greg Hickman
2	CHELMSFORD STAKES	1600	175,000	Nevis	David Payne
2	FURIOUS STAKES	1400	125,000	Mnemosyne	John Hawkes
2	ROMAN CONSUL STAKES	1200	125,000	Denmarket	Gerald Ryan
2	THEO MARKS STAKES	1300	200,000	Paratroopers	John Hawkes
2	HILL STAKES	1900	140,000	Desert War	Gai Waterhouse
2	SHANNON STAKES	1500	140,000	Lotteria	Gai Waterhouse
2	TEA ROSE STAKES	1500	140,000	Mnemosyne	John Hawkes
2	STAN FOX STAKES	1400	200,000	Paratroopers	John Hawkes
2	VILLIERS STAKES	1600	175,000	Aqua D'amore	Gai Waterhouse
2	EXPRESSWAY STAKES	1200	200,000	Court's in Session	Guy Walter
2	LIGHT FINGERS STAKES	1200	150,000	Street Smart	Ron Maund
2	ROYAL SOVEREIGN STAKES	1200	150,000	Flying Pegasus	David Payne
2	SILVER SLIPPER STAKES	1100	200,000	Plagiarize	John Hawkes
2	APOLLO STAKES	1400	250,000	Ike's Dream	John Hawkes
2	HOBARTVILLE STAKES	1400	200,000	Racing to Win	John O'Shea
2	SURROUND STAKES	1400	150,000	Regal Cheer	Joe Pride
2	CANTERBURY STAKES	1300	140,000	Paratroopers	John Hawkes
2	PHAR LAP STAKES	1500	140,000	Apache Cat	Greg Eurell
2	REISLING SLIPPER TRIAL	1200	300,000	Pure Energy	Ron Maund
2	TODMAN SLIPPER TRIAL	1200	300,000	Diego Garcia	Gai Waterhouse
2	AJAX STAKES	1500	150,000	Malcolm	John Hawkes
2	MAGIC NIGHT STAKES	1200	140,000	Gold Edition	Ron Maund
2	PAGO PAGO STAKES	1200	140,000	Tarleton	John Hawkes
2	CHALLENGE STAKES	1000	130,000	Snitzel	Gerald Ryan
2	TULLOCH STAKES	2000	140,000	Manton	John Hawkes
2	CHAIRMAN'S HANDICAP	2400	300,000	Fooram	John O'Shea
2	SAPPHIRE STAKES	1200	250,000	Coolroom Candidate	Keith Dryden
2	EMANCIPATION STAKES	1600	200,000	Fantasia	Guy Walter
3	SAN DOMENICO STAKES	1000	125,000	Media	Bob Thomsen
3	SILVER SHADOW STAKES	1200	130,000	Mnemosyne	John Hawkes
3	UP AND COMING STAKES	1200	130,000	Snitzel	Gerald Ryan
3	CONCORDE STAKES	1100	100,000	Red Oog	Joe Pride
3	TRAMWAY HCP	1400	100,000	Shania Dane	John Hawkes
3	KINGSTON TOWN STAKES	2000	100,000	Stormhill	Tim Martin
3	RESEARCH STAKES	1200	100,000	Fumble	Gai Waterhouse
3	CAMERON HCP	1400	125,000	Collate	Alan Denham
3	NEWCASTLE CUP	2300	200,000	Carael Boy & High Cee	Bob Milligan & Bart Cummings
3	SPRING STAKES	1600	150,000	Hotel Grand	Anthony Cummings

NSW BLACK TYPE WINNERS - 2005/06 (Cont.)

Group	Race	Dist	Prize \$\$	Winner	Trainer
3	GLOAMING STAKES	1800	250,000	Pendragon	Bart Cummings
3	COLIN STEPHEN QLTY HCP	2400	150,000	Railings	John Hawkes
3	BILL RITCHIE HANDICAP	1400	100,000	Flaming	Gai Waterhouse
3	CRAVEN PLATE	2000	200,000	Mummify	Lee Freedman
3	THE SHORTS	1100	175,000	Black Ink	Les Kelly
3	HAWKESBURY GOLD CUP	1600	150,000	Wild Queen	Gai Waterhouse
3	SUMMER CUP	2400	175,000	Aqua D'amore	Gai Waterhouse
3	FREDERICK CLISSOLD STAKES	1200	100,000	Collate	Alan Denham
3	BREEDERS' CLASSIC	1200	100,000	Stellara	John O'Shea
3	MILLIE FOX QLTY STAKES	1200	100,000	Wild Queen	Gai Waterhouse
3	LIVERPOOL CITY CUP	1200	100,000	Utzon	Les Bridge
3	KINDERGARTEN STAKES	1100	100,000	Plagiarize	John Hawkes
3	RANDWICK PLATE	2000	100,000	Dizelle	John Hawkes
3	SKYLINE STAKES	1200	140,000	Hotel Casino	Anthony Cummings
3	SWEET EMBRACE STAKES	1200	140,000	Universal Queen	Bede Murray
3	NEWCASTLE NEWMARKET HCP	1400	120,000	Tall Timbers	Darren Smith
3	STAR KINGDOM STAKES	1100	100,000	Mustard	John McNair
3	BIRTHDAY CARD STAKES	1200	100,000	Imana	Guy Walter
3	ADRIAN KNOX QLTY STAKES	2000	125,000	Operetta Lass	Guy Walter
3	SOUTH PACIFIC CLASSIC	1400	125,000	Martiniforus	John Hawkes
3	FRANK PACKER PLATE	2000	125,000	Dream Machine	David Payne
LISTED	SHOW COUNTY QUALITY HCP	1200	75,000	Lotteria	Gai Waterhouse
LISTED	TOY SHOW F-&M QLTY HCP	1400	75,000	Nevis	David Payne
LISTED	PREMIER'S CUP	1800	80,000	Railings	John Hawkes
LISTED	SHERACO STAKES	1100	100,000	Shannon Bank	Joe Pride
LISTED	GOLDEN ROSE STAKES	1400	1,000,000	Paratroopers	John Hawkes
LISTED	MONA LISA STAKES	1350	75,000	Johan's Toy	Guy Walter
LISTED	WYONG GOLD CUP	2100	150,000	Carael Boy	Bob Milligan
LISTED	MING DYNASTY QUALITY HCP	1400	80,000	Primus	John O'Shea
LISTED	TIBBIE STAKES	1400	60,000	Shalimar Sky	Guy Walter
LISTED	HERITAGE STAKES	1200	120,000	Jet Spur	John O'Shea
LISTED	STARLIGHT STAKES	1100	100,000	Mac's Tune	Geoff O'Brien
LISTED	BREEDERS' PLATE	1000	75,000	Super Savings	Graeme Rogerson
LISTED	REGINALD ALLEN QLTY HCP	1400	75,000	Regal Cheer	Joe Pride
LISTED	DULCIFY 3YO QUALITY HCP	1600	75,000	Dream Ballad	Guy Walter
LISTED	THE NIVISON	1200	100,000	Our Sweet Moss	Gerald Ryan
LISTED	GIMCRACK STAKES	1000	75,000	Mirror Mirror	Clarry Conners
LISTED	BRIAN CROWLEY STAKES	1200	80,000	War of the Worlds	Rick Worthington
LISTED	ANGST QUALITY HCP	1400	100,000	Wild Queen	Gai Waterhouse
LISTED	CITY TATT'S CLUB CUP	2400	75,000	Bush Honey	Guy Walter
LISTED	CITY TATTS LIGHTNING HCP	1000	75,000	Vionetto	Guy Walter
LISTED	BELLE OF THE TURF STAKES	1600	100,000	Wild Queen	Gai Waterhouse
LISTED	SAFILO CUP	1300	100,000	Wild Queen	Gai Waterhouse
LISTED	FESTIVAL STAKES	1400	80,000	Spirit of Tara	Gerald Ryan
LISTED	CHRISTMAS CUP	2400	80,000	Lord of the Land	Anthony Cummings
LISTED	CANONBURY STAKES	1100	75,000	Diego Garcia	Gai Waterhouse
LISTED	RAZOR SHARP HCP	1100	75,000	Presently	Jason McLachlan
LISTED	CARRINGTON STAKES	1000	75,000	Bold Matador	Gwenda Markwell
LISTED	TATTERSALLS CLUB CUP	2000	75,000	Vanquished	Bede Murray
LISTED	WIDDEN STAKES	1100	75,000	Churchill Downs	David Hayes
LISTED	FRANK UNDERWOOD CUP	2000	80,000	Lake Susannah	Gai Waterhouse
LISTED	AUSTRALIA DAY CUP	2400	70,000	Respect	Paul Cave
LISTED	SATELLITE STAKES	1100	80,000	Crimson Reign	Jason McLachlan
LISTED	TRISCAY STAKES	1200	100,000	Shannon Bank	Joe Pride
LISTED	PARRAMATTA CUP	2000	80,000	Mi Casa	Bart Cummings
LISTED	GOSFORD GUINEAS	1600	100,000	Sumac	Kevin Moses
LISTED	GOSFORD GOLD CUP	2100	150,000	Break the Barrier	Graeme Rogerson
LISTED	WIGGLE F-&M QUALITY HCP	1400	75,000	Bhandara	Guy Walter
LISTED	ESKIMO PRINCE STAKES	1100	75,000	Strada	Gai Waterhouse
LISTED	ASPIRATION QUALITY	1600	75,000	Lord of the Land	Anthony Cummings
LISTED	WENONA GIRL HANDICAP	1300	75,000	Wonderer	Gai Waterhouse
LISTED	SKY HIGH STAKES	1900	80,000	County Tyrone	Kris Lees
LISTED	KEITH F NOLAN CLASSIC	1600	130,000	Pasikatera	Gai Waterhouse
LISTED	DARBY MUNRO STAKES	1300	80,000	Al Samer	Gai Waterhouse
LISTED	N E MANION QUALITY CUP	2400	100,000	Fooram	John O'Shea
LISTED	EPONA STAKES	1900	100,000	Kosi Bay	Bart Cummings
LISTED	T L BAILLIEU HCP	1400	75,000	Mentality	John Hawkes
LISTED	ROYAL PARMA STAKES	1500	100,000	Gorgonite	Jason Deamer
LISTED	NEVILLE SELLWOOD STAKES	2000	100,000	Men at Work	John O'Shea
LISTED	THE SCHWEPPERVENENCE	1200	100,000	Snippelson	John O'Shea
LISTED	CARBINE CLUB STAKES	1600	100,000	Belmonte	Bernie Howlett
LISTED	FERNHILL HANDICAP	1600	100,000	Gallant Tess	David Payne
LISTED	P J BELL HANDICAP	1200	100,000	Kakakatie	Patrick Webster
LISTED	HALL MARK STAKES	1200	100,000	Falaise	John Hawkes
LISTED	JAPAN RACING ASSOC PLATE	2000	100,000	Above Deck	Jim Conlan
LISTED	KEITH MACKAY HANDICAP	1200	100,000	Catechuchu	David Hayes
LISTED	JAMES H B CARR STAKES	1400	100,000	Pasikatera	Gai Waterhouse
LISTED	HAWKESBURY GUINEAS	1200	100,000	The Free Stater	Paul Cave
LISTED	WAGGA WAGGA GOLD CUP	2000	100,000	Mc Lir	Marilyn Anderson
LISTED	CIVIC STAKES	1200	80,000	Gorgonite	Jason Deamer
LISTED	DARK JEWEL CLASSIC	1400	110,000	Really Flying	Kevin Moses
LISTED	SCONE CUP	1600	110,000	Fighting Fund	Guy Walter
LISTED	JUNE STAKES	1200	75,000	Vionetto	Guy Walter
LISTED	W J MCKELL CUP	2400	80,000	Taken at the Flood	Paul Cave
LISTED	PACESETTER STAKES	1200	100,000	Mac's Tune	Geoff O'Brien
LISTED	WINTER CUP	2400	80,000	Brave Lancer	Neville McBurney
LISTED	WINTER STAKES	1400	80,000	With a Chance	Luke Griffith
LISTED	RAMORNIE HANDICAP	1200	125,000	For Valour	Mitchell Hudson
LISTED	GRAFTON CUP	2400	160,000	Rocking On	Gai Waterhouse

ANNUAL TRENDS





Keith Bulloch
General Manager - Regulatory

BACKGROUND

The role of the General Manager, Regulatory is to manage the following functions:

- Licensing of Industry personnel;
- Syndications;
- ASIC communication;
- Registration of Racehorses;
- Naming;
- Industry Training;
- Colours;
- Benevolent Fund;
- Rules of Racing;
- Regulation of Betting;
- Disciplinary enquiries in conjunction with Stewards, and
- Dispute resolution.

The General Manager, Regulatory has a supervisory role in regard to these departments, including reporting to the Board and the implementation of Board policy. Department activities are reported under department headings below. In addition to these, specific project work was commenced, or carried over into the 2005/06 year, such as:

Betting policy review - at the direction of the Board, all Racing NSW policies relating to bookmakers were reviewed, reformatted and passed to the NSW Bookmakers' Co-Operative Ltd and Department of Gaming and Racing for comment. The final consolidated policies are published on the Racing NSW website, and updated from time to time. Notices advising of the publication were displayed for punter and bookmaker information, and all licensed bookmakers were advised in writing to refer to the Racing NSW website for current policies and future amendments.

Bookmakers' Telephone Betting System (BTBS) - toward the end of 2005, the existing BTBS, utilised to record punters telephone calls to on-course bookmakers and sports betting offices, was replaced. The previous system was over five years old, and in technology terms, outdated. The NSW Bookmakers' Co-Operative Ltd worked hard to source a state of the art replacement system which includes reduced call connection time, and enhanced identification and selection of calls method for both regulators and bookmakers.

An audit was conducted on behalf of Racing NSW and the Department of Gaming and Racing to ensure the integrity and security of the system, before a trial commenced in December 2005. All bookmakers were transferred to the new system by early January, and the NSW Bookmakers' Co-Operative Ltd now manages the back office functions of the system on behalf of its members.

Farriers - following submissions from industry participants, a review of the status of farriers working in the racing industry in NSW commenced. Meetings, correspondence and contact was held with the Master Farriers' Association, independent farriers, TAFE NSW and the Vocational Education and Training Department. The Board decided to continue with the practice of listing accredited farriers in the Racing NSW magazine, and allowing access to racecourses in NSW to all farriers who have established qualifications or have steward's approval. A process was also agreed whereby non-members of the Master Farriers' Association can apply for the plating subsidy paid by metropolitan and provincial race clubs provided qualifications are established; minimum requirement is a Trade Certificate.

Track safety initiatives - following development of policy in the previous year, the track safety initiatives for improvements at trackwork commenced with the introduction of the safety assessment of track riders. Training of metropolitan and provincial race club personnel to fulfil the role of assessors was conducted in-house by Racing NSW, and the assessment of stablehand rider applicants commenced in the metropolitan area on 1st October 2005 and provincial area on 1st March 2006.

As a second initiative, standard accident (rider down/runaway horse) warning systems were installed at metropolitan racetracks. Roll out to provincial and country centres continues. Thirdly, a trial of a storm warning device at the Canberra Racecourse continues. Similar to units installed at Asian racing centres, the device monitors and warns of approaching storms so that outdoor activity can be abandoned in the event of predicted lightning activity.

Jockey Safety Review; application for RIRDC funding - the Chief Executive of Racing NSW chairs a national group investigating jockey safety issues. The group's aim is to research, modify and improve a range of issues relating to the safety of riders. To assist with the project, an application was made by Racing NSW to the Rural Industries Research Development Corporation (RIRDC), an organisation jointly funded by the Registrar of Racehorses and other industry bodies on the one hand, and the Federal Government on the other.

The application for jockey safety funding over the next three years was successful. The money will be directed toward the project costs in three specific areas:

- Retrospective analysis of horse and jockey injuries – continuing to gather as much historical information as possible;
- A national thoroughbred web-based incident database – a new development for the recording nationally of rider or horse incidents on race day or at trackwork, and
- Development of new standards for jockey safety equipment relevant to Australian conditions – the research and development of new equipment seeking the latest materials and technology available for helmets, vests and related gear.

Regular reporting of the group's findings and results will be distributed nationally.

Microchip data scanners - following development of the system in the previous year in conjunction with Stewards, the prototype palm pilot system to adapt field use of microchip scanner for industry use, commenced with the first two-year-old races of the season. The device scans the horse's microchip, and displays recorded data to identify the horse and provide associated records such as specific gear carried by the horse, owner's records, etc. The units provide synergies and time saving solutions for Stewards and Officials and can also be used for older horses that do not carry a microchip. A modified version can be made available for use by race clubs, auctioneers, trainers, breeders, transporters and vets, etc. Following NSW's lead, other States have reviewed and are gradually adopting a similar format.

Sample collection; security and storage review - the introduction of an improved storage and transport method for post and pre-race specimen samples from racecourse to laboratory has realised greater quality in specimen samples arriving at the laboratory. The co-operation of race clubs in installing secure refrigerators and assisting the process has complemented the changes.



Jockeys and Trainers Public Liability Insurance – co-ordinated with the NSW Jockeys' Association and NSW Trainers' Association the collection method for payment of important insurance requirements for participants.

Jockey challenge betting - an initiative of the Sydney Turf Club to introduce this form of wagering to NSW, Jockey challenge betting allows punters to bet on the 'Jockey of the Day' decided on a point score system. Following in-principle approval by Racing NSW, it was approved by the Minister and gazetted on Friday, 28th October 2005. The final rules were agreed upon after comment from Racing NSW, TAB Limited and bookmakers. TAB offers the challenge on all Sydney and Melbourne metropolitan race fixtures and in addition, most Saturday Brisbane and Adelaide meetings. This coverage may also be extended to include the NSW and Victorian provincial/country circuit where a Feature race is programmed; for example the Wyong Cup or Bendigo Cup meeting.

Austrac - Racing NSW assists the Australian Cash Transactions Agency co-ordinate an industry education program in regard to the reporting obligations of bookmakers and punters. Austrac's charter is to identify, intercept and prevent money laundering and associated practices and evasion strategies. Significant cash transactions and client account information must be recorded. Notices to this effect have been published by Racing NSW on Austrac's behalf. Together with representatives of the Department of Gaming and Racing and the NSW Bookmakers' Co-Operative Ltd, Racing NSW's General Manager, Regulatory attends Austrac project meetings and Committee groups to progress the issues on behalf of the industry.

DEPARTMENTAL REPORTS

REGISTRATION OF RACEHORSES (IDENTIFICATION, NAMING & OWNERSHIP)

Essentially an Integrity function and one critical to horse identification methods and related issues, the Registrar of Racehorses (ROR) has its national office at Racing NSW in Sydney. The function of the Registrar is to identify, record, name and register thoroughbred horses for racing in Australia, or for export.

The ROR is managed by Racing NSW on behalf of the other States. The national office sets policy, and when required, makes recommendations to the Australian Racing Board if significant amendments are proposed to existing practices. The national office is responsible for the original registration and naming of all horses (around 14,000 per year) and additional transactions and disputes that may arise.

Highlights - the impact of the **Thoroughbred Identification Card** for horses born from 2003 and onwards has realised a further improvement in the average turn-around time for registrations this year. The transition to the new card system has been smooth and well accepted by customers and is providing a faster processing method for staff. With the new foal crops coming through, the number of card-based (2003/4/5 foal) registrations has escalated to over 70% of new horse registrations and processing time has reduced in most cases to between 24 and 48 hours.

The Stewards' **brand discrepancy** form was finalised in August. The result is a multi-purpose form that covers any identification discrepancies that may arise in the field for any horse pre and post-2003. Should a Steward identify a significant fault with a brand or white marking, this new form will allow the transfer of information back to the Registrar and the Australian Stud Book

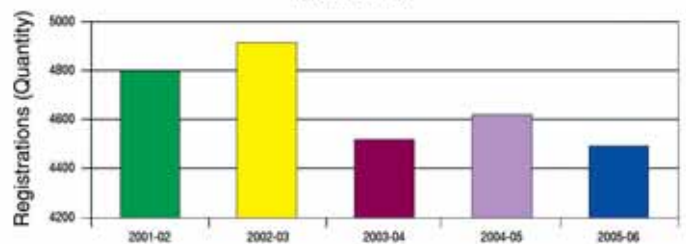
Brand images (picture rather than text) are being back filled against horses prior to 2003 foaling. Steward's raceday reports have been adapted to cater for an image rather than just a written description to make brand recognition easier. Meetings have been held with Australian Stud Book have also taken place to work on a process to decrease the amount of errors produced on Foal Identification (Australian Stud Book) Cards. This will save clients having to pay for further veterinary examinations, and measures have been put in place which will continue to refine the process in future.

The process of storing **legal documentation** has been reviewed in order to make classifying and retrieving legal documentation more efficient. The department is the subject of numerous enquiries related to bankruptcy, family court or other ownership enquiries, a time-consuming, but necessary function of a registry office. Data integrity checks were also refined for the recording of Registrations, Leases and Transfers, etc.

Modifications have been made to the Racing NSW **website** linking both the Rules of Naming a Horse with Horse Name Availability. This will enable clients to have easier access to all required information when selecting a name for their horse. A full review of the registration forms was also conducted. In doing so, the forms were improved to reduce informational error and also to simplify the requirements for owners. This year has seen the streamlining of office procedures and implementation of process documentation, providing all team members with the skills and knowledge required to deal with any query or issue within the department. These initiatives have also proved invaluable in the training of new staff.

Financial Year in Review - by the end of the 2005-06 financial year, the Registration Department recorded 13,618 horse registrations, 6,800 transfers, 3,017 leases, and 810 syndicates. NSW contributed 4,483 registrations, 2,379 transfers, 866 leases, and 304 syndicates to these totals.

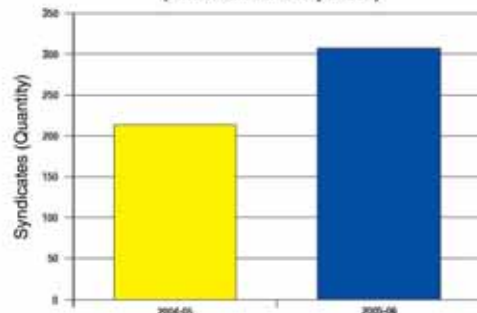
NSW Registration Figures (New Horses)



Whilst there was a slight reduction in horse registrations, the total number of individual entities in racehorse ownership increased. The main area of growth was in eight and ten share partnerships. The number of individuals in eight share partnerships rose by nearly 20% from 2,304 to 2,736, while 6,590 individuals were part of ten share partnerships; up 10% from 5,990 the previous year.

An increasing number of people are finding syndicates to also be a more affordable way to enter the world of horse ownership. NSW has seen close to 50% increase in the number of syndicates registered, further progressing last year's trend.

NSW Syndicate Registration (Financial Year Comparison)



LICENSING

The Racing NSW Licensing Department is responsible for the issuing of NSW industry licences. Criteria regarding applicant's qualifications apply, depending on the category of licence sought. Licences are reviewed annually on 1st July.

REGULATORY (cont.)

The Licensing Committee met on five occasions during 2005/2006. The role of the Licensing Committee is to set licensing policy and procedure for Racing NSW. Applicants for licences may be further interviewed at these meetings and decisions or recommendations forwarded to the Board for approval.

Members of the Licensing Committee

Mr Don Hopkins (Chairman)
Mr John Costigan – until March 2006
Mr Rob Ferguson – from March 2006

Members of the Integrity Assurance Committee attend the Licensing Committee meetings. The Board gratefully acknowledges the contribution of IAC members to the licensing function.

DEPARTMENT EVENTS

Pre-Apprentice Jockeys increase; minimum number of trial rides - as a requirement of licence, the minimum number of satisfactory barrier trials which must be completed by a probationary Apprentice prior to them being eligible for an Apprentice Jockey's permit was increased from 10 to 20. This change was to ensure greater experience for apprentices in race-like competition, and reflects the minimum number of trials now recognised in most other Australian states.

Assessment of Trackwork Riders - following the introduction of Local Rule LR82A the necessary structures were introduced to facilitate the assessment of riders applying for Trackwork Rider licenses. As a prerequisite to licensing, applicants are required to qualify by their knowledge of track safety procedures and their riding ability in order to be eligible to obtain this licence type. This procedure was introduced in the metropolitan area from October 2005 before being extended to the provincial area from March 2006.

Review of Bookmakers' Guarantees - each year individual Bookmaker guarantees are reviewed against their turnover levels for the previous financial year. In 2005/06, seven Bookmakers were obliged to upgrade their guarantees to comply with the guarantee schedule agreed to by Racing NSW and the NSW Bookmakers' Co-Operative Ltd. The schedule matches a graduated guarantee amount against turnover benchmarks. Of the seven upgraded, three were metropolitan bookmakers, one provincial and three Sports. The financial guarantee can be called upon by Racing NSW in case of default by the bookmaker.

Licensing comparison – 2005/06 vs. 2004/05

Most licence categories experienced an increase in numbers this season, or remained relatively static. One trend apparent though is the decrease in the number of stablehand riders, which reveals the ongoing difficulties trainers face in sourcing riders for trackwork. This problem is not restricted to NSW, and each State has training and recruitment programs in place to encourage new riders.

The number of trainers licensed last season was slightly down (1.88%) on the previous year, however, this is a reversal of the last few years' trends when the reduction was approximately 5% per annum. Note also that as all jockeys or apprentices who ride in NSW are required to hold a licence in this State, the statistics include those who are based interstate. The actual resident NSW numbers are Jockeys – 162; Apprentices – 71.

	Metropolitan		Provincial		Country		Total	
	Total 05/06	Total 04/05	Total 05/06	Total 04/05	Total 05/06	Total 04/05	Total 05/06	Total 04/05
Trainers	110	113	225	224	917	939	1252	1276
Jockeys	87	75	24	17	192	188	303	280
Apprentices	10	7	12	14	106	101	128	122
App Riders	-	-	-	-	34	33	34	33
Bookmakers	58	58	9	10	147	147	214	215
BM Clerks	459	451	65	63	371	364	895	878
SH Riders	405	494	258	271	690	660	1353	1425
SH Non TW	620	559	333	318	951	912	1904	1789
Foreperson	84	77	32	34	163	149	279	260
Rider Agents	15	14	4	4	15	12	34	30
	1848	1848	962	955	3586	3505	6396	6308

INDUSTRY TRAINING

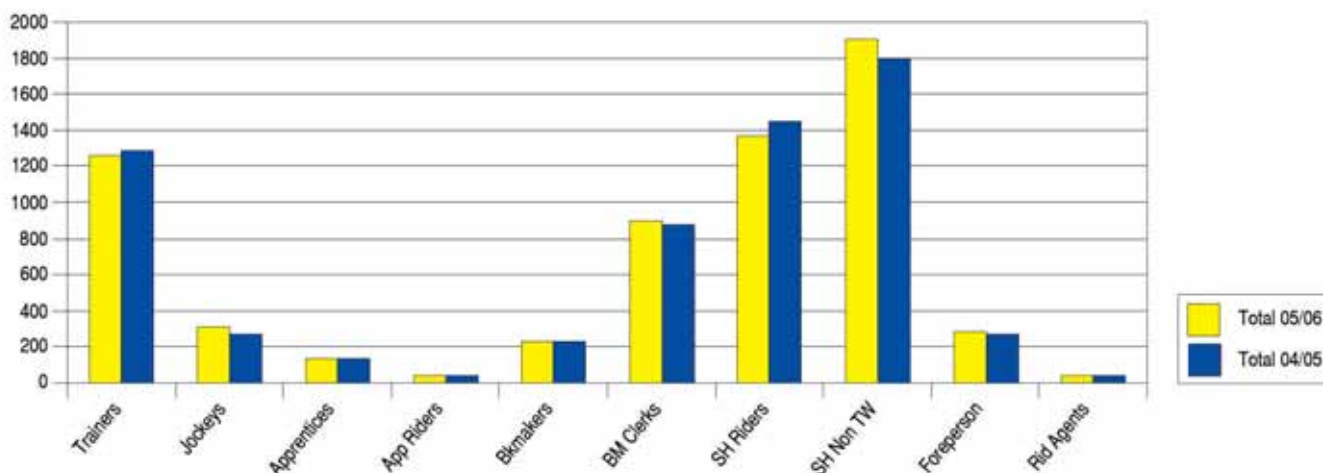
The Industry Training Department is responsible for the recruitment, training and development of licensees with special focus on apprentice jockeys and track riders.

The objectives of the department include:

- Increasing apprentice jockey, track rider and stablehand numbers;
- Managing apprentice jockey, track rider and stablehand training in conjunction with TAFE;
- Managing the apprentice "Rising Star" race series;
- Encouraging greater participation of people working in the racing industry by co-ordinating recruitment drives;
- Assisting people entering the racing industry to find their most suitable career path;
- Ensuring participants are informed about the national Racing Industry Training Package;
- Providing equitable training throughout the country, provincial and metropolitan areas, and
- Helping to relieve the shortage of track riders by offering a visa administration service to trainers and riders wishing to access the Racing NSW/ATA Labour Agreement.

The process of recruitment begins with visits by Racing NSW to career markets, schools, pony clubs and rodeos spreading the recruitment message to attract new participants to the industry.

Total Licensees





New and existing industry trainees are then brought into the Talent Identification Program for career path assistance. The marketing scheme theme co-ordinates 'apprentice jockey only' races which promote industry careers and training to the broader community.

Industry Training Highlights

- Sisters Kathy and Tracy O'Hara made history at Gosford in December 2005 when they rode the first known dead-heat winners for siblings in Australian racing;
- Kathy O'Hara travelled to Dubai to represent Australia in an Invitational race series where she rode a winner;
- Despite being a late starter in the city, Tim Clark won the metropolitan apprentice title in a thrilling three-way finish from Joe Fuji and last year's winner Kathy O'Hara, and
- The number of apprentice rides overall represent a higher percentage of total starters than each of the previous two years.

Promotions and Recruitment - Increase in profile of careers in racing with Racing NSW this year entailed representation at nine careers markets (each market attracting between 2,000 and 7,000 students), five pony club camps, plus attendance at high schools and rodeos resulting in numerous requests for further information on careers in the racing industry.

Talent Identification Program and apprentice block training - Racing NSW worked with Western Institute of TAFE to conduct two talent identification Intakes in July 2005 (16 students) and February/March 2006 (33 students). The Talent Identification Programs are 3-week practical courses where prospective riders attend initial training. The riders have been identified by interest shown at Racing NSW Career market days or in response to magazine and website advertisements. Training takes place in the grounds of the University Campus at Orange where horses are stabled, etc. Twenty-five of the students are continuing as prospective/licensed apprentice jockeys and 12 as stablehand riders. Six training blocks of 3 to 5 days duration were also held at the Sydney International Equestrian Centre for current apprentice jockeys.

Rising Star Series - The sixth consecutive staging of the DETNAC 'Rising Star' Series was held between April and November 2005. Eleven 'apprentice only' heats were held at various racecourses in NSW and the final staged at Hawkesbury. Luke Morgan of Tamworth won the Series with a tally of 21 points. The 2006 Series began in March with six races conducted before the end of June. Regrettably, April 2006 saw DETNAC withdraw sponsorship for the balance of the 2006 Series, but the Series continues with the remaining races to be sponsored by local businesses or the race club itself.

Horse Trainer short course - Semester 1 2006 has seen the running of a pilot short course for prospective horse trainers. The course has been run at Kurri Kurri and Goulburn TAFE. A review of the pilot will form part of a report to the Racing NSW Board to determine if completion of the short course will be a licensing requirement for new trainers' licenses in the future.

New Staff - 2006 has seen three new staff join the Industry Training Department, Ron Quinton, Maurice Logue and Ellie Stuckey. Ron Quinton, a recent Racing Hall of Fame inductee, brings a wealth of experience as an 8-time premiership winning jockey and successful Randwick trainer. Maurice Logue has added training knowledge gained from his previous position of six years with the Department of Education and Training, as well as his experience as a successful Sydney jockey. Ellie joined the department in March bringing thoroughbred industry experience and a degree in Systems Agriculture (Agribusiness).

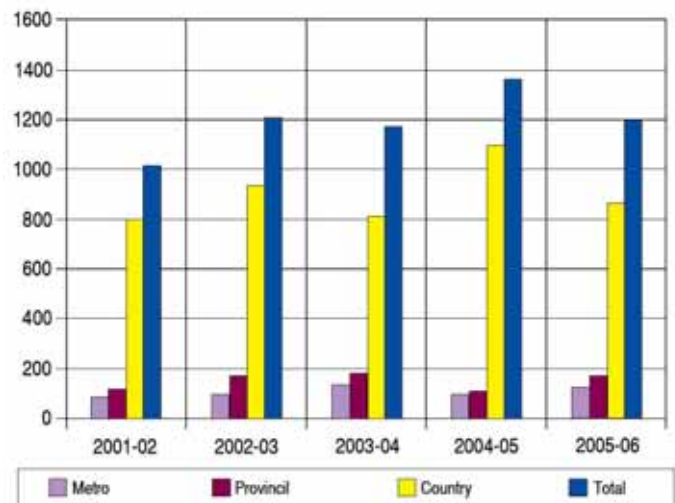
Labour Agreement - In December 2004 Racing NSW, in conjunction with the Australian Trainers' Association (NSW Branch), was successful in negotiating a Labour Agreement with the Department of Employment and Workplace Relations and the Department of Immigration, Multicultural and Indigenous Affairs for the temporary entry and employment of overseas trackwork riders in NSW. In 2005/06, 20 international track riders were employed under this agreement. A series of qualifications for both the trainer and the rider apply, as do strict visa regulations.

ATO Seminars - The ATO, in conjunction with the Industry Training Department, conducted 13 seminars throughout late 2005 and early 2006 for trainers, owners, breeders and riders regarding their tax obligations. Some of the specific concepts that they tackled included capital gains tax and running a business or a hobby.

Apprentice Rides - winners The metropolitan and provincial apprentice ranks continue to strengthen. NSW apprentice jockeys rode more metropolitan (up 22%) and provincial (up 27%) winners in the 2005/2006 season than the year before. As in previous years, a number of country apprentices have attained the skills necessary to relocate. This trend illustrates the successful early training of apprentices in country regions before progressing to the more competitive Sydney riding ranks.

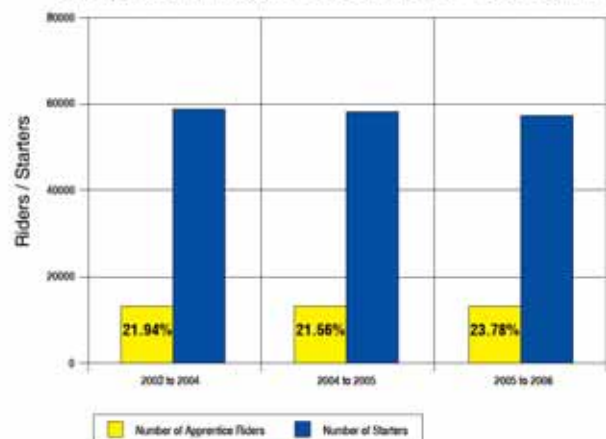
	2001 - 2002	2002 - 2003	2003 - 2004	2004 - 2005	2005 - 2006
Metropolitan	92	119	156	120	147
Provincial	124	176	181	140	179
Country	808	917	821	1089	879
Total Winning Rides	1024	1212	1158	1349	1205

Apprentice Winning Rides



Apprentice Rides - overall Apprentice rides as a percentage of total starts have increased in 2005/06. This table includes metropolitan, provincial and country statistics.

Comparison of Apprentice Rides to Total Starters



ADMINISTRATION & FINANCIAL STRUCTURE

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

RACING DISTRIBUTION AGREEMENT (RDA)

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

ROLES OF EACH PARTY

The roles of each party are:

- The NSW racing industry supplies the "product" to Tabcorp,
- Tabcorp "sells" the product through wagering outlets,
- The racing industry receives a share of the net wagering revenue and profits of Tabcorp,
- 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 Tabcorp.

OBJECTIVES OF RDA

The mutual objectives of Tabcorp 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 NSW are the controlling bodies of each racing code in NSW. Together, they established the company RACINGCORP to represent them under the RDA and act as the interface between the racing industry and Tabcorp.

The Board of RACINGCORP comprises 6 members from the thoroughbred code, 3 members from the harness code and 3 members from the greyhound code. The thoroughbred code members for the 2005/06 were:

Mr Gary Pemberton AC
 Mr Don Hopkins
 Mr Graeme Pash
 Mr Phillip Esplin
 Mr Brian Reardon
 Mr Peter V'landys

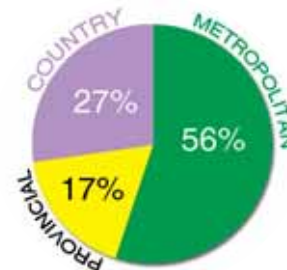
INTER-CODE AGREEMENT

The Inter-Code is an agreement between the thoroughbred, harness, and greyhound codes. It determines the basis upon which funds received by RACINGCORP from Tabcorp 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:

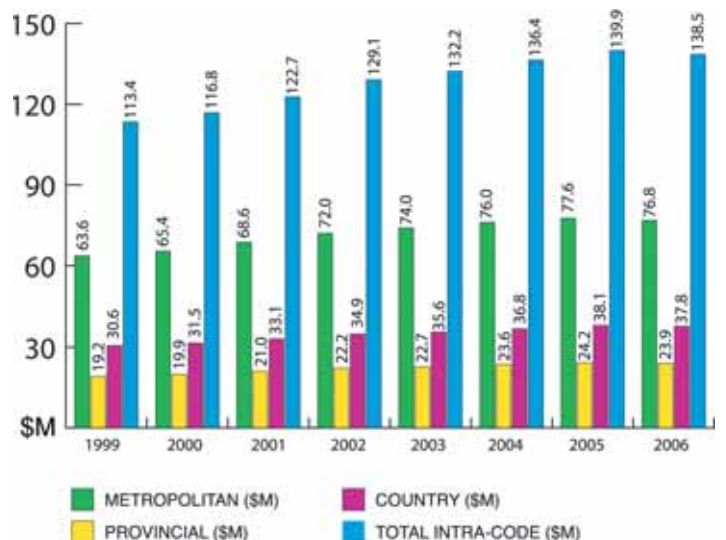


INTRA-CODE AGREEMENT

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 Tabcorp sales. Since privatisation of the Tabcorp, the allocation of funds has been as follows:





Kate Robertson
Legal Counsel/Insurance Manager

RACING NSW WORKERS' COMPENSATION INSURANCE

The Board and Executive have continued to focus on the insurance functions of Racing NSW, in particular the viability and efficiency of the industry's specialised workers' compensation fund.

In the period since 1 July 2005, when management and administration of the fund was transferred internally, Racing NSW has undertaken a critical review of the manner in which the fund is resourced. This review has resulted in Racing NSW decreasing the degree of its reliance on external service providers with the aims of enhancing the efficiency and accountability of the fund, as well as tailoring the fund to best serve the thoroughbred industry. In furtherance of these aims, the fund now employs:

- An insurance manager/legal officer with both allied health and legal qualifications and experience, and
- Three senior case managers with significant and broad workers' compensation, OH&S and industry expertise.

A specialist injury manager is currently being sought to implement and monitor return to work initiatives and to liaise closely with treatment providers, employers and injured workers. The objective is to decrease time lost due to injury and thereby reduce the average cost of claims to injured workers and the industry.

Racing NSW has further acknowledged the need to review the way in which the premium to fund the industry's workers' compensation liabilities is levied. The intention is to ensure that all participants have the benefit of cost-effective insurance for workplace injuries, whilst maintaining the fund's long-term financial viability.

Another significant development has been the Board's decision to extend the workers' compensation offered by Racing NSW to jockeys and other approved riders working on racetracks in the Australian Capital Territory (ACT). This development, supported by amended ACT legislation to which Racing NSW contributed, has allowed racing to continue in the Territory. In addition, Racing NSW has provided ongoing education to members of our industry regarding the benefits and limits of the cover provided.

Other achievements of the fund over the 2005/2006 financial year can be summarised as follows:

- A reduction in the cost of "excess of loss" insurance for our workers' compensation portfolio;
- An increased focus on recoveries;
- The establishment of procedures to govern liability issues that arise due to the varied employment relationships which exist within the industry;
- The streamlining of payment protocols to improve efficiency;
- The identification and ongoing management of trends in the frequency, volume, nature and cost of claims, and
- The fostering of closer relationships between case managers and all industry participant groups.

Taking into account late reported claims from the preceding financial year, the number of new claims received by the fund in 2005/2006 decreased slightly when compared with the previous

financial year. However, and significantly, the trend of increasing claims observed in recent years continues, and the number of new claims reported per annum has been consistently higher in the last 2 to 3 years. The increasing number of claims, the increasing frequency of claims involving fractures, and the relatively higher costs associated with such claims continue to impact on the fund's estimated outstanding liabilities, necessitating the maintenance of a prudential margin for the purposes of determining the fund's premium requirements.

Consistent with the trend towards increasing claim numbers, the available data also suggests that the incidence of claims (calculated by reference to the number of reported claims per 1,000 workers in the industry) has generally risen since 2002/2003. However, a slight reduction was noted in 2005/2006 when compared to the previous financial year.

COMPARATIVE FUND PERFORMANCE

The graph below depicts the fund's performance in recent financial years in respect of the following:

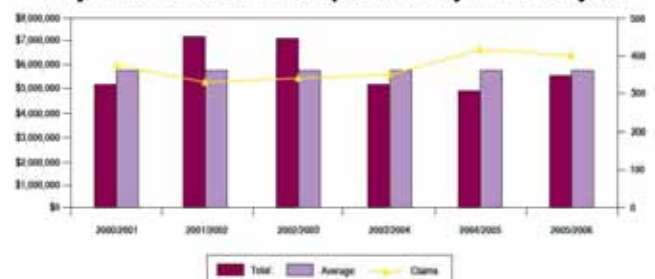
- Total payments made;
- Average payments made, and
- Total claims received.

It can be seen that:

- Total payments made in 2005/2006 were below the average over the period reviewed, and
- The total amount paid by the fund does not necessarily trend according to the number of claims experienced. The quantum of payments made is affected by a range of factors, including for example the incidence of severe and costly injuries, cost saving initiatives and changes in the workers' compensation scheme legislation and guidelines.

Racing NSW will continue its initiatives to further reduce the aggregate cost of workers' compensation insurance to the industry. The fund will specifically target insurance recoveries, a reduction in time lost by workers following injury through closer review and early rehabilitation and the fair and prompt resolution of claims where unnecessary legal and administrative costs can be avoided.

Payments and Claims Experience by financial year



GENERAL INSURANCE AND PUBLIC LIABILITY

Racing NSW has continued to coordinate the provision of public liability and other forms of general insurance to race clubs, associations and relevant industry bodies.

In 2005/2006, Racing NSW determined (in conjunction with Racing Victoria Limited and Queensland Racing) to exit the captive arrangement used to insure the public liability risks of the three states since 2003/2004. The decision to pursue a straight risk transfer in 2006/2007 arose from favourable conditions in the insurance market, the comparatively low cost of above deductible claims reported to the captive underwriter by Racing NSW and the ability to effect significant cost reductions by purchasing insurance cover without an aggregate deductible.

As a result of our aggressive negotiation and tender strategy, the annual premium payable by NSW clubs and associations was reduced from \$1,112,270 to \$428,750. This will have clear and immediate benefits to the industry.

Racing NSW also managed to achieve savings of approximately \$170,000 in the placement of the other forms of insurance coordinated on the industry's behalf.

An independent two-tier system of appeal exists for persons aggrieved by penalties imposed by a racing authority in NSW.

APPEAL PANEL MEMBERS

Mr Peter Capelin QC (Principal Member)

Mr Martin Einfeld QC	Mr Darcy Leo	Ms Margaret Crawley
Mr John Hiatt	Mr Rodney Wicks	Mr Robert Monnox
Mr Dominic Beirne	Mr Ray Nolan	Mr John Vandenberg
Mr John Fletcher	Mr Peter Norrgard	Mr David Campbell SC
Mr Jack Hickman	Mr Donald Storey	Mr Cliff Clare

EXECUTIVE FOR APPEAL PANEL

Mr P N V'landys, Secretary
Ms K J Reece, Appeals Co-ordinator

AVENUE OF APPEAL

At the first level of appeal, any person aggrieved by a decision of a racing authority has the choice of appealing to either one, but not both, of the following Appeal Bodies:

- The Appeal Panel, constituted under Section 45 of the *Thoroughbred Racing Act 1996* (NSW), or
- In limited circumstances, the Racing Association in the region where the decision was made.

The second and final avenue of appeal, the Racing Appeals Tribunal, is constituted under its own Act and can hear appeals on certain matters from persons aggrieved by decisions of the Panel or racing authorities.

APPEAL PANEL

The Sydney-based Appeal Panel sat on 19 occasions during 2005-2006. Mr P R Capelin QC chaired on 16 occasions, Mr M Einfeld QC on 2 occasions and Mr D Campbell SC on 1 occasion. Within those 19 sittings there were 22 Appeals lodged on 25 individual charges. Appeals on 2 of those charges were withdrawn either prior to or at the time of hearing. The majority of these appeals were against conviction and penalty.

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

DECISION ON CHARGES

Area	Upheld	Dismissed or Penalty Varied	Withdrawn	\$200 Refunded	Total Charges
Appeal Panel	2	21	2	1	25
Racing Association	1	4	0	0	5

REPRESENTATION TABLE

	Dismissed or Penalty Varied	Upheld
Represented by Solicitor	6	0
Represented Self	15	2
Totals	21	2

The Board gratefully acknowledges the time, effort and expertise that Appeal Panel members give towards this important part of the Racing Industry.

RACING APPEALS TRIBUNAL

Racing Appeals Tribunal comprising of:
His Honour Mr B R Thorley AM
His Honour Justice W R Haylen QC (Acting Racing Appeals Tribunal)
Mr P N V'landys, Secretary Racing Appeals Tribunal
Ms K J Reece, Appeals Co-ordinator

One appeal was lodged with the Racing Appeals Tribunal and heard by His Honour Justice W R Haylen QC. In this appeal an application to lodge an appeal out of time which was heard by His Honour Mr B R Thorley AM and this application was granted. The Tribunal dismissed this appeal and the penalty was varied. The appeal was under AR178.

SUMMARY OF CHARGES APPLICABLE TO APPEAL CASES

Rule	Description	Number
AR135A	Any instruction given to or any arrangement made with the rider of a horse engaged in a race with the intention of changing or significantly varying the manner in which such horse is to be ridden in a race as compared to the manner in which a horse was ridden at its most recent start or starts shall be advised by the trainer of such horse or his authorised agent to the Stewards as early as practicable and in any event no later than when the order to mount is given to riders prior to the race. Upon receipt of the advice the Stewards may make any public release they deem to be appropriate.	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.	8
AR137(b)	Any rider may be punished if he fails to ride his horse out to the end of the race.	2
AR175(a)	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.	3
AR175(g)	The Committee of any Club or the Stewards may punish any person who gives at any inquiry or appeal any evidence which in their opinion is false or misleading in any particular.	1
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.	4
AR10A(2)(b)	Without limiting the provisions of subrule (1) of this rule, the Stewards may inquire into and adjudicate upon any suspected breach of the Rules or of any regulations, by-laws or conditions established by a race club or other responsible body for the conduct of organised trials or the use of any training facility.	1
AR178D(2)(b)	Upon the detection by an official racing laboratory of a prohibited substance in a sample taken from a horse such laboratory shall nominate another official racing laboratory and refer to it the reserve portion of the same sample and, except in the case of a blood sample, the control of the same sample, together with advice as to the identity of the prohibited substance detected.	1
AR177A	When a horse is brought to a racecourse or recognised training track to engage in a trial or test for the purpose of obtaining a permit to start in a race whether after suspension or otherwise and a prohibited substance is detected in any sample taken from it prior to or following the trial or test, the trainer and any other person who was in charge of the horse at any relevant time may be punished.	1
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 the weight imposed or declared, the rider and any other person at fault may be punished.	1
TOTAL		23



FINANCIAL STATEMENTS

- 28 Profit/Loss Statement - General Activities**
Profit/Loss Statement - Workers Compensation Fund
- 29 Profit/Loss Statement - Consolidated (Income Statement)**
- 30 Balance Sheet**
- 32 Notes**
- 48 Declaration & Audit Report**



PROFIT/LOSS STATEMENT - GENERAL ACTIVITIES

THE YEAR ENDED 30 June, 2006

	2006 \$	2005 \$
REVENUE		
Revenue from Operating Activities		
Sale of Goods - Publications	706,547	649,288
Sale of Services	5,225,209	5,444,944
	5,931,756	6,094,232
Revenue from Non Operating Activities		
Proceeds Disposal of Assets	948,372	73,800
Interest - General	622,918	591,981
	1,571,290	665,781
REVENUE FROM ORDINARY ACTIVITIES	7,503,046	6,760,013
EXPENSES		
Administration/Executive	4,698,165	4,814,989
Legal	461,859	1,422,571
Licensing	202,847	210,758
Ownership	-	185,449
Race Results	82,285	91,531
Publications	604,139	452,321
Laboratory	2,540,019	2,429,707
Handicapping	228,347	328,903
Stewards	2,864,453	3,020,442
Veterinary	529,520	592,758
Syndicates	52,019	75,319
Media	91,702	161,461
TTSC	56,661	-
Industry Training	364,848	307,696
Stakes Payments	307,854	332,688
Information Technology	565,295	887,734
Racing Office	219,295	427,989
Borrowing Costs	68,579	74,897
Correction of gain on disposal of share of Registrar of Racehorses disclosed in 2003/04 following recision of participation in RISA	-	1,050,000
EXPENSES FROM ORDINARY ACTIVITIES	13,937,887	16,867,213
Share of net equity accounted gains/losses(-)	51,765	289,769
Share of profit in Registrar of Racehorses	(174,563)	-
First Charge	8,118,085	8,293,000
Surplus after applying First Charge	1,560,446	(1,524,431)
Appearance Fees disbursed during the year, recouped through a charge on TAB funding	6,673,400	5,979,00

PROFIT/LOSS STATEMENT - WORKERS COMPENSATION FUND

THE YEAR ENDED 30 June, 2006

REVENUE		
Revenue from Operating Activities		
Workers Comp Premiums/Charges	8,240,835	8,697,635
	8,240,835	8,697,635
Revenue from Non Operating Activities		
Movement in market value of land/buildings	24,304	96,000
Interest - Workers Comp Fund	247,300	203,295
Movement in market value of investment fund	2,323,908	1,783,343
	2,595,512	2,082,638
REVENUE FROM ORDINARY ACTIVITIES	10,836,347	10,780,273
EXPENSES		
Workers Compensation Payments and Provisions	8,875,826	8,046,073
Workers Compensation Administrative & Regulatory	2,145,762	1,595,900
Borrowing Costs	93,588	83,566
EXPENSES FROM ORDINARY ACTIVITIES	11,115,176	9,725,539
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES	(278,829)	1,054,734

INCOME STATEMENT

RACING NSW ABN 86 281 604 417
THE YEAR ENDED 30 June, 2006

	Note	2006 \$	2005 \$
REVENUE AND OTHER INCOME			
REVENUE			
Sale of Goods - Publications	6(i)	706,547	649,288
Sale of Services	6(ii)	5,225,209	5,444,944
Workers Compensation Fund Premiums & Revenues	6(iii)	8,240,835	8,697,635
First Charge	6(iv)	8,118,085	8,293,000
Appearance Fee Receipts	6(v)	6,673,400	5,979,000
OTHER INCOME			
Gain on Disposal of Assets	6(vi)	948,372	73,800
Correction of gain on disposal of share of Registrar of Racehorses disclosed in 2003/04 following recision of participation in RISA	6(xxviii)	-	(1,050,000)
Movement in net market value of Land and Buildings integral to insurance activities		24,304	96,000
Interest other parties	6(vii)	870,218	795,276
Movement in net market value of investments integral to insurance activities		2,323,908	1,783,343
TOTAL REVENUE AND OTHER INCOME		33,130,878	30,762,286
EXPENSES			
Administration/Executive	6(viii)	4,698,165	4,814,989
Legal	6(ix)	461,859	1,422,571
Licensing	6(x)	202,847	210,758
Ownership	6(xi)	-	185,449
Race Results	6(xii)	82,285	91,531
Cost of Goods Sold - Publications	6(xiii)	604,139	452,321
Laboratory	6(xiv)	2,540,019	2,429,707
Handicapping	6(xv)	228,347	328,903
Stewards	6(xvi)	2,864,453	3,020,442
Veterinary	6(xvii)	529,520	592,758
Syndicates	6(xviii)	52,019	75,319
Media	6(xix)	91,702	161,461
TTSC	6(xx)	56,661	-
Industry Training	6(xxi)	364,848	307,696
Stakes Payments	6(xxii)	307,854	332,688
Information Technology	6(xxiii)	565,295	887,734
Racing Office	6(xxiv)	219,295	427,989
Appearance Fee (unplaced starters)	6(xxv)	6,673,400	5,979,000
Workers Compensation Fund Expenses	6(xxvi)	11,021,588	9,641,973
Finance Costs	6(xxvii)	162,167	158,463
TOTAL EXPENSES		31,726,463	31,521,752
Share of (loss)/profit in Registrar of Racehorses		(174,563)	174,563
Share of profit of associate (RISA)		51,765	115,206
PROFIT/(LOSS) BEFORE INCOME TAX	6(xxviii)	1,281,617	(469,697)
INCOME TAX EXPENSE		-	-
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		1,281,617	(469,697)

The above income statement should be read in conjunction with the accompanying notes.

BALANCE SHEET



RACING NSW ABN 86 281 604 417
THE YEAR ENDED 30 June, 2006

	Note	2006 \$	2005 \$
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	8	13,088,823	12,808,316
Trade and Other Receivables	9	13,722,906	12,116,719
Other Current Assets	10	37,738	27,219
		26,849,467	24,952,254
Assets held for resale	13	4,100,000	-
TOTAL CURRENT ASSETS		30,949,467	24,952,254
NON-CURRENT ASSETS			
Investment accounted for using the equity method	11	3,511,225	174,563
Financial Assets	12	16,242,524	13,918,616
Investment in land and buildings	13	-	3,936,000
Plant and Equipment	14	1,609,845	2,919,145
TOTAL NON-CURRENT ASSETS		21,363,594	20,948,324
TOTAL ASSETS		52,313,061	45,900,578
CURRENT LIABILITIES			
Trade and Other Payables	15	8,234,671	9,513,636
Breeders and Owners Bonus Scheme	16	5,050,519	5,272,233
Short Term Provisions	17	479,656	350,773
Workers Compensation Provisions	18	5,182,000	5,217,500
Other Current Liabilities	19	1,114,694	1,500,050
Short Term Borrowings	20	2,221,001	-
TOTAL CURRENT LIABILITIES		22,282,541	21,854,192
NON-CURRENT LIABILITIES			
Breeders and Owners Bonus Scheme	16	5,266,114	1,914,464
Long Term Provisions	17	408,896	585,919
Workers Compensation Provisions	18	22,718,000	19,208,500
TOTAL NON-CURRENT LIABILITIES		28,393,010	21,708,883
TOTAL LIABILITIES		50,675,551	43,563,075
NET ASSETS		1,637,510	2,337,503
EQUITY			
Reserve	21	1,560,446	1,981,610
Accumulated Surplus	22	77,064	355,893
TOTAL EQUITY		1,637,510	2,337,503

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF RECOGNISED INCOME AND EXPENSE

RACING NSW ABN 86 281 604 417
THE YEAR ENDED 30 June, 2006

	Note	2006 \$	2005 \$
Profit for the period		1,281,617	(469,697)
Total recognised income and expense for the period		1,281,617	(469,697)

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

RACING NSW ABN 86 281 604 417
THE YEAR ENDED 30 June, 2006

	Note	2006 \$	2005 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		35,029,593	29,854,543
Payments to suppliers and employees		(28,894,568)	(25,964,906)
Interest and Investment earnings received		870,218	795,277
Borrowing costs		(162,167)	(158,463)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7(b)	6,843,076	4,526,451
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(455,280)	(682,157)
Payments for interest in associated entity (RISA)		(188,460)	-
Proceeds from sale of plant and equipment		148,916	73,800
Loans (to)/from related parties		(4,086,135)	581,123
NET CASH USED IN INVESTING ACTIVITIES		(4,580,959)	(27,234)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of accumulated surplus to race clubs		(1,981,610)	-
NET CASH USED IN FINANCING ACTIVITIES		(1,981,610)	-
NET INCREASE IN CASH		280,507	4,499,217
Cash at beginning of the year		12,808,316	8,309,099
CASH AT THE END OF THE YEAR	7(a)	13,088,823	12,808,316

The above cashflow statement should be read in conjunction with the accompanying notes

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers Racing NSW. Racing NSW was established by the *Thoroughbred Racing Act 1996* of the NSW State Parliament.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take account of the changing values of money, 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 financial report was authorised for issue in accordance with a resolution of the directors on the 16th October 2006.

The financial report is presented in the Australian currency.

(b) Statement of Compliance

The financial report complies with the Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly.

There have been no Australian Accounting Standards issued but not yet effective which are expected to have any material financial impact on the financial report of the entity in future periods.

(c) Property, Plant and Equipment

Each class of Property, Plant and Equipment is carried at cost less, where applicable, any accumulated depreciation and impairment.

Plant and equipment

At each reporting date, the directors review a number of factors affecting plant and equipment, including their carrying values, to determine which of these assets, grouped into cash-generating units, may be impaired. If impairment indicators exist, the recoverable amount of the assets, being the higher of the assets, "fair value less costs to sell" and "value in use", are compared to the carrying values. Any excess of the assets' carrying value over their recoverable amount is expensed in the income statement as an impairment expense.

As the future economic benefits of Racing NSW's assets are not primarily dependent on their ability to generate net cash inflows, and if deprived of the asset, Racing NSW will replace the asset's remaining future economic benefits. "Value in use" is determined as the depreciated replacement cost of the asset, rather than by using discounted future cash flows.

Depreciation

The depreciable amount of all fixed assets is calculated on a straight line basis over their estimated useful lives to Racing NSW commencing from the time the asset is held ready for use. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement.

	Depreciation Rate
Plant and Equipment	5-40%
Land and Buildings	2.50%

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 Racing NSW are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives where it is likely that Racing NSW 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 on a straight line basis over the lease term in the periods in which they are incurred.

(d) Investments

Investments integral to Racing NSW's insurance activities, including investments in land and buildings and investments in the ANZ Wholesale Investment Trust 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 uncollectable 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.

(h) Employee Benefits

Provision is made for Racing NSW's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within 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 Racing NSW 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 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 income statement in respect of superannuation represents the contributions made by Racing NSW to the superannuation fund, adjusted by the movement in the liability.

(i) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and bank overdrafts.

(j) Revenue

Revenue is measured at the fair value of the consideration received or receivable. 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 Racing NSW 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 and Owners Bonus Scheme

Racing NSW administers the Breeders and Owners Bonus Scheme (BOBS). BOBS is an incentive scheme designed to develop the NSW racing and breeding industry. Stallions standing in New South Wales and their progeny conceived in New South Wales are eligible to be nominated for the scheme. Stallion owners pay a fee to nominate their stallion to participate in BOBS. Owners of eligible progeny of participating stallions also pay nomination fees in respect of each eligible progeny which participates in the scheme.

Racing NSW supplements the scheme funds with contributions from the TAB distribution.

Where a participating progeny of a participating stallion wins a race at a registered meeting in New South Wales, a BOBS bonus is paid to the stallion nominator according to published criteria. Owners may supplement the amount of the bonus by electing to credit the bonus towards the purchase of BOBS eligible yearlings at designated sales rather than receive a cash payment. A management fee is applied to cover the costs of administering BOBS. Any deficit in the funds allocated to BOBS as at the end of a financial year is covered by increasing the funding to BOBS in the next financial year. Any surplus at the end of a financial year is carried forward to be applied under the scheme in future periods.

(m) Finance Costs

Finance costs are expensed when incurred.

(n) Workers Compensation 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 central estimate of the present value of the expected future payments for claims incurred with an additional risk margin to allow for the inherent uncertainty in the central estimate. The expected future payments includes amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and costs, including claims handling costs, which the insurer expects to incur in settling these incurred claims. The outstanding claims liability is discounted for the time value of money using risk-free discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligations.

(o) 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 balance sheet are shown inclusive of GST. Cash Flows are presented in the Cash Flows statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating Cash Flows.

(p) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(q) Assets Classified as Held for Sale

Assets classified as held for sale are those assets whose carrying amounts will be recovered principally through a sale transaction rather than continuing use. These assets are stated at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for subsequent increases in fair value less costs to sell of an asset.

(r) 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 2006, Racing NSW has a net asset surplus of \$1,637,510 (2005: \$2,337,503). The Members are of the opinion that Racing NSW will continue to be able to pay its debts as and when they fall due on the basis that the Intra-code Agreement allows Racing NSW to levy an administration charge on wagering receipts received from TAB Limited (Tabcorp Holdings Ltd).

Critical Accounting Estimates and Judgements

No critical accounting estimates and judgements have been required to be made in the preparation of the financial report other than determination of asset impairment arising from the post balance date sale of Baxter Road (Refer Notes 1c and 14) and in estimation of insurance liabilities (Refer Note 31).

NOTE 2: CONSOLIDATED OPERATIONS

Racing NSW - Administration includes the administrative functions of Racing NSW in accordance with the *Thoroughbred Racing Act 1996*. Racing NSW 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, Racing NSW Magazine, Syndicates, Leases and Transfers and the Racing NSW Insurance Fund. The consolidated results encompass all divisions noted above.

NOTE 3: INCOME TAX

Racing NSW, 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

Racing NSW received 24.3% (2005: 26.1%) 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 RacingCorp Pty Limited and TAB Limited (Tabcorp Holdings Ltd). Consequently, Racing NSW is economically dependent on TAB Limited (Tabcorp Holdings Ltd).

NOTE 5: EVENTS AFTER BALANCE DATE

There are no circumstances that 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: INCOME STATEMENT

(i) Sale of Goods - Publications represents income derived from the sale of advertising space in the Racing NSW magazine as well as subscriptions to Racing NSW 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) Workers compensation fund premiums & revenues represents premiums, charges and other revenues of the Racing NSW workers compensation fund other than those disclosed elsewhere in the Income Statement.

(iv) First Charge represents a charge to the industry based on the budgeted expenditure for the year.

(v) Appearance Fee Receipts represents a charge to the industry based on expected starters, to fund a \$200 per starter payment to the owners of all horses not receiving prizemoney.

(vi) Gain on Disposal of Assets represents net amounts received on sale or trade in of assets, less the carrying value of those assets.

(vii) Interest represents investment earnings and interest income, excluding movements in the value of managed funds and property.

(viii) Administration/Executive represents the administrative costs of Racing NSW including executive, finance, property, human resources, appeals, consultants as well as support to the Provincial Association and Racing NSW Country.

(ix) Legal represents the cost of managing legal matters and litigation, including staff costs and external representation.

(x) Licensing expenditure represents staff and office costs associated with the derivation of this income stream.

(xi) Ownership expenditure represents the costs of Racing NSW's 'Operation Ownership'.

(xii) Race Results Expenditure represents staff, consultants and office costs associated with the deriving of income for the provision of race result information.

(xiii) Publications expenditure includes staff and office costs as well as all production, distribution and selling costs.

(xiv) Laboratory expenditure includes staffing, depreciation of capital expenditure, consumables and occupancy costs.

(xv) Handicapping expenditure includes staff and office costs.

(xvi) Stewards expenditure includes staffing costs, shorthand writers and office costs.

(xvii) Veterinary expenditure includes staff, research horses, consumables and office costs.

(xviii) Syndicates expenditure includes staffing and office costs.

(xix) Media costs include staff, participation in national advertising, promotional activities and monitoring of media.

(xx) TTSC represents staffing and support costs of the Thoroughbred Trainers Service Centre.

(xxi) Industry Training expenditure represent staffing costs as well as educational costs associated with the training of industry workers including apprentice jockeys.

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2006

(xxii) Stakes Payments costs include staffing, consultants, system development, bank charges and office costs.

(xxiii) Information Technology represents the cost of providing an IT platform to Racing NSW and supporting staff costs.

(xxiv) Racing Office represents the cost of co-ordinating race dates and programming throughout NSW.

(xxv) Appearance fees are a \$200 per starter payment to the owners of all horses not receiving prizemoney.

(xxvi) Workers compensation insurance fund. This fund is designed to provide workers compensation insurance cover to NSW Racing Clubs, Associations, and owners and trainers of racehorses for liability relating to injury suffered by workers in the course of their employment. The Racing NSW policy is,

however, limited to indemnifying such employees for injuries that occur as a result of activities of or incidental to Thoroughbred horse racing. In July 2000, Racing NSW signed a service contract with ASWIG Pty Limited. This contract specified that ASWIG were to provide to Racing NSW management services in relation to the insurance fund. From 1 July 2005, the Fund was managed by QBE Insurance. Effective from 1 July 2006, the fund will be managed in-house by Racing NSW.

(xxvii) Finance costs include staffing, interest expense, bank charges and bank guarantee fees.

(xxviii) Profit/(Loss) before Income Tax

The result from ordinary activities has been determined after :

Finance Costs

- Other parties

Total Finance Costs

Depreciation and impairment expense of non-current assets

- Plant and Equipment

Total Depreciation and Impairment Expense

Bad and Doubtful Debts

- Trade Debtors

Total Bad and Doubtful Debts

Racing NSW has included in its trade debtors amounts owed by race clubs for amounts billed for public liability claims made not covered by insurance due to the collapse of the then underwriter HIH Insurance. Racing NSW has chosen to provide for the loss of these amounts where there is a strong possibility, subject to further advice, that the settlements will become a liability of its workers compensation fund.

Rental Expense on Operating Lease

Total Gain/(Loss) on disposal of non-current assets:

- Property, Plant and Equipment

- Interest in associated entity (Registrar of Racehorses)

Total Gain/(Loss) on disposal of non-current assets

Remuneration of Auditor

- audit services

- non-audit services

Total Remuneration of Auditor

Employee Benefits Expense

Defined Contribution Superannuation Expense

Individually Significant Items:

Increase in Provision relating to Insurance Claims Liability as recommended by the Actuary (Refer Note 18)

Impairment Write Down

	2006	2005
	\$	\$
	162,167	158,463
	162,167	158,463
	1,612,768	1,072,420
	1,612,768	1,072,420
	(5)	98,870
	(5)	98,870
	315,811	348,622
	(2,896)	36,939
	951,268	(1,050,000)
	948,372	(1,013,061)
	60,824	50,000
	-	-
	60,824	50,000
	7,011,003	7,056,294
	455,727	354,126
	3,474,000	3,260,800
	647,436	-

	2006 \$	2005 \$
NOTE 7: CASHFLOW INFORMATION		
a) Reconciliation of Cash		
Cash	13,088,823	12,808,316
Cash	13,088,823	12,808,316

As at 30 June 2006, Racing NSW has credit facilities in place with a limit of \$110,000 (2005: \$110,000) with an amount of \$110,000 (2005: \$110,000) undrawn at the balance date. The limits of these credit facilities are subject to periodic review.

b) Reconciliation of Cash Flow from Operating Activities		
Profit/(Loss) after tax	1,281,617	(469,697)
(Gain) on Sale of Assets	(948,372)	(36,939)
Increase in Accruals (RISA)	(98,732)	-
Reversal of Profit on Sale of Assets arising from RISA rescission	-	1,050,000
(Decrease)/increase in Leave Provisions	(32,199)	101,444
Depreciation and Impairment Expense	1,612,768	1,072,420
Share of net loss/(profit) in associate net of distributions received (Registrar)	174,563	(174,563)
Share of net (profit) in associate net of distributions received (RISA)	(51,765)	(115,206)
Unrealised (Surplus) on investment	(2,323,908)	(1,783,343)
Gain on revaluation	(164,000)	(96,000)
	(550,028)	(451,884)
(Increase)/decrease in Trade Debtors	(766,180)	1,291,740
(Increase)/decrease in Prepayments	(10,519)	123,988
Decrease/(increase) in Stakes Payment Debtors	1,967,448	(3,438,592)
Decrease/(increase) in Other Debtors	1,059,910	(699,494)
Increase in Trade Creditors	1,995,564	3,001,400
(Decrease)/increase in Stakes Payment Creditors	(147,199)	1,446,683
(Decrease) in Sundry Creditors and Accruals	(179,920)	(8,190)
Increase in Insurance Claims Provision	3,474,000	3,260,800
	7,393,104	4,978,335
Cash Flows from operating activities	6,843,076	4,526,451

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at Bank	8,042,037	8,312,466
Cash on Deposit	5,046,786	4,495,850
Total Cash	13,088,823	12,808,316

The Cash at Bank bears floating interest rates between 3.60% and 5.2% (2005: 3.35% and 5.0%). Cash on deposit bears interest at 5.68% (2005: 5.36%). The deposits at call are pledged as security for the ANZ Bank Guarantee to WorkCover (Note 18).

NOTE 9: TRADE AND OTHER RECEIVABLES

Trade Debtors	2,177,945	1,473,098
Provision for Doubtful Debts	(183,651)	(244,984)
Sundry Debtors	1,026,255	2,138,327
Amounts receivable from associated entities		
- Racing NSW Country Limited	5,479,443	1,913,776
- Registrar of Racehorses	158,658	322,838
- RacingCorp Pty Limited	17,418	-
- Australian Racing Board Limited	497,669	-
Stakes Payment Debtors	4,489,983	6,457,431
Bank Guarantee	59,186	56,233
Total Receivables	13,722,906	12,116,719

NOTE 10: OTHER CURRENT ASSETS

Prepayments	37,738	27,219
	37,738	27,219

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2006

NOTE 11: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a) Interest in Associated Entity

Name of Entity	Principal Activity	Country of Incorporation	Balance Date	2006	2005
Racing Information Services Australia Pty Ltd	Maximising benefits of racing information	Australia	31/07/2006		
Ownership Interest				42.7%	0%
Voting Power				42.7%	0%
				2006	2005
				\$	\$
At beginning of financial year				-	4,565,632
Investment during year				4,312,277	-
Reversal and amendment of Investment on rescision of participation				(852,817)	(4,680,838)
Share of operating gain after income tax				51,765	-
Reversal of share of operating loss (2004) after income tax on rescision of participation				-	115,206
At end of financial year				3,511,225	-

b) Interest in joint venture partnership:

Name of Entity	Principal Activity	Country of Incorporation	Balance Date	2006	2005
Registrar of Racehorses	Registration of Racehorses in Australia	Australia	30/06/2006		
Ownership Interest				0%	42%
Voting Power				0%	42%
				2006	2005
				\$	\$
At beginning of financial year				174,653	-
Investment during year				-	-
Share of operating profit after income tax (2005 being for the period 26 November 2003 to 30 June 2005)				(174,653)	174,653
Receipts from Registrar of Racehorses				-	-
At end of financial year				-	174,653
Total Investments Accounted for using Equity Method				3,511,225	174,653

	2006	2005
	\$	\$
Share of RISA's profit or loss	247,503	-
Summarised financial information of RISA as at balance date		
Assets	5,827,877	-
Liabilities	2,117,807	-
Equity	3,710,070	-
Revenues	1,736,687	-
Profit/Loss	247,503	-
Share of RISA's commitments		
Capital commitments	-	-
Lease commitments	-	-
Contingent liabilities of RISA		
Share incurred jointly with other investors	725,029	-
For which Racing NSW is severally liable	-	-

	2006 \$	2005 \$
NOTE 12: FINANCIAL ASSETS		
ANZ Wholesale Investment Trust	16,242,524	13,918,616
	16,242,524	13,918,616

The ANZ Wholesale Investment Trust investment is an asset of the workers compensation fund. (Refer Note 32) This investment is mortgaged to the ANZ Bank and acts as security for the ANZ Bank Guarantee to WorkCover (Note 18).

NOTE 13: ASSETS HELD FOR RESALE

Fixtures and Fittings	139,696	-
Land and Buildings	3,960,304	3,936,000
Total Assets Held for Resale	4,100,000	3,936,000

The Baxter Road property is mortgaged to the ANZ Bank and acts as security for the ANZ Bank Guarantee to WorkCover (Note 18). The building is an asset held by the workers compensation fund and used by it to earn rental income. The sale of the building and some fixtures and fittings as at 1st September 2006 for \$4,100,000 gives rise to the need to reclassify the asset as an Asset Held for Resale. (Refer Note 32) As such the amount of \$3,960,304 has been reclassified. The basis for this amount is the sale price of the building less the fixtures and fittings \$139,696 being sold with the building. A gain on valuation of \$24,304 has been recognised in the accounts.

NOTE 14: PLANT AND EQUIPMENT

Plant and Equipment - at cost	5,675,757	6,044,258
Less accumulated depreciation	4,065,912	3,125,113
Total Plant and Equipment	1,609,845	2,919,145
Movement in Carrying Amounts		
Balance at Beginning of Year	2,919,145	3,346,268
Additions	594,977	682,158
Transfer to Assets Held for Resale	(139,696)	-
Disposals	(151,813)	(36,861)
Depreciation and Impairment Expense	(1,612,768)	(1,072,420)
Carrying Amount at the end of the year	1,609,845	2,919,145

Plant and equipment above is comprised of the following categories.

Laboratory Equipment - at cost	2,142,793	1,772,353
Less accumulated depreciation	1,461,239	887,423
Total Laboratory Equipment	681,554	884,930
Movement in Carrying Amounts		
Balance at Beginning of Year	884,930	888,336
Transfer from Office Equipment	147,129	-
Additions	57,227	317,932
Disposals	-	-
Depreciation Expense	(407,732)	(321,338)
Carrying Amount at the end of the year	681,554	884,930

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2006

	2006	2005
	\$	\$
NOTE 14: PLANT AND EQUIPMENT CONT.		
Building Fit-out, Furniture & Fittings - at cost	1,346,909	1,346,909
Impairment Write Down	647,436	
	<u>699,473</u>	<u>1,346,909</u>
Less accumulated depreciation	538,028	404,089
	<u>161,445</u>	<u>942,820</u>
Reclassify to Assets held for Resale	139,696	-
Total Building Fit-out, Furniture & Fittings	21,749	942,820
Movement in Carrying Amounts		
Balance at Beginning of Year	942,820	1,077,516
Additions	-	-
Write Downs and transfers	(787,132)	-
Depreciation Expense	<u>(133,939)</u>	<u>(134,696)</u>
Carrying Amount at the end of the year	21,749	942,820
Office & Other Equipment - at cost	1,991,046	2,075,326
Less accumulated depreciation	<u>1,646,503</u>	<u>1,547,384</u>
Total Office & Other Equipment	344,543	527,942
Movement in Carrying Amounts		
Balance at Beginning of Year	527,942	840,558
Transfer to Laboratory	(147,129)	-
Additions	228,934	132,678
Disposals	-	-
Depreciation Expense	<u>(265,204)</u>	<u>(445,294)</u>
Carrying Amount at the end of the year	344,543	527,942
Motor Vehicles - at cost	804,428	849,670
Less accumulated depreciation	<u>242,430</u>	<u>286,217</u>
Total Motor Vehicles	561,998	563,453
Movement in Carrying Amounts		
Balance at Beginning of Year	563,453	539,858
Additions	308,816	231,548
Disposals	(151,813)	(36,861)
Depreciation Expense	<u>(158,458)</u>	<u>(171,092)</u>
Carrying Amount at the end of the year	561,998	563,453
NOTE 15: TRADE AND OTHER PAYABLES		
Trade Creditors	732,314	1,866,687
Other Creditors and Accruals	956,683	788,025
Employee Leave	859,753	843,812
Amounts payable to associated entities		
- RacingCorp Pty Limited	-	130,734
- Australian Racing Board Limited	-	88,036
Stakes Payment Creditors	5,246,960	5,394,159
Benevolent Fund	<u>438,961</u>	<u>402,183</u>
Total Trade and Other Payables	8,234,671	9,513,636

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

	2006 \$	2005 \$
NOTE 16: BREEDERS AND OWNERS BONUS SCHEME (BOBS)		
Current		
Breeders and Owners Bonus Scheme	5,050,519	5,272,233
Total Current	5,050,519	5,272,233
Non-Current		
Breeders and Owners Bonus Scheme	5,266,114	1,914,464
Total Non-Current	5,266,114	1,914,464
	10,316,633	7,186,697

BOBS current liability are those amounts expected to be settled within the next 12 months or within Racing NSW's normal operating cycle. BOBS is funded from Racing NSW cash flow and supported by Cash and Cash Equivalents.

NOTE 17: PROVISIONS FOR EMPLOYEE BENEFITS

Current		
Employee Benefits	479,656	350,773
Total Current	479,656	350,773
Non-Current		
Employee Benefits	408,896	585,919
Total Non-Current	408,896	585,919
Total Provisions for Employee Benefits	888,552	936,692

Superannuation Fund

A number of employees of Racing NSW are entitled to benefits on retirement, disability or death from the Racing NSW Superannuation Plan. The fund provides target 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 11 September 2006 are set out below.

Present value of employees accrued benefits	2,159,477	2,933,030
Net market value of assets held by the fund to meet future benefit payments	1,904,183	2,607,215
Adjustment for known shortfall	-	(8,325)
Excess of the present value of employees accrued benefits over assets held to meet future benefit payments	255,294	317,490

NOTE 18: PROVISIONS FOR WORKERS COMPENSATION INSURANCE LIABILITIES

Current		
Provision for Insurance Outstanding Claims	5,182,000	5,217,500
Total Current	5,182,000	5,217,500
Non-Current		
Provision for Insurance Outstanding Claims	22,718,000	19,208,500
Total Non-Current	22,718,000	19,208,500
Total Provisions for Workers Compensation	27,900,000	24,426,000

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2006

	2006	2005
	\$	\$
NOTE 18: PROVISIONS FOR WORKERS COMPENSATION INSURANCE LIABILITIES CONT.		
Workers Compensation Provisions		
Opening Balance of Workers Compensation Provisions	24,426,000	21,165,200
Movement in Workers Compensation Provisions	3,474,000	3,260,800
Closing Balance of Workers Compensation Provisions	27,900,000	24,426,000

Provision for Insurance Outstanding Claims

An actuarial valuation of the Insurance Funds outstanding claims was performed by independent actuaries McMahon Actuarial Services as at 30 June 2006. The ANZ Bank have issued guarantees amounting to \$23,531,000 in favour of WorkCover Authority of NSW. This guarantee is required under the terms of Racing NSW's insurance licence. In accordance with actuarial recommendations Racing NSW has provided for a prudential margin of 25% (2005 - 25%) of the central estimate of liabilities. The directors have determined that a 25% prudential risk margin is appropriate to increase the likelihood that the provision will be adequate to meet the cost of claims. Due to the small amount of claim data and the difficulties in determining a mathematical distribution appropriate to Racing NSW, the probability of adequacy corresponding to the margin cannot be reliably estimated.

The movement in Workers Compensation Provision is recognised as an expense of the period. No surplus or deficit has been identified by the Liability Adequacy Test.

NOTE 19: OTHER

Deferred Income	1,114,694	1,500,050
	1,114,694	1,500,050

Monies received by Racing NSW 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, transfers, leases, syndicate fees, license fees, workers compensation insurance premiums and subscriptions to Racing NSW magazine.

NOTE 20: BORROWINGS

Current		
Loan payable to RISA	2,221,001	-
	2,221,001	-

The loan is unsecured and non-interest bearing. The loan is reduced through application of any surplus declared by RISA.

NOTE 21: RESERVES

The following reserves have been set aside in accordance with a resolution of Racing NSW.

Reserves

General Reserve	828,471	-
Operating Reserve	731,975	-
Industry Distribution Reserve	-	1,981,610
Total Reserves	1,560,446	1,981,610

Movement in Reserves

General Reserve

Balance at the beginning of the year	-	-
Transfers from retained earnings	828,471	-
Balance at the end of the year	828,471	-

Operating Reserve

Balance at the beginning of the year	-	-
Transfers from retained earnings	731,975	-
Balance at the end of the year	731,975	-

Industry Distribution Reserve

Balance at the beginning of the year	1,981,610	-
Payments to Industry Participants	(1,981,610)	-
Transfers from retained earnings	-	1,981,610
Balance at the end of the year	-	1,981,610

Total Reserves

1,560,446	1,981,610
------------------	------------------

The Industry Distribution Reserve, General Reserve and Operating Reserve represent monies that have progressively been accumulated by Racing NSW from its operation since its inception, to fund different areas of its general activities segment.

	2006 \$	2005 \$
NOTE 22: ACCUMULATED PROFITS		
Retained profits at beginning of the financial year	355,893	2,807,200
Net profit from Ordinary Activities after income tax	1,281,617	(469,697)
Transfer to Industry Distribution Reserve	-	(1,981,610)
Transfer to Operating Reserve	(731,975)	-
Transfer to General Reserve	(828,471)	-
Accumulated surplus at the end of the financial year	77,064	355,893

NOTE 23: 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	36,806	58,410
Payable later than 1 year and not later than 5 years	-	37,178
	36,806	95,588

Capital Expenditure Projects

Payable not later than 1 year

-	-
---	---

Other Commitments

Racing NSW has net funding commitments to RISA of \$2,221,001 (2005: nil) (Refer Note 33)

NOTE 24: CONTINGENT LIABILITIES

Racing NSW 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 authority of NSW, Victoria and Queensland. Under the Captive Fund, participating states are liable for claims of up to \$2 million with reinsurance responsible for claims beyond this amount. At 31 December 2005, the fund had assets net of liabilities and provisions amounting to \$988,778 (30 June 2005: \$911,642). While it is not envisaged any shortfall in funding will occur from operations in the year ended 30 June 2006, any shortfall due to underperformance would be shared among participating bodies and race clubs in NSW. The captive fund concluded as of 30 June 2006.

Racing NSW is 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 \$23,531,000 (2005 : \$20,340,000) at balance date, against a facility of \$23,540,000 (2005 : \$21,200,000). Unused facilities at balance date amount to \$9,000 (2005 : \$860,000).

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 Racing NSW is held by the ANZ Bank. The deposits at call are pledged as security for the ANZ Bank Guarantee to WorkCover.

NOTE 25: ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL REPORTING STANDARDS

As stated in Note 1, this is the first financial report prepared under AIFRS and AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial reporting statements. No adjustments were required on the transition to AIFRS at 1 July 2004 and no adjustments were required for the year ended 30 June 2006.

NOTE 26: MEMBERS OF THE BOARD

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

Chairman

G M Pemberton AC

Nominated by Australian Jockey Club

D P R Esplin, term expired March 2006

N F Bracks, commenced March 2006

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2006

NOTE 26: MEMBERS OF THE BOARD CONT.

Nominated by Sydney Turf Club

G F Pash

Nominated by Provincial Association of NSW

B J Reardon

Nominated by Board of Directors of Racing NSW Country Ltd

D E Hopkins (Deputy Chairman)

Nominated by eligible industry bodies to represent the interests of Licensed Persons and Race Club employees

J B Costigan, term expired March 2006

D P R Esplin, commenced March 2006

Nominated by eligible industry bodies to represent the interests of Owners and Breeders of thoroughbred racehorses

R M Lapointe

Independent Director

R A Ferguson

Chief Executive

P N V'landys

	2006	2005
	\$	\$
b) Key Management Personnel Compensation		
Short Term Benefits		
Salary and Fees	1,604,703	1,448,990
Bonus	-	-
Non-Cash Benefits	184,061	250,868
Post Employment Benefit		
Other	166,443	133,152
Long Term Benefits - Superannuation	217,240	164,894
Total	2,172,447	1,997,904

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

NOTE 27: ENTITY DETAILS

Racing NSW is a body corporate established 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 28: FINANCIAL INSTRUMENTS

	Note	Floating Interest Rate		Non Interest Bearing		Total	
		2006	2005	2006	2005	2006	2005
Financial Assets:							
Cash	8	13,088,823	12,808,316	-	-	13,088,823	12,808,316
Receivables	9	-	-	13,722,906	12,116,719	13,722,906	12,116,719
Investments	11, 12	16,242,524	13,918,616	3,511,225	174,563	19,753,749	14,093,179
Total Financial Assets		29,331,347	26,726,932	17,234,131	12,291,282	46,565,478	39,018,214
Weighted average interest rate		9.31%	9.22%				
Financial Liabilities:							
Loans and Overdrafts	20	-	-	2,221,001	-	2,221,001	-
Breeders and Owners Bonus Scheme	16	-	-	10,316,633	7,186,697	10,316,633	7,186,697
Trade and sundry creditors	15	-	-	8,234,671	9,513,636	8,234,671	9,513,636
Total Financial Liabilities		-	-	20,772,305	16,700,333	20,772,305	16,700,333
Weighted average interest rate							
Net financial assets/(liabilities)		29,331,347	26,726,932	(3,538,174)	(4,409,051)	25,793,173	22,317,881

NOTE 28: FINANCIAL INSTRUMENTS CONT.

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 balance sheet and notes to the financial statements. A significant proportion of receivables from associated entities include amounts receivable from Racing NSW Country Limited, Registrar of Racehorses, RacingCorp Pty Limited and the Australian Racing Board Limited. The receivables as at 30 June 2006 were \$5,479,443 (2005: \$1,913,776), \$158,665 (2005: \$322,838), \$17,418 (2005: nil) and \$497,669 (2005: nil), respectively. Racing NSW does not have any material credit risk exposure to any other single debtor or group of debtors under financial instruments entered into by Racing NSW.

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

NOTE 29: SEGMENT REPORTING

	2006			2005		
	Racing NSW	Insurance	Total	Racing NSW	Insurance	Total
Primary Reporting - Business Segments						
Revenue						
External Sales	20,985,523	8,240,835	29,226,358	20,366,232	8,697,635	29,063,867
Other Revenue	1,571,289	2,595,513	4,166,802	665,781	2,082,638	2,748,419
Share of Profit of associated entity/partnership	(122,798)	-	(122,798)	289,769	-	289,769
Total Segment Revenue	22,434,014	10,836,348	33,270,362	21,321,782	10,780,273	32,102,055
Expenditure	19,260,800	11,115,176	30,375,976	21,773,793	9,725,539	31,499,332
Depreciation	1,612,768	-	1,612,768	1,072,420	-	1,072,420
Share of Loss of associated entity/partnership	-	-	-	-	-	-
Total Segment Expenditure	20,873,568	11,115,176	31,988,744	22,846,213	9,725,539	32,571,752
Segment Result	1,560,446	(278,828)	1,281,618	(1,524,431)	1,054,734	(469,697)
Assets						
Segment Assets	23,279,115	25,522,721	48,801,836	23,294,648	22,431,277	45,725,925
Investments in Assets Accounted for using the Equity Method	3,511,225	-	3,511,225	174,653	-	174,653
Total Assets	26,790,340	25,522,721	52,313,061	23,469,301	22,431,277	45,900,578
Liabilities						
Segment Liabilities	22,327,921	28,347,630	50,675,551	18,674,257	24,888,818	43,563,075
Total Liabilities	22,327,921	28,347,630	50,675,551	18,674,257	24,888,818	43,563,075
Net Assets/(Liabilities)	4,462,419	(2,824,909)	1,637,510	4,795,044	(2,457,541)	2,337,503
Purchase of Non-Current Assets	540,988	14,301	555,289	658,555	-	658,555
Impairment Losses	-	647,436	647,436	-	-	-
Non Cash Expenses other than Depreciation	1,954,443	3,474,000	5,428,443	742,418	3,260,800	4,003,218

The primary business activity of Racing NSW is 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.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage.

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2006

NOTE 30: RELATED PARTIES

The names of the persons who were members of the Board at any time during the year were as follows:

G M Pemberton AC	B J Reardon	R M Lapointe	P N V'landys
D P R Esplin	D E Hopkins	R A Ferguson	
G F Pash	J B Costigan	N F Bracks	

Agistment fees for research horses of \$20,570 (2005 : \$18,328) were expended to Muskoka Farm. Muskoka Farm is owned by R M Lapointe, a Board member of Racing NSW. These transactions are conducted at arms length.

Mr G M Pemberton AC, Mr D E Hopkins, Mr D P R Esplin, Mr B J Reardon, Mr P N V'landys and Mr G F Pash all board members of Racing NSW, are also directors of RacingCorp Pty Limited and each beneficially own one Class A1 share unit in Racingcorp Pty Limited.

Racing NSW undertakes accounting support for Racing NSW Country Limited, Registrar of Racehorses, Racing NSW Insurance Fund, NSW TRB Training Limited, RacingCorp Pty Limited and the Australian Racing Board Limited. Amounts disclosed in Note 9 as receivable from other entities are payable to Racing NSW by these entities for expenses paid on their behalf. These are summarised as follows:

	Expenses Paid on behalf of entity	Receipts taken on behalf of entity
- Racing NSW Country Limited	63,711,093	60,145,426
- Australian Racing Board Limited	2,227,336	1,690,840
- RacingCorp Pty Limited	509,875	361,723
- Registrar of Racehorses	1,276,600	1,440,781

NOTE 31: RISK MANAGEMENT POLICIES AND OBJECTIVES

Activities undertaken by Racing NSW may expose the business to credit risk, economic dependency risk, borrowings and interest risk and insurance risk. Racing NSW's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of Racing NSW where such impacts may be material.

Racing NSW has a central treasury function which implements the risk management policies approved by the Board.

Credit risk

Racing NSW trades only with recognised, credit worthy third parties. Receivable balances are monitored on an ongoing basis with the result that Racing NSW's exposure to bad debts is not significant.

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 balance sheet and notes to the financial statements. Racing NSW does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by Racing NSW.

Economic Dependency Risk

Racing NSW is dependent on the IntraCode Agreement with RacingCorp Pty Limited and TAB Limited (Tabcorp Holdings Ltd). (Refer Note 4)

Borrowings and Interest Risk

The only borrowings for Racing NSW are those related to the RISA investment. These borrowings are supported by the RISA investment and no interest is payable on the loan.

Insurance Risk

Pursuant to section 13(1)(d) of the *Thoroughbred Racing Act 1996 (NSW)*, Racing NSW's functions include "insuring of participants in the horseracing industry". Racing NSW holds a specialised insurer's licence issued by WorkCover NSW that permits it to offer compulsory workers compensation insurance for employers and employees engaged in activities incidental to thoroughbred horse racing.

The rights and obligations of Racing NSW as a specialised insurer, are regulated by the *Workers Compensation Act 1987 (NSW)* and the *Workplace Injury Management and Workers Compensation Act 1998 (NSW)*. These Acts define the circumstances in which an employer has a liability to an injured worker, the manner and timing of any decision by Racing NSW as to the granting of indemnity, and the quantum of benefits payable in response to a claim.

Racing NSW provides an annual actuarial report to WorkCover NSW for the period to 30 June in each financial year that covers issues such as:

1. The quantum of outstanding liabilities.
2. The predicted development of such liabilities, payments on new claims and other expenses during the subsequent financial year.
3. The number of new claims expected and an estimate of Incurred But Not Reported (IBNR) claims for the preceding financial year.
4. The amount of the bank guarantee that Racing NSW must arrange to be executed by an established financial institution in favour of WorkCover NSW to support its ability to fund the thoroughbred racing industry's accumulated and expected workers compensation liabilities. (Refer Note 18)

Racing NSW is committed to managing legal, operational and financial risk in the conduct of its workers compensation activities.

Financial payments made by the fund are initially approved by the relevant claims manager. Payments are then entered by a different department and returned to the Insurance Manager for authorisation before being randomly audited and processed by the General Manager – Finance and the Chief Executive.

Established practices and procedures govern the internal management of claims, the selection and remuneration of service providers and the manner in which critical decisions are made in relation to individual claimants (such as decisions to contest liability and/or litigate appropriate cases). These practices and procedures are regularly reviewed and, in conjunction with the Occupational Health & Safety and Workers Compensation summary publicly available on the Racing NSW website, are available for review and comment by WorkCover NSW upon request.

The Racing NSW Insurance Manager is a practising solicitor with experience and qualifications in the allied health field. This enables decisions about legislative interpretation, the conduct of litigation and the resolution of disputes to be made (or reviewed) by an appropriately qualified expert. In addition, Racing NSW uses a number of experienced external legal practitioners, including Senior Counsel and recognised firms of solicitors, as and when appropriate.

NOTE 32: INSURANCE ACTIVITIES

	2006	2005
	\$	\$
Premium revenue	7,461,015	7,926,064
Reinsurance recoveries and other recoveries revenue	356,010	239,696
Investment revenue	2,571,208	1,986,638
Other Income	448,114	627,875
	10,836,347	10,780,273
General and Administration	1,679,350	959,466
Direct claims	8,875,826	8,046,073
Outwards reinsurance	560,000	720,000
	11,115,176	9,725,539
Underwriting result for the financial year excluding investments revenue and expense	(2,759,807)	(931,904)
Investments		
Asset held for resale	3,960,304	-
Land and buildings	-	3,936,000
ANZ Trust	16,242,524	13,918,616
	20,202,828	17,854,616
Operating Assets		
Bank	7,604,814	7,004,230
Bank guarantee	59,186	56,233
Receivables	84,777	84,777
Reinsurance recoveries	-	-
	7,748,777	7,145,240
Liabilities		
Outstanding claims	27,900,000	24,426,000
Unearned Premiums	215,228	217,963
	28,115,228	24,643,963
a) Outstanding Claims		
Gross undiscounted claim liability	32,792,000	28,157,000
Discount to present value	(7,803,000)	(6,615,000)
Third party recoveries	(537,000)	(130,525)
Re-insurance recoveries	(2,132,000)	(1,870,675)
	22,320,000	19,540,800
Prudential margin	5,580,000	4,885,200
	27,900,000	24,426,000
Current	5,182,000	5,217,500
Non-current	22,718,000	19,208,500
	27,900,000	24,426,000

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2006

NOTE 32: INSURANCE ACTIVITIES CONT.

The average weighted term to settlement of the outstanding liabilities is 4.1 years (2005: 4.1 years).

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

	2006		2005	
	Next Year	Thereafter	Next Year	Thereafter
Inflation rate	4.00%	4.00%	4.00%	4.00%
Discount Rate	5.90%	5.90%	5.80%	5.80%

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

	2006		2005	
	Current Year Incurred	Reassess Prior Years	Current Year Incurred	Reassess Prior Years
	\$	\$	\$	\$
Gross undiscounted incurred claims	9,296,000	183,000	7,845,000	352,000
Undiscounted reinsurance & other recoveries	(240,000)	(155,000)	(107,000)	(197,000)
Net undiscounted incurred claims	9,056,000	28,000	7,738,000	155,000
Discounting of incurred claims	(1,747,000)	(77,000)	(1,451,000)	-
Discounting recoveries	44,000	2,000	4,000	-
	7,353,000	(47,000)	6,291,000	155,000
Gross discounted incurred claims	7,549,000	106,000	6,394,000	352,000
Discounted reinsurance & other recoveries	(196,000)	(153,000)	(103,000)	(197,000)
Net discounted incurred claims	7,353,000	(47,000)	6,291,000	155,000

The claim cost incurred consists of paid to date plus estimate of outstanding liabilities plus administration expenses, being 8% of the gross discounted liability.

NOTE 33: RISA

On 26 November 2003, Racing NSW signed a number of transaction agreements relating to the establishment of Racing Information Services Australia Pty Limited ("RISA"). RISA was established to undertake some of the functions of the State Principal Racing Authority (PRA) which would provide synergies for the PRA's and to facilitate the sale of racing information to the market place.

On 10 September 2004, Racing NSW gave notice rescinding the RISA transaction agreements on the basis of what Racing NSW maintains were misrepresentations of certain crucial matters. RISA advised that it did not accept the notice of rescission and disputed Racing NSW's right to rescind the agreements.

Following negotiations between RISA and Racing NSW, on 19 December 2005 Racing NSW signed an agreement reinstating the November 2003 transaction agreements with an effective date of 1 December 2003. The agreement provided for:

1. Racing NSW to sell its 42% stake in the Registrar of Racehorses to RISA at a sale price of \$1,050,000 (Note 6(xxviii))
2. Racing NSW to obtain an investment in RISA, which is assessed at \$3,511,225
3. Racing NSW to have net funding commitments to RISA of \$2,221,001
4. Racing NSW to recognise equity profits or losses in RISA and not recognise profits or losses in Registrar of Racehorses.
5. Racing NSW director on RISA Board has the right to veto RISA Board decisions.
6. RISA has retained a non-exclusive license to sell NSW racing information to persons or organisations that do not use this information for wagering operations but foregone any right to sell NSW racing information to wagering operations. This control has been retained by Racing NSW in consultation with the race clubs.
7. Racing NSW, for the first time, now holds equity in the company that holds and manages all of its constituent PRA's racing information databases.

This financial report has been prepared consistent with Racing NSW's position that during the financial year the RISA rescission is reversed. Detailed below is the impact of this reversal of the rescission on the 2006 Accounts.

	\$
Impact on Income Statement	
Gain on Disposal of Register of Racehorses	951,268
Reversal of Registrar of Racehorses equity accounted profit	(174,563)
Recognition of RISA equity accounted profits	51,765
Impact on Balance Sheet	
Increase Loan to RISA	2,221,001
Reverse Investment in Associate	(174,563)
Increase Investment in RISA	3,511,225
Increase Receivable from RISA	293,460
Increase in Accruals from RISA	(98,731)
Increase in GST Paid	105,000



The Members of the Board declare that:

(1) the financial statements comprising the Income Statement, Balance Sheet, Statement of Recognised Income and Expense, Cash Flow Statement and accompanying notes:

- (i) Give a true and fair view of the financial position of Racing NSW as at 30 June 2006 and its performance for the year ended on that date;
- (ii) Are in accordance with the *Thoroughbred Racing 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 Racing NSW 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 Racing NSW.

Mr G M Pemberton AC

Chairman

Dated at Sydney this 16th day of October, 2006

Mr R M Lapointe

Director



Chartered Accountants & Advisers

Level 19, 2 Market Street Sydney NSW 2000
GPO Box 2551 Sydney NSW 2001
Tel. +61 2 9286 5555 Fax +61 2 9286 5599
Email: bdosyd@bdosyd.com.au
www.bdo.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF RACING NSW

Scope

The Financial Report and Members of Racing NSW's Responsibility

The financial report comprises the balance sheet, income statement, statement of recognised income and expense, cash flow statement, accompanying notes to the financial statements, and the declaration by the Members of Racing NSW, for the year ended 30 June 2006.

The Members of Racing NSW 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 Racing NSW. 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 judgment, 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 Act 1996*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of Racing NSW'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 Racing NSW.

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 Racing NSW is in accordance with:

(a) *the Thoroughbred Racing Act 1996*, including:

- i) giving a true and fair view of Racing NSW's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
- ii) complying with Accounting Standards in Australia; and

(b) other mandatory financial reporting requirements in Australia.

DECLARATION OF INDEPENDENCE BY ROBERT PECK TO THE MEMBERS OF RACING NSW

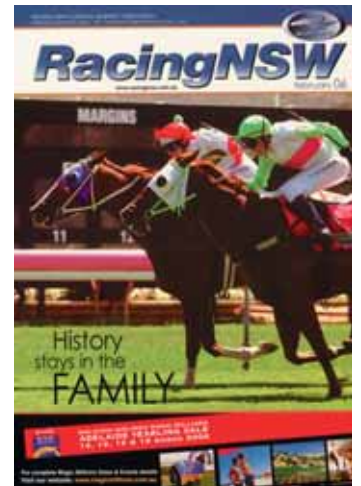
To the best of my knowledge and belief, there have been no contraventions of any applicable independence code of professional conduct in relation to the audit.

BDO

Chartered Accountants

R PECK
Partner

Signed at Sydney, this 20th day of October 2006





RACING NSW

81-83 Baxter Road,
Mascot NSW 2020

P.O. Box 1010,
Mascot NSW 1460

Telephone: (02) 9551 7500

Facsimile: (02) 9551 7501

Website: www.racingsnw.com.au