



RACING NSW



ANNUAL REPORT

2007

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, which reflect changes in demand.

FUNCTIONS OF THE BOARD

Under section 13(1) of the *Thoroughbred Racing Act (NSW) 1996*, the Board has the following functions:

- a) all the functions of the principal club for New South Wales and committee of the principal club for New South Wales under the Australian Rules of Racing,
- b) to control, supervise and regulate horse racing in the State,
- c) to initiate, develop and implement policies considered conducive to the promotion, strategic development and welfare of the horse racing industry in the State and the protection of the public interest as it relates to the horse racing industry,
- d) functions with respect to the insuring of participants in the horse racing industry, being functions of the kind exercised by the AJC on the commencement of this section, and such other functions with respect to insurance in the horse racing industry as may be prescribed by the regulations,
- e) such functions as may be conferred or imposed on the Board by or under the Australian Rules of Racing or any other Act; 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 |
| Chief Executive's Report | 3 |
| Integrity | 6 |
| Laboratory | 8 |
| Veterinary Services | 10 |
| Racing & Commercial | 11 |
| Group & Listed Winners | 14 |
| Industry | 16 |
| Regulatory | 18 |
| Insurance | 22 |
| Appeals | 24 |
| Administrative and Financial Structure | 25 |
| Annual Trends | 26 |
| Financial Statements | 27 |

FRONT COVER (Top): Former champion jockey and now Racing NSW Liaison Officer, Ron Quinton, is flanked by apprentices (L-R): Michael Hellyer, Josh Parr, Mitchell Beadman, Brett Poulus, Tim Clark, Allan Chau, Patrick Murphy, Peter Wells, Tracy O'Hara and Daniel Edmonds. Image by Steve White

(Bottom): Fiumicino (Darren Beadman) streaks away with the David Jones AJC Australian Derby at Royal Randwick. Image by Steve Hart

REAR COVER: Forensics (Damien Oliver – black, white star & cap) staves off all challengers to win the AAMI Golden Slipper Stakes at Rosehill Gardens. Image by Steve Hart

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 12 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 11 meetings



G F Pash (Graeme)

Nominated by the Sydney Turf
Club
Re-appointed 13 March 2004
for 4 years
Attended 12 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 12 meetings



B J Reardon (Brian)

Nominated by the Provincial
Association of NSW
Re-appointed 13 March 2006
for 4 years
Attended 11 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
Re-appointed 1 November
2006 for 4 years
Attended 12 meetings



N F Bracks (Noel)

Nominated by the Australian
Jockey Club
Appointed 13 March 2006 for
4 years
Attended 12 meetings



P N V'landys (Peter)

RACING NSW CHIEF EXECUTIVE
Appointed 23 February 2004
Attended 12 meetings

MEMBERS' DEPUTIES

G Barnett

Provincial Association of NSW - Deputy
Attended 1 meeting



Gary Pemberton
Chairman Racing NSW

The Hon Graham West MP
Minister for Gaming & Racing NSW
Level 31,
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Dear Minister

In accordance with Section 29 of the Thoroughbred Racing Act 1996 I submit to you the 11th Annual Report of Racing NSW covering the period 1st July 2006 to 30 June 2007.

I report to you early in your term as Minister and during a period of great difficulty for the racing industry. As we go to print, many important issues within the industry remain unresolved. A number of these issues are the subject of ongoing discussion with Government.

At the time of writing, we are entering the third month of the Equine Influenza crisis. The issues surrounding the disruption to racing of the proposed World Youth Day at Randwick remain current. Discussions continue on a Government proposal to retain funds that would normally flow to the industry from the release of the wagering cap.

Deregulatory changes to the wagering network which will have important implications for industry income have been foreshadowed by the Government under race field Legislation.

The Government has put forward its response to the Brown recommendations and foreshadowed legislation to implement new governance arrangements which will significantly impact the future operations of Racing NSW.

Whatever the detailed form of the new governance arrangements, clarity of administrative powers and decision-making responsibilities will be critical. Given the current circumstances of the industry, it is imperative that the new order be implemented as soon as possible to provide an accountable framework for the industry to deal with the wide range of issues confronting it and to ensure a balanced and productive relationship with Government.

The Board met on 12 occasions throughout the year and I again acknowledge the application and expertise of my fellow Board members. I congratulate Mr. Rob Ferguson on his re-appointment as an independent member of the Board in terms of Section 6 (4) of the Act.

During the year Racing NSW continued to deliver a cost efficient and effective level of service to the industry and its participants. Strict budgetary control over the organization's operations has delivered budget savings of \$2.1 million resulting in increased revenue becoming available for distribution to the industry.

TAB revenue to thoroughbred racing increased by 2.8% during the year to \$159.56 million despite modest underlying sales growth of less than 1%. Sales growth was significantly affected by the wet weather loss of consecutive NSW Saturday meetings in June.

Much of the increase in TAB revenue derived from an arrangement with Tabcorp whereby that organisation agreed to a one off absorption of costs that would normally be charged against TAB revenue. This measure added more than \$4.3 million in revenue to thoroughbred racing.

The modest underlying turnover growth continues the long term trend of the industry having to live within a low growth income environment. The impact of decisions taken on pending wagering deregulation will be critical in this context. Any misjudgements carry significant downside risk for reductions in future income and in the sustainable scale of the industry within the State.

At the time of writing this report the NSW racing industry continues to suffer the effects of the Equine Influenza outbreak which caused a complete lockdown of all horse movements within the State and the cancellation of almost all race meetings. The financial ramifications will be long lasting and cannot be reliably estimated at this time. I acknowledge with appreciation the contribution of both your State Government and the Federal Government for industry support during the crisis.

On behalf of the Board I wish to thank the many persons and groups who assisted the Board in carrying out its functions during the year, including members of the Integrity Assurance Committee, the Appeal Panel, the Racing Appeals Tribunal, the Racing Industry Participants Advisory Committee (RIPAC) and the Committees of the State's racing clubs and participant groups.

Mr. Peter Capelin, QC retired as Principal Member of the Appeal Panel during the year and I thank Peter for the invaluable service he provided to the industry in that role and wish him well in retirement. I welcome and congratulate Mr. John Hiatt following his appointment to this position.

I wish to acknowledge and thank our Chief Executive and his entire staff for their outstanding achievements throughout the year and for their extraordinary performance in dealing with the many issues emanating from the Equine Influenza crisis. I am confident they will receive the recognition and appreciation they rightfully deserve from the industry.

Under Peter V'landys Racing NSW has implemented an efficient and cost effective administration which will provide a solid operating base for the new governing authority, which will hopefully be well established and functional when the industry next reports.



Peter V'landys
Chief Executive

The 2006/07 year again saw Racing NSW record a number of achievements which provided significant benefits for the NSW thoroughbred racing industry.

Complete details of the operations of Racing NSW are outlined later in this Annual Report. However, I have identified the major issues which impacted upon the industry throughout the year.

TAB DISTRIBUTION

During the year Racing NSW successfully negotiated new financial arrangements with Tabcorp which will result in an injection of over \$15 million in additional funds into the industry.

Since privatization of the NSW TAB in 1997, the three codes of racing in New South Wales have received a product fee based on TAB turnover and a 25% share of Tabcorp's pre-tax profit from its NSW wagering division.

In announcing its half yearly results, Tabcorp advised the industry that it had experienced unforeseen cost over-runs, which had the potential to drastically reduce the industry's revenue returns for the 2006/07 financial year.

As a result of these predictions, Racing NSW immediately commenced dialogue with Tabcorp to minimize its exposure to the additional costs and subsequent downturn in revenue. A lengthy series of negotiations were held between Racing NSW and Tabcorp which resulted in an agreement being reached which saw Tabcorp agree to absorb cost over-runs of \$10.9 million during 2006/07. This concession was in addition to a previous commitment from Tabcorp to absorb over \$3 million in Sky/TVN settlement costs otherwise chargeable as broadcast costs.

These agreements resulted in TAB distributions to the three codes of racing increasing by \$5.7 million of which the thoroughbred racing industry's share was \$4.3 million. This amount underpinned the capacity of NSW thoroughbred racing clubs to meet minimum annual prizemoney increases during the year of over \$2.5 million.

SPONSORSHIP OF COUNTRY AND PROVINCIAL RACING IN NSW

In addition, Racing NSW was able to negotiate an improved sponsorship agreement with Tabcorp on behalf of country and provincial clubs which will result in those clubs receiving an additional \$12.6 million.

This arrangement remains current until 2012 and will inject more than \$2 million annually into country and provincial racing in this State. The arrangement will also provide Tabcorp with opportunities to further enhance its brand and market its wagering product.



OPERATING COSTS AND ADMINISTRATION CHARGE

Racing NSW's financial performance was again strong in the 2006/07 financial year. General operating costs were reduced by approximately \$675,000, highlighted by cost reductions achieved in general administration, legal, laboratory, stewards and racing office functions. These savings are in addition to a \$2.7m annual reduction in operating costs achieved across the previous two financial years.

In 2006/07 Racing NSW maintained its administration charge at the previous year's levels. As a result of continued efficiencies and improved operational systems, Racing NSW has been able to further reduce its first charge on the TAB distribution for the 2007/08 financial year.

Racing NSW benefited from its first full year of participation in RISA, the NSW share of RISA's profits being in excess of \$517,000.

The overall package of financial management measures has enabled Racing NSW to produce a positive budget outcome of \$2.1 million. This will allow Racing NSW to return approximately \$1.5 million of its savings to race clubs during the 2007/08 financial year.

WORKERS' COMPENSATION FUND

The financial performance of the Racing NSW Workers' Compensation Fund was very strong during 2006/07. Improved claims management practices and a favourable claims record saw a reduction of over \$2.3 million in the overall liability of the Fund. Overall the Fund's net assets grew by more than \$5.4 million, placing the Fund in the position to further reduce premiums in coming years.

All claims management and administration of the specialised workers' compensation insurance fund were transferred "in-house" on 1 July 2006. Benefits achieved from these changes included:

- The projected central actuarial estimate of the fund's outstanding workers' compensation liabilities at 30 June 2007 has decreased by \$2.35 million from the estimate at 30 June 2006;
- In the June 2007 WorkCover claims management audit, the fund's performance had improved in all areas compared with the audit conducted in June 2006;
- Increased focus on injury management and return to work initiatives, increasing the number of claimants returning to work in some capacity. The commercial benefits of this initiative include lower claim developments, decreased reliance on external providers and reduced expenditure on weekly compensation payments;
- Reduced numbers of open claims from 464 at 30 June 2006 to 316 at 30 June 2007, a reduction of 32% in the size of the portfolio as a result of an ongoing focus on finalizing and closing appropriate claims; and
- Continuing the trend of significant decreases in expenditure on legal costs by use of internal legal counsel for claims and dispute management and litigation.

GENERAL INSURANCE AND PUBLIC LIABILITY

Racing NSW co-ordinates the placement of general insurance policies including public liability for itself and race clubs in NSW. Racing NSW achieved a further saving in these premiums and brokerage of almost \$1 65,000 for 2007/08. The total annual general and liability insurance costs for the NSW industry are now \$2.55 million lower than those of 2004/05.

MINIMUM PRIZEMONEY AND RETURN TO OWNERS

Total returns to owners again increased in 2006/07 as summarised in the following table.

| Item | 2006/07 \$ | 2005/06 \$ | 2004/05 \$ | 2003/04 \$ |
|-------------------------------------|--------------------|------------------------|--------------------|--------------------|
| Prizemoney | 104,023,910 | 102,940,430 | 99,751,600 | 96,080,750 |
| Appearance Fee and Unplaced Rebates | 6,871,650 | 7,315,030 | 7,843,500 | 1,449,076 |
| BOBS and Other Bonus Schemes | 5,781,978 | 5,691,525 | 4,793,000 | 4,328,500 |
| Jockeys Ride Fee | 7,050,388 | 6,818,167 | 6,384,567 | 5,500,814 |
| Jockeys Insurance | 2,771,667 | 2,848,895 | 2,787,430 | 2,721,733 |
| Total | 126,499,593 | 125,614,047 | 121,560,097 | 110,080,873 |
| Increase \$16,418,720 | | 14.91% increase | | |

As a result of increased TAB distributions and reduced operating costs, Racing NSW continued with its strategy of enhancing returns to owners by approving further increases in the minimum prizemoney to be paid by race clubs. These increases were determined following full consultation with the AJC, STC, Provincial Association and Racing NSW Country.

From 1 January 2007 the minimum prizemoney schedule became:

- Metropolitan Saturdays - \$5,000 increase to \$60,000/race
- Metropolitan Midweek - \$3,000 increase to \$25,000/race
- Metropolitan Public Holiday - \$3,000 to \$40,000/race
- Provincial Races - \$1,000 increase per race to \$13,000/race midweek and \$11,000/race Saturdays
- Country - \$1,000 increase to \$7,000/race for TAB meetings

The total annual value of these minimum prizemoney increases is \$2.5 million.

Wet weather abandonments, however, lessened the impact of these minimum prizemoney increases in 2006/07. This included the loss of numerous meetings including two Saturdays in June as well as Cup meetings at Wyong and Gosford. Growth in total returns to owners was also slower than previous years due to country racing reducing its total number of race meetings conducted for 2006/07.

BOBS

The Breeders and Owners Bonus Scheme (BOBS) introduced by Racing NSW in 2002 has continued to attract support from industry participants and it remains the most lucrative thoroughbred bonus scheme in Australia, with total bonuses for the year exceeding \$5.7 million.

The forthcoming series represents an expansion of BOBS with the progeny of many additional stallions being eligible for the first time.

REVIEW OF THOROUGHBRED RACING ACT 1996

As reported in the 2006 Annual Report, the then Minister Grant McBride commissioned the former Director-General of the Department of Gaming and Racing, Mr. Ken Brown, to undertake an independent review of the provisions of the Thoroughbred Racing Act, 1996.

Following a wide consultation process Mr. Brown delivered his report to the Minister in September 2006. Mr. Brown recommended that the Government should take the appropriate action to clarify the role, function and powers of Racing NSW to confirm that it had a 'whole of industry' function to manage and co-ordinate the commercial and regulatory operations of thoroughbred racing, and the power to co-ordinate the distribution of industry funds.

RELOCATION OF RACING NSW

During December 2006 Racing NSW relocated its operations to newly acquired office space in the Sydney CBD, having disposed of its premises at Mascot to Regional Express Airlines (REX Airlines).

The Mascot building was originally purchased as an investment for the industry's Workers' Compensation Fund as well as providing a head office for Racing NSW.

Purchase of the new premises, which are located on level 7, 51-53 Druitt Street, Sydney, has provided a much improved and more accessible headquarters for the racing industry and allowed it to lift its profile and establish a more recognizable corporate identity.

Apart from providing an enhanced and more flexible investment strategy for the Workers' Compensation Fund, the annual occupancy costs of Racing NSW have also been reduced resulting in a reduction in the annual administration charge. The property's CBD location also provides a valuable asset for the organization in coming years with demand for commercial property in the CBD expected to firm.

TOTALIZATOR LEGISLATION

During the year Racing NSW submitted a proposal to the NSW Government calling on it to amend the Totalizator Act 1997 to remove the 16% legislative cap on the average totalizator take-out rate and replace it with maximum take-out rates on individual bet types.

The current restrictions limit the ability of Tabcorp to maximize its returns to the industry.

The removal of the cap can generate additional revenue if customers continued to migrate to higher commission bet types.

It also provides incentive for Tabcorp to introduce a number of new innovative exotic bet types.

Under the proposal, protection is provided to punters by freezing individual take out rates at their current levels.

This eliminates the current problem where revenue in excess of 16% is arbitrarily and inequitably distributed to a restricted number of punters.

It is anticipated that if this initiative is adopted by the Government it will return significant revenue increases for the Racing Industry, the Government and Tabcorp.

RACE FIELD LEGISLATION

In response to a request from Racing NSW dated August 2005, on 20th October 2006, the Government introduced legislation into the Parliament (Racing Legislation Amendment Act 2006) to provide a mechanism for the NSW racing industry to obtain fees from interstate and overseas wagering operators who use NSW racing information as a platform for their operations.

Each of the three codes of racing has now submitted proposals to the Minister for Gaming and Racing to enable the drafting of regulations in a manner best suited to the needs of the respective codes.

The proposals submitted by Racing NSW provide for the application of a license fee on all wagering operators utilizing NSW race fields. This fee will be common to all operators throughout Australia and will be consistent with Constitutional and Trade Practices requirements.

The proposed license fee structure has the potential to generate significant new revenue to NSW for the thoroughbred racing industry.



IMPROVED FORM GUIDES

In an endeavour to provide improved form guides and an increase in general racing information to the public, Racing NSW negotiated new contractual agreements with News Limited and Fairfax newspapers.

The extension of form content agreements to Fairfax newspapers significantly extends the racing print and the number of potential readers of racing form and articles. These arrangements have resulted in a vast improvement in the quality and quantity of information provided in the Friday and Saturday editions of the Sydney Daily Telegraph, the Sydney Morning Herald, the Illawarra Mercury and the Newcastle Morning Herald.

It is expected that the additional information will ultimately translate into increased turnover and revenue for the racing industry.

REVIEW OF COUNTRY RACING

During the year Racing NSW assisted Racing NSW Country in conducting a major review of country racing throughout the State. The review was conducted in full consultation with all country clubs and associations and it is intended that the initial changes to the structure of country racing which emanated from the review will be introduced from 2008/09.

The outcome of the review was to establish a minimum TAB prizemoney target of \$10,000 per TAB race. The review also recommended that the allocation of race meetings be linked to a greater degree of commercial imperative. This applies to both TAB and community meetings. The prizemoney objective from the review will improve the competitiveness of NSW country racing and improve the longer term viability of participants.

COST EFFECTIVE DISPUTE RESOLUTION

As predicted in last year's Annual Report a submission was forwarded to the Minister seeking the introduction of the necessary enabling legislation into the Parliament during the second half of the financial year to allow the commencement of a dispute resolution scheme for the racing industry.

If introduced, the scheme will allow any person associated with the racing industry to seek payment of an outstanding debt from other licensed or registered persons, etc 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 to be met by the unsuccessful party to the dispute. This is in sharp contrast to the present situation where matters need to be brought before the Courts and involve long delays and extensive legal costs for both parties, with quite often the legal costs far outweighing the outstanding debts.

RATINGS BASED PROGRAMMING

Following the earlier introduction of Ratings Based Handicapping, Racing NSW conducted a four month trial of Ratings Based Programming which concluded on 31 March 2007. During this period a total of 385 (36%) ratings based races were conducted against 687 (64%) class races.

The benefits of Ratings Based Programming are:

- It enables horses that may have reached a certain class that and are finding it difficult to compete receive the opportunity to drop back to their required level of competitiveness;
- It is anticipated horses will be able to race longer as they will be able to race in lesser ratings based races as their rating drops in line with their performance;

- It will provide more racing opportunities for the majority of horses. For example, the majority of country horses are Rated 81 and below, yet many are Class Four and above. At present Midweek Metropolitan races are mostly run for horses of Class Three and below, thus limiting country horse's opportunities. Now with Rating 81 and below races programmed at Midweek meetings, numerous country horses will have the opportunity to compete, therefore increasing their racing opportunities; and
- The spread of weights should aim to provide an attractive betting medium without deterring starters.

Following the trial an extensive consultation process took place with appropriate industry representatives to fine tune the system and it is anticipated that Ratings Based Programming will be introduced on a regular basis in 2008.

OUTLOOK FOR 2007/08

At the end of the financial year the outlook for the New South Wales thoroughbred racing industry was very promising.

The Board is extremely hopeful that the Government will adopt the recommendations of the Brown Report as well as commencing the Race Field Legislation and amending the Totalizator Act as outlined above.

These initiatives will allow the industry to increase its revenue stream by at least \$15 million per annum and allow the Board to implement a number of strategies to provide improvements in overall industry efficiencies which will add further returns to industry participants.

POST REPORTING DATE EVENT

Equine Influenza crisis

At the time of writing this report, the NSW thoroughbred racing industry is in a state of crisis with an outbreak of equine influenza (EI) having spread throughout the State. This outbreak has caused a complete lock-down of all horse movement in the State and the cancellation of almost all race meetings, which has jeopardized the incomes of the 50,000 persons who depend on the industry for their livelihoods.

Following intense lobbying of the Federal and State Governments by Racing NSW the Federal Government has provided a financial assistance package totaling \$114 million to be distributed to affected persons in the thoroughbred and harness racing industries and the commercial horse industry in New South Wales and Queensland. In addition the NSW Government has provided a financial assistance package of \$7.5 million.

Racing NSW also led a campaign to allow the vaccination of horses to lessen the duration of the outbreak and prevent against any recurrence of the virus. Following the acquisition of an appropriate vaccine from overseas, Racing NSW co-ordinated a widespread vaccination program for all thoroughbred horses in New South Wales. At the time of this report no date has been set for racing to recommence.

ACKNOWLEDGMENTS

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

The major personnel change for 2006/07 was prompted by Deputy Chairman of Stewards, Greg Rudolph, transferring to the role of General Manager-Racing & Commercial which facilitated the Deputy Chairman of Steward's role being split between Steve Railton (Racing) and Marc Van Gestel (Operations).

Tom Moxon was appointed Deputy Chief Steward in the SDRA region replacing Jamie Dart who took up a position on the Stewards' Panel of Queensland Racing. Jamie Dart's appointment brings to 23 the number of ex-NSW Stewards currently working on international, interstate and intercode racing panels, thus emphasising the continuing importance of stewards' training in this State.

The position vacated by Tim Saladine of Deputy Chief Steward H&NWRA, who has been appointed to the metropolitan panel, was filled by Sam Woolaston. Luke Millington from the Sydney panel has transferred to the Industry Training Department.

In addition, John Davidson, as Canberra Race Club Chief Steward, took up an appointment to the Singapore Turf Club Stewards Panel on 1 March 2007. The Racing NSW Stewards Panel has again taken over the responsibility of providing Stewarding services to Thoroughbred Park.

STEWARDS INQUIRIES

During the course of the year Stewards dealt with a number of breaches of the Rules of Racing involving penalties of fines, suspensions and disqualifications. Four breaches of AR135(b) – which requires a rider to take all reasonable and permissible measures to win or obtain the best possible placing – were heard, all resulting in a suspension of licence.

Some 240 breaches of the careless riding rule were visited with penalties of suspensions of license to ride in races. Pleasingly, this was a substantial reduction from the 2005/06 season figure of 300.

A number of misconduct charges were visited with suspensions/disqualifications from two months to six months and fines up to \$1000.

DRUG TESTING

During the season a total of 11,467 raceday samples were taken with an overall ratio of swabs to starters of 1:4.69. The metropolitan swab ratio to starters of 1:2.01 is impressive and underlines the commitment of Racing NSW to ensure racing is conducted on a level playing field.

In addition, Stewards continued to collect for analysis Out-Of-Competition samples at stables, training centres and at official trials. In total four trainers were disqualified, three were suspended and eight fined for breaches of the drug rules. Penalties issued included disqualifications of up to 12 months and fines up to and including \$20,000.

Stewards also continued a regime of testing for the presence of banned substances in riders and stable employees. Testing took place at race meetings, trials, trackwork and stables with penalties ranging between two months suspension to two years disqualification being issued for the eight breaches detected.

VISITING OFFICIALS

A number of international and interstate officials were hosted by the Racing NSW Stewards' Panel including Japan Racing Association Senior Steward, Yoshihiro Nakamura, Mr Eric Long (Singapore Jockey Club), Mr Cameron George, Chief Steward, and Mr Stuart Cheng (New Zealand Thoroughbred Racing). RVL Stipendiary Steward, Mr Steve Coombes, spent time with the Racing NSW Stewards and for the first time another RVL Steward in Mr Neville Laskey assisted the SDRA panel in their conduct of the 2007 Murrumbidgee Turf Club Carnival.

CONFERENCES AND TRIBUNALS

Ray Murrphy represented Racing NSW at the National Chairman of Stewards Advisory Group meetings in Launceston and Adelaide. He also represented the Australian Rules of Racing Review Advisory Group meeting and the Australian Racecourse Managers' Association meeting in Sydney.

NEW DEVELOPMENTS

New developments and initiatives in which the Stewards' Department has been closely involved include:

- The introduction of a new careless riding template developed by Marc Van Gestel which, for the first time, formally grades the degree of carelessness of the rider together with the consequential effects of the carelessness, whilst recognising matters of mitigation including a rider's record, level of experience, guilty plea and any contributory factors. The new template has led to a substantial reduction in careless riding offences as riders placed additional value on the importance of good riding records
- In April 2007 for the first time in Australia an appeal was heard via an international video conference link-up at Racing NSW offices. The careless riding appeal of jockey Daniel Nikolic, chaired by Mr J Hiatt, Appeal Panel Principal Member, was dismissed.

- On 1 October 2006 AR92A facilitated the formation of a Racing NSW Apprentice Riding Skills Panel with the purpose of assisting and mentoring the development of apprentice jockeys. The Stewards, from time to time, refer to the Apprentice Riding Skills Panel apprentice jockeys whose riding has come under adverse notice whereby remedial training is instigated. Any directions of the Panel which is usually comprised of Industry Training personnel and senior jockeys must be adhered to by the apprentice jockey or disciplinary action is contemplated.
- During the year an innovation of the appointment of Safety Officers was put in place. Upon advice of the raceday Stewards that a rider at a race meeting or trials has incurred a serious injury in a fall then the Safety Officer adopts the important role of liaising with the rider's next of kin. This provides a conduit for the flow of vital information on the condition of the rider and the provision to next of kin of transport and accommodation if that rider is hospitalised. Maurice Logue has primarily filled this role and his efforts have been the subject of much favourable comment from family members of injured jockeys during what understandably is a most stressful time.
- A system has been introduced whereby the deadline for the elimination of emergency runners has been delayed by 15 minutes so that race starts may be made available to emergencies when horses are unavoidably withdrawn immediately after the scratching deadline.
- A substantial step towards national uniformity has been taken with the introduction of a National Gear List with particulars being available to industry members via the Racing NSW and Australian Racing Board websites.

LIAISONS & 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
- Australian Racing Board
- NSW Jockeys' Association
- Australian Trainers' Association (NSW Branch)
- NSW Bookmakers' Co-Operative Ltd
- Australian Equine Veterinary Association
- Royal Society of Prevention to Cruelty to Animals
- Racing NSW Integrity Assurance Committee
- National Equine Integrity & Welfare Advisory Group
- Combined Racing Codes Committee
- Licensing Enforcement Agency
- National Jockey Safety Review Committee
- Australian Racecourse Managers' Association
- Interstate and Overseas Principal Racing Authorities





Andrew Vadasz
Laboratory Director

Australian Racing Forensic Laboratory (ARFL)

The year ending 30th June 2007 was the last under the stewardship of Allen Stenhouse, who left after a period of distinguished service as Official Analyst. This report reflects the Laboratory's activities during that period.

FUNCTIONS

The Laboratory serves the racing industry and other clients by providing sampling kits, analysing samples for prohibited substances, and participating in research to improve and broaden the scope of drug detection.

SAMPLING KITS

Security-coded kits for urine and blood collection are distributed to all racing centres in New South Wales and other clients around Australia and tracked to ensure spare kits are returned. Non-compliance with sampling protocols is monitored and reported to the Stewards for investigation. In early 2007 a program of temperature monitoring of samples from time of collection to time of arrival at the Laboratory was instituted to assist in protecting from degradation.

RECEIPT AND ANALYSIS OF SAMPLES

The Laboratory Information Management System keeps track of all samples from receipt to reporting and storage/disposal. Over 20,000 samples are analysed annually with a very small percentage containing detectable amounts of prohibited substances (see tables 1 and 2 for the 2006 – 2007 results).

Table 1 – Annual horse samples statistics 1st July 2006 to 30th June 2007

| | Urine | Blood Samples | TCO2 | Prohibited Substances Detected |
|----------------------------|---------------|---------------|--------------|--------------------------------|
| Metro T'breds NSW | 1,902 | 1,325 | 1360 | 6 |
| Provincial T'breds NSW | 1,193 | 167 | 864 | 2 |
| Country T'breds NSW | 3,633 | 360 | 708 | 12 |
| Greyhounds NSW | 3,207 | - | - | 64 |
| Harness NSW | 1,519 | 24 | 2,307 | 12 |
| Others | 816 | 527 | 133 | 6 |
| TOTAL | 12,270 | 2,403 | 5,372 | 102 |
| Out of Competition T'breds | 14 | 205 | | 0 |
| Out of Competition Others | - | - | | 0 |
| TOTAL | 14 | 205 | | 0 |

Samples are generally reported within 10 working days of their receipt. Samples requiring additional investigation for the possible presence of a prohibited substance will take longer.

Human urine samples collected from jockeys, track riders, stablehands and harness drivers are also tested for banned substance. 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 2006 to 30th June 2007

| Human Samples | Urine | Banned Substances Detected |
|------------------|------------|----------------------------|
| Metropolitan NSW | 159 | 16 |
| Provincial NSW | 29 | 3 |
| Country NSW | 137 | 10 |
| Harness | 22 | 1 |
| Others | 45 | 2 |
| TOTAL | 392 | 32 |

RESEARCH

The Laboratory conducts research, in collaboration with universities and other institutions, into detection of new drugs, into improving analytical methodology, and to provide information on excretion times of therapeutic substances to assist trainers and veterinarians to avoid contravention of relevant rules. The following papers from this research were published in the past year :

Stenhouse AM, Bryce AJ, Andrew AS, Suann CJ, Mulley SL, McKinney AR, Rogerson J. A continuation of the previously presented paper: Analytical confirmation of sodium bicarbonate administrations to horses using carbon isotope ratio mass spectrometry (CIRMS). Proceedings of the 16th International Conference of Racing Analysts and Veterinarians; 2006 October 21-27; Tokyo, Japan. In press.

McKinney AR, Keledjian J, Basgallop NJ, Stenhouse AM. Concurrent extraction of anabolic steroids and quaternary ammonium compounds from equine urine using a novel solid phase extraction sorbent. Proceedings of the 16th International Conference of Racing Analysts and Veterinarians; 2006 October 21-27; Tokyo, Japan. In press.

McKinney AR, Vadasz A, Murphy C, Suann CJ, Stenhouse AM. Concomitant administration of L-dopa and irbesartan in the horse: a case study. Proceedings of the 16th International Conference of Racing Analysts and Veterinarians; 2006 October 21-27; Tokyo, Japan. In press.

Stenhouse AM, Keledjian J, Vadasz A, Dunstan AJ, Suann CJ, McKinney AR. Feed contamination leading to the detection of ractopamine in post-race urine samples. Proceedings of the 16th International Conference of Racing Analysts and Veterinarians; 2006 October 21-27; Tokyo, Japan. In press.

McKinney AR, Pu F, McLeod MD, Suann CJ, Stenhouse AM. 17b-Hydroxy-3-oxoandrost-4-en-19-oic acid as a source of nandrolone in acid solvolysed stallion urine extracts. Proceedings of the 16th International Conference of Racing Analysts and Veterinarians; 2006 October 21-27; Tokyo, Japan. In press.

Stenhouse AM, Mulley SL, Suann CJ, McKinney AR. Screening for potassium bromide in equine plasma using ELISA plates. Proceedings of the 16th International Conference of Racing Analysts and Veterinarians; 2006 October 21-27; Tokyo, Japan. In press.



McKinney AR, Suann CJ, Stenhouse AM. The detection of 17 α -hydroxyprogesterone caproate in equine plasma. *Proceedings of the 16th International Conference of Racing Analysts and Veterinarians; 2006 October 21-27; Tokyo, Japan. In press.*

Hungerford NL, McKinney AR, Stenhouse AM, McLeod MD. Selective manipulation of steroid hydroxyl groups with boronate esters: Efficient access to antigenic C-3 linked steroid-protein conjugates and steroid sulfate standards for drug detection. *Org Biomol Chem 2006; 4: 3951-9.*

Basgallop NJ, Noble G, Turco B, Sillence MN, McKinney AR, Stenhouse AM. The detection of the intra-articular administration of triamcinolone acetonide in ten horses. *RIRDC Publication No. 07/127, August 2007.*

QUALITY ASSURANCE

The Laboratory holds Australian and international accreditation and accordingly participates in internal and external quality assurance programs to monitor its performance. These include spikes, internal standards, blind spikes and blind samples from drug administrations. Quality control samples accompany every batch, and all results are checked by two analysts to minimise the chance of missing an abnormality.

ADDITIONAL INVESTIGATIONS

The Australian Racing Forensic Laboratory is one of only four referee laboratories in the world accredited to analyse samples for the Federation Equestre Internationale (FEI), the others being in France, Hong Kong, and the United States. As such it receives FEI samples from South-East Asia, as well as all samples from events held by the Equestrian Federation of Australia.

The Royal Easter Show in Sydney now carries out extensive drug testing of animals competing in the various events staged at the Show. Again ARFL analyse these samples.

In addition, the services of ARFL are called upon by a host of organisations conducting horse competitions, as well as some involving other animal species.

THE INTEGRITY ASSURANCE COMMITTEE

Racing NSW, pursuant to S23 of the Act, established the Integrity Assurance Committee.

The Integrity Assurance Committee has primary oversight of those aspects of the Board's functions which relate to race stewards, drug testing and control, licensing, handicapping and horse racing appeals.

The Integrity Assurance Committee Members are:

Mr M.G. Cummings (Chairman)

Mr A.K. Davidson, AM MBE

The Hon J.C.J. Matthews

Until recently the Committee comprised the Chairman of the Licensing sub-committee (who was a member of the Board of Racing NSW) and the above named members. Whilst that composition was within the guidelines of the Act, the Board, of its own volition, re-constituted the committee by removing its representative so as to avoid any perceived conflict of interest.

The Act does not set out any methodology for the Committee to perform its functions under the section nor does the Act give the Committee any powers other than to advise Racing NSW on those matters for which it has primary oversight.

The current procedures relative to the functioning of the Committee 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 Committee,
- Members of the Committee, by invitation, attend each meeting of the licensing committee,
- Annually, and independently of the monthly reports to the Board, the Committee calls for integrity reports and interviews representatives of Australian Racing Forensic Laboratory, Veterinary, Handicapping, Licensing, Registration and Stewards.

The Committee reports to the Board after the review.

RIPAC (Racing Industry Participants Advisory Group)

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

Members of RIPAC are as follows:

Mr Ron Leemon (Chairman) -
Nominated by NSW Licensed Trainers

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

Mr John Freyer -
Nominated by the NSW Breeding Industry
(replaced Mr Les Young)

Mr Ray McDowell -
Nominated by NSW Racehorse Owners

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

Mr 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 10 occasions during the year. In addition and as required under the Act, RIPAC held two conjoint meetings with the Board of Racing NSW.



Dr Craig Suann
Senior Official Veterinarian

ROLE OF THE RACING NSW VETERINARY DEPARTMENT

- provide and supervise veterinary services at metropolitan and provincial racetracks and to supervise veterinary services provided by local practitioners at NSW country tracks;
- monitor the collection of urine and blood samples from horses competing at metropolitan and provincial tracks;
- provide advice to the Board and industry on veterinary and equine health and welfare issues, and on matters relating to prohibited substances and their detection;
- assist the Australian Racing Forensic Laboratory in developing drug detection methods through the conduct of drug administration trials;
- represent Racing NSW on national and international groups and committees deliberating on veterinary, equine welfare, emergency animal diseases and drug control policy matters;
- provide expert evidence to Stewards and to Appeals and other hearings for all three racing codes in the State, and
- safeguard the overall health and welfare of horses involved in thoroughbred racing in NSW.

KEY ACHIEVEMENTS

- 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;
- recruited a number of new swab officials to work at metropolitan and provincial race meetings;
- convened a meeting of metropolitan official racing veterinarians to discuss a range of operational and procedural issues, with the aim of improving veterinary services and racehorse welfare;
- appointed an Honorary Associate of the Faculty of Medicine, University of Sydney, in recognition of lectures presented to undergraduate students and past collaborative projects;
- continued to conduct drug administration trials for the Australian Racing Forensic Laboratory, 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;
- facilitated the monitoring of ambient conditions during hot weather to better manage the welfare of racing horses during the summer months;
- participated in and co-ordinated veterinarians for the Out-Of-Competition testing program for horses in racing stables, and collaborated with the ARFL on routine and strategic drug control issues;

- acted as the Chairman of the Australian Racing Board's National Equine Integrity & Welfare Advisory Group (NEIWAG) which during the year progressed the matter of 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, and
- attended the 16th International Conference of Racing Analysts and Veterinarians in Tokyo (October 2006), during which was also convened the annual meeting of the Advisory Council on Prohibited Substances of the International Federation of Horseracing Authorities. Matters considered at the Advisory Council meeting included the introduction of an absolute estradiol threshold for the detection of the administration of the anabolic steroid nandrolone in male horses, an IGF-1 threshold for the detection of growth hormone administration to horses, the development of a database of research and drug administration trials conducted by racing laboratories around the world to avoid the unnecessary duplication of research, new approaches to dealing with testing for therapeutic substances, and racehorse welfare.

ANIMAL CARE AND ETHICS COMMITTEE (ACEC)

The Racing NSW Animal Care and Ethics Committee (ACEC) was established according to the requirements of the NSW Animal Research Act 1985 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 Australian Racing Forensic Laboratory (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). Category A member is Dr Craig Suann and Category B member was ARFL Official Analyst Mr Allen Stenhouse (resigned July 2007). The Committee approved four research proposals during the reporting period. The proposals were for a range of drug administration trials that assisted the Laboratory in improving its drug testing capabilities.





Greg Rudolph
General Manager - Racing & Commercial

RACING IN NSW 2006/07

RACING ACTIVITY

A total of 748 race meetings were held across the State during the 2006/07 season, the decrease reflecting country racing reducing its schedule and an unusually high number of wet weather abandonments of Sydney and provincial racing, especially in June 2007.

The composition of country racing also changed with Saturday TAB meetings conducted in the late morning, and early afternoon during the daylight savings period. Full Saturday afternoon TAB coverage of country racing was discontinued after resolution of the split broadcast, with these meetings reverting to non-TAB.

RACE MEETINGS

| | 2006/07 | 2005/06 | 2004/05 | 2003/04 |
|----------------------|------------|------------|------------|------------|
| Metropolitan | 121 | 123 | 122 | 123 |
| Provincial | 118 | 126 | 124 | 127 |
| Country TAB | 288 | 315 | 306 | 287 |
| Country Saturday TAB | 20 | 49 | 8 | 0 |
| Country Non-TAB | 175 | 154 | 206 | 243 |
| Picnic | 26 | 25 | 27 | 256 |
| TOTAL | 748 | 792 | 793 | 806 |

The number of races conducted during the season fell, in line with the number of race meetings and the factors behind this reduction.

RACES CONDUCTED

| | 2006/07 | 2005/06 | 2004/05 | 2003/04 |
|----------------------|--------------|--------------|--------------|--------------|
| Metropolitan | 945 | 955 | 962 | 951 |
| Provincial | 942 | 989 | 1,002 | 1,046 |
| Country TAB | 2,254 | 2,402 | 2,330 | 2,192 |
| Country Saturday TAB | 142 | 348 | 59 | 0 |
| Country Non-TAB | 960 | 813 | 1,098 | 1,295 |
| Picnic | 150 | 144 | 157 | 152 |
| TOTAL | 5,393 | 5,651 | 5,608 | 5,636 |

RACE STARTERS

| | 2006/07 | 2005/06 | 2004/05 | 2003/04 |
|----------------------|---------------|---------------|---------------|---------------|
| Metropolitan | 9,195 | 9,501 | 9,183 | 9,840 |
| Provincial | 9,552 | 9,715 | 10,129 | 10,893 |
| Country TAB | 24,582 | 25,341 | 24,740 | 22,718 |
| Country Saturday TAB | 1,681 | 3,167 | 599 | 0 |
| Country Non-TAB | 7,876 | 6,395 | 8,665 | 10,263 |
| Picnic | 974 | 807 | 918 | 876 |
| TOTAL | 53,860 | 54,926 | 54,234 | 54,590 |

RACE FIELD SIZES

Across NSW average field sizes increased from 9.72 starters to 9.99 starters per race. This increase is largely attributable to the increased country field sizes which reflect a reduced number of meetings and races.

Average starters in the metropolitan sector showed a decrease to 9.7 from 9.9 in the previous year, the provincial sector average of 10.1 was up from 9.8 and an average of 10.9 for the country TAB sector, showed an increase from 10.5 in 2005/06, although there was a reduction of 56 TAB meetings held throughout the year.

AVERAGE FIELD SIZES

| | 2006/07 | 2005/06 | Change |
|----------------------|-------------|-------------|-------------|
| Metropolitan | 9.73 | 9.95 | -0.22 |
| Provincial | 10.14 | 9.82 | 0.32 |
| Country TAB | 10.91 | 10.55 | 0.36 |
| Country Saturday TAB | 11.84 | 9.10 | 2.74 |
| Country Non-TAB | 8.20 | 7.87 | 0.34 |
| Picnic | 6.49 | 5.60 | 0.89 |
| TOTAL | 9.99 | 9.72 | 0.27 |

% OF SMALL FIELDS (LESS THAN 8 STARTERS)

| | 2006/07 | 2005/06 |
|----------------------|---------|---------|
| Metropolitan | 18.62% | 15.08% |
| Provincial | 16.67% | 19.62% |
| Country TAB | 9.32% | 13.57% |
| Country Saturday TAB | 11.27% | 27.87% |
| Country Non-TAB | 45.00% | 55.47% |

NUMBER OF STARTERS

The movement in the number of starters across the State went from 54,926 to 53,860; a decrease of 1,066.

| | 2006/07 | 2005/06 | Change |
|----------------------|---------------|---------------|---------------|
| Metropolitan | 9,195 | 9,501 | -306 |
| Provincial | 9,552 | 9,715 | -163 |
| Country TAB | 24,582 | 25,341 | -759 |
| Country Saturday TAB | 1,681 | 3,167 | -1,486 |
| Country Non-TAB | 7,876 | 6,395 | 1,481 |
| Picnic | 974 | 807 | 167 |
| TOTAL | 53,860 | 54,926 | -1,066 |

PERSONNEL CHANGES

2006/07 saw a number of changes to the structure of the Handicapping Panel and the Racing Department. In September 2006, Greg Rudolph was appointed General Manager-Racing and Commercial, overseeing the functions of those departments, in addition to BOBS and Media and Publications. In October, Racing Manager Paul Bloodworth accepted a position with Racing Victoria and Cadet Handicapper Emma Carman left to fulfil travel ambitions in February. Conor Phelan was subsequently appointed to the position of Cadet Handicapper in June.

PROGRAMMING AND HANDICAPPING

A four month trial of Ratings Based Programming concluded on March 31st 2007. During this period a total of 385 (36%) Ratings Based Races were conducted against 687 (64%) class races. Following this trial period, the Racing Department, in conjunction with the Analytical Department and Handicapping Panel, conducted an in-depth review of the trial with a view to determining future programming and handicapping policy. A series of consultative meetings with respected rating analysts have formed the basis of recommendations to develop Ratings Based Programming. The Handicapping Panel continues to develop an equitable ratings formula and widespread consultation will precede any implementation.

GROUP AND LISTED RACING HIGHLIGHTS

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

Of the 67 Group One races run in Australia during 2006/07 – 26 or 39% were won by NSW-trained horses. Gai Waterhouse highlighted the achievements of NSW trainers with seven horses under her care recording a total of eleven Group One victories during the season.

Foremost among these were Desert War (Mackinnon, Ranvet and Queen Elizabeth Stakes) and Bentley Biscuit (TJ Smith, All-Aged Stakes and BTC Cup), recording three Group One wins apiece.

Leading Warwick Farm trainer John Hawkes recorded four Group One wins with four different horses, highlighted by Forensics (Golden Slipper) and Fiumicino (AJC Australian Derby).

**All NSW Group & Listed winners are summarised on pages 14-15.*

INDUSTRY LIAISON

It was another significant year for Australian Horse Classifications with the likes of Takeover Target and Miss Andretti racing with distinction internationally, with Group wins in Japan and England respectively. The continued prominence of Australian horses on the international stage has given greater recognition of our racing and the Australia and New Zealand Classifications Committee (ANZCC) has made considerable advances to have the ratings of our horses aligned internationally to reflect these performances. Senior Handicapper Greg Pearson represented Racing NSW at the ANZCC meeting in Brisbane in June.

Greg Rudolph represented Racing NSW at both bi-annual meetings of the National Race Planning Committee and the Australian Pattern Committee. Important foundations were developed at these meetings to both develop a better structure of national racing, a greater emphasis on promotion of staying events and to ensure greater consistency in race classifications, to the benefit of New South Wales stakeholders. Industry matters were also addressed through liaison with the following bodies:

- Thoroughbred Breeders NSW Ltd.
- Aushorse
- NSW Racehorse Owners' Association
- Australian Trainers' Association (NSW Branch)
- William Inglis and Son and Magic Millions
- RIPAC
- Tabcorp

BOBS (RACING NSW - BREEDER OWNER BONUS SCHEME)

SEASON HIGHLIGHTS

BOBS enjoyed the following highlights during the 2006/07 season:-

- A total of \$5.203 million in cash bonuses were won during the season, an increase of \$268,000 or 5.4% over 2005/06;
- A total of 756 individual race bonuses were won during the year, an increase of 20 or 2.7% over 2005/06;
- Approximately 14.1% of the volume of cash bonuses won was doubled up by winning owners, increasing the total value of bonuses won to \$5.937 million;
- In July 2007, a total of 96 bonuses were won, surpassing the previous highest number of 87 individual monthly bonuses won;
- Woodlands Stud at Denman dominated the list of leading BOBS stallions with four of the top five bonus winners including the top stallion Viscount;

| Rank | Stallion | Stud | Bonus Wins | Value of Bonus Wins |
|------|----------------|-----------|------------|---------------------|
| 1 | VISCOUNT | Woodlands | 23 | \$261,250 |
| 2 | COMMANDS | Woodlands | 31 | \$237,500 |
| 2 | MAGIC ALBERT | Yarraman | 31 | \$237,500 |
| 4 | STRATEGIC | Woodlands | 26 | \$183,750 |
| 5 | QUEST FOR FAME | Woodlands | 15 | \$161,250 |

- The leading BOBS bonus winning horses by value for the season were Let Me Adam trained by Mick Hood at Rosehill and Easy Step trained by Bill Prain at Warwick Farm. Congratulations to all bonus winners during 2006/07, especially the top five bonus winning horses and their owners listed below:

| Horse | Sire (Stud Farm) | Owner(s) | Bonus Wins | Value of Bonus Wins |
|-----------------|---------------------------------|--|------------|---------------------|
| Let Me Adam | Adam (Cedar Brush Farm) | A Chiswick, P Hesky & D Chiswick | 6 | \$95,000 |
| Easy Step | Arena (Lomar Park Stud) | Lomar Park Stud Synd (Mgrs: F & Mrs M Peisah & Miss R Temple-Smith) & J R & Mrs K Park | 4 | \$55,000 |
| Sniper's Bullet | Bite The Bullet (Bengalla Stud) | Mrs N & Mr R Atkinson | 3 | \$50,000 |
| Yankee | Quest for Fame (Woodlands Stud) | Woodlands Stud Synd (Mgr: R W Ingham AO) | 3 | \$50,000 |
| Prince Of Truth | Carnegie (Darley Stud) | Mrs V L Smith, D & Mrs C Pingel, E Pingel & G Singh | 3 | \$45,000 |

- Sniper's Bullet (pictured opposite winning at Rosehill Gardens in December) was easily the best performed BOBS horse of the season going on to Group 1 glory taking out the QTC Stradbroke Handicap to push his total prizemoney to near the \$1million mark.
- The top two bonus winners by number of wins were Let Me Adam and All Again trained by Leslie Jeffries at Tamworth.

| Horse | Sire (Stud Farm) | Owner(s) | Bonus Wins | Value of Bonus Wins |
|-----------------|----------------------------|----------------------------------|------------|---------------------|
| Let Me Adam | Adam (Cedar Brush Farm) | A Chiswick, P Hesky & D Chiswick | 6 | \$95,000 |
| All Again | Reenact (Baramul Stud) | N F Mutton, L W Richards | 6 | \$30,000 |
| Lovely Lucy | Mr Henrysee (Meringo Stud) | Mrs S Cleary, A Smith & R Walsh | 5 | \$50,000 |
| Italian Romance | Honours List (Widden Stud) | M & Mrs R Lowry | 5 | \$25,000 |

All Again is a wonderful BOBS success story, being one of the first BOBS double up purchases ever made. Mr Neville Mutton reinvested four BOBS bonus wins of his talented filly Irish Loup from early 2005 at the Inglis Scone Yearling Sale to purchase the aptly-named All Again.

- With the BOBS success of Woodlands stallions, it is not surprising that the leading winner of BOBS bonuses as an owner is the Woodlands Stud Syndicate (Mgr: R W Ingham AO). Leading BOBS bonus winning owners are listed below:-

| Owner(s) | No. | Value |
|---|-----|-----------|
| Woodlands Stud Syndicate | 31 | \$390,000 |
| Thommo's Australia Pty Ltd; Mrs P Thompson, Mrs R Thompson, G Hilton, Ms A Thompson | 11 | \$57,500 |
| G & Mrs B White | 8 | \$45,000 |
| G McQuillan, Mr McQuillan, L and Mrs R Phegan | 7 | \$60,000 |
| Corumbene Stud Syndicate | 6 | \$60,000 |
| N F Mutton, L W Richards | 6 | \$60,000 |



BOBS Committee

The BOBS Committee was restructured during the year, reducing the number of members and reducing the frequency of its convening, with meetings on an as needs basis to consider items of significance to the Scheme.

Outlook for BOBS

From August 2007, BOBS entered a new phase with the number of stallions increasing by 50% over previous years. These stallions originally nominated immediately prior to the breeding season in 2004.

It is expected that almost 3,000 two-year-olds will be eligible for BOBS series from September 2007.

PUBLIC RELATIONS AND MEDIA

This department seeks to enhance the profile of the industry, being responsible for the publication of the Racing NSW magazine, maintenance of the website, publication of the Annual Report and dealing with various media enquiries. It provides the various sections of the media with information regarding Board policy and announcements, racing inquiries and appeals and current affairs.

Additionally, the department assists in the administration and promotion of BOBS and answers or redirects numerous public enquiries of a general nature through email and phone.

Regular articles are also contributed towards industry publications such as Turf Monthly, Racetrack and Thoroughbred Express.

NSW TRAINERS' CO-OPERATIVE (Thoroughbred Trainers' Service Centre – TTSC)

The Trainers' Co-operative completed its first full year of operation having been established by Racing NSW to assist licensed NSW trainers in:

- Improving their financial returns,
- Delivering quality service to their owners,
- Relieving trainers from the pressure of financial management,
- Enabling trainers to concentrate on their core activity.

OWNERSHIP

Racehorse owners are a vital party within the NSW racing industry and Racing NSW continues to recognise the important role played.

Levels of prizemoney are crucial to continued investment from owners and from 1 January 2007, minimum prizemoney levels were increased across NSW.

In February 2007, Racing NSW co-hosted with William Inglis & Son a forum in the Sydney CBD for prospective owners.

During the year, Racing NSW additional initiatives which are at an advanced stage include:

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

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



NSW GROUP AND LISTED WINNERS - 2006/07

| Group | Race | Dist | Prize \$ | Winner | Trainer |
|-------|-------------------------|------|-------------|--------------------|------------------|
| 1 | GEORGE MAIN STAKES | 1600 | \$400,000 | Racing To Win | John O'Shea |
| 1 | EPSOM HANDICAP | 1600 | \$600,000 | Racing To Win | John O'Shea |
| 1 | THE METROPOLITAN | 2400 | \$600,000 | Tawqet | David Hayes |
| 1 | SPRING CHAMPION STAKES | 2000 | \$400,000 | Teranaba | Anthony Cummings |
| 1 | FLIGHT STAKES | 1600 | \$400,000 | Cheeky Choice | Gai Waterhouse |
| 1 | CHIPPING NORTON STAKES | 1600 | \$300,000 | He's No Pie Eater | Graeme Rogerson |
| 1 | RANDWICK GUINEAS | 1600 | \$550,000 | Mentality | John Hawkes |
| 1 | COOLMORE CLASSIC | 1500 | \$600,000 | Tuesday Joy | Gai Waterhouse |
| 1 | RANVET STAKES | 2000 | \$400,000 | Desert War | Gai Waterhouse |
| 1 | ROSEHILL GUINEAS | 2000 | \$500,000 | He's No Pie Eater | Graeme Rogerson |
| 1 | THE BMW CLASSIC | 2400 | \$2,250,000 | Blutigeroo | Colin Little |
| 1 | GOLDEN SLIPPER STAKES | 1200 | \$3,500,000 | Forensics | John Hawkes |
| 1 | GEORGE RYDER STAKES | 1500 | \$400,000 | Haradasun | Tony Vasil |
| 1 | QUEEN OF TURF STAKES | 1500 | \$400,000 | Divine Madonna | Mark Kavanagh |
| 1 | ARROWFIELD STAKES | 2000 | \$400,000 | Miss Finland | David Hayes |
| 1 | AJC AUSTRALIAN DERBY | 2400 | \$2,000,000 | Fiumicino | John Hawkes |
| 1 | AJC SIRE PRODUCE STAKES | 1400 | \$450,000 | Camarilla | John Hawkes |
| 1 | TJ SMITH STAKES | 1200 | \$600,000 | Bentley Biscuit | Gai Waterhouse |
| 1 | DONCASTER HANDICAP | 1600 | \$2,250,000 | Haradasun | Tony Vasil |
| 1 | AJC OAKS | 2400 | \$600,000 | Rena's Lady | Gary Portelli |
| 1 | THE GALAXY | 1100 | \$400,000 | Magnus | Peter Moody |
| 1 | SYDNEY CUP | 3200 | \$800,000 | Gallic | Graeme Rogerson |
| 1 | CHAMPAGNE STAKES | 1600 | \$450,000 | Meurice | Gai Waterhouse |
| 1 | ALL-AGED STAKES | 1400 | \$400,000 | Bentley Biscuit | Gai Waterhouse |
| 1 | QUEEN ELIZABETH STAKES | 2000 | \$600,000 | Desert War | Gai Waterhouse |
| 2 | PREMIERE STAKES | 1200 | \$140,000 | Paratroopers | John Hawkes |
| 2 | WARWICK STAKES | 1400 | \$200,000 | Court's In Session | Guy Walter |
| 2 | CHELMSFORD STAKES | 1550 | \$200,000 | Eremein | Allan Denham |
| 2 | FURIOUS STAKES | 1400 | \$125,000 | Just Dancing | Grahame Begg |
| 2 | ROMAN CONSUL STKS | 1200 | \$125,000 | Reigning To Win | John O'Shea |
| 2 | THEO MARKS STAKES | 1300 | \$200,000 | Racing To Win | John O'Shea |
| 2 | HILL STAKES | 1900 | \$140,000 | Desert War | Gai Waterhouse |
| 2 | SHANNON STAKES | 1500 | \$140,000 | Stormhill | Tim Martin |
| 2 | TEA ROSE STAKES | 1500 | \$140,000 | Cheeky Choice | Gai Waterhouse |
| 2 | STAN FOX STAKES | 1400 | \$200,000 | Court Command | Darren Smith |
| 2 | VILLIERS STAKES | 1600 | \$200,000 | Utzon | Les Bridge |
| 2 | EXPRESSWAY STAKES | 1200 | \$200,000 | Mentality | John Hawkes |
| 2 | LIGHT FINGERS STAKES | 1200 | \$125,000 | Gold Edition | Ron Maund |
| 2 | ROYAL SOVEREIGN STAKES | 1200 | \$125,000 | Mutawaajid | Gai Waterhouse |
| 2 | SILVER SLIPPER STAKES | 1100 | \$200,000 | Shaft | John Hawkes |
| 2 | APOLLO STAKES | 1400 | \$250,000 | Desert War | Gai Waterhouse |
| 2 | HOBARTVILLE STAKES | 1400 | \$200,000 | Mutawaajid | Gai Waterhouse |
| 2 | SURROUND STAKES | 1400 | \$125,000 | Gold Edition | Ron Maund |
| 2 | CANTERBURY STAKES | 1300 | \$140,000 | Malcolm | John Hawkes |
| 2 | PHAR LAP STAKES | 1500 | \$140,000 | Just Mambo | John O'Shea |
| 2 | REISLING SLIPPER TRIAL | 1200 | \$300,000 | Press The Button | David Hayes |
| 2 | TODMAN SLIPPER TRIAL | 1200 | \$300,000 | Meurice | Gai Waterhouse |
| 2 | AJAX STAKES | 1500 | \$150,000 | High Cee | Bart Cummings |
| 2 | MAGIC NIGHT STAKES | 1200 | \$140,000 | Downhill Racer | David Hayes |
| 2 | PAGO PAGO STAKES | 1200 | \$140,000 | Deferential | John Hawkes |
| 2 | CHALLENGE STAKES | 1000 | \$125,000 | Spark Of Life | Allan Denham |
| 2 | TULLOCH STAKES | 2000 | \$140,000 | Tipungwuti | Mark Kavanagh |
| 2 | CHAIRMAN'S HANDICAP | 2600 | \$200,000 | No Wine No Song | Kevin Moses |
| 2 | SAPPHIRE STAKES | 1200 | \$175,000 | Fire Song | Graeme Rogerson |
| 2 | EMANCIPATION STAKES | 1600 | \$175,000 | Hot Danish | Les Bridge |
| 3 | MISSILE STAKES | 1100 | \$100,000 | Imprisoned | John O'Shea |
| 3 | SAN DOMENICO | 1000 | \$120,000 | Gold Edition | Ron Maund |
| 3 | SILVER SHADOW STAKES | 1200 | \$120,000 | Gold Edition | Ron Maund |
| 3 | UP AND COMING STAKES | 1200 | \$120,000 | Court Command | Darren Smith |
| 3 | GOLDEN ROSE STAKES | 1400 | \$1,000,000 | Court Command | Darren Smith |
| 3 | CONCORDE STAKES | 1100 | \$100,000 | Mustard | John McNair |
| 3 | TRAMWAY HANDICAP | 1400 | \$100,000 | Primus | John O'Shea |
| 3 | KINGSTON TOWN STAKES | 2000 | \$100,000 | Mr Martini | Marc Connors |
| 3 | RESEARCH STAKES | 1200 | \$100,000 | Coolroom Candidate | Keith Dryden |
| 3 | CAMERON HANDICAP | 1400 | \$125,000 | Courts In Session | Guy Walter |
| 3 | NEWCASTLE CUP | 2300 | \$190,000 | Bikkie Tin Blues | Brian Smith |
| 3 | SPRING STAKES | 1600 | \$150,000 | Mearas | John Hawkes |
| 3 | GLOAMING STAKES | 1800 | \$250,000 | All Black Gold | Chris Waller |
| 3 | QUEENS CUP | 2400 | \$150,000 | Exinite | Kris Lees |
| 3 | BILL RITCHIE HANDICAP | 1400 | \$100,000 | Coalesce | John Hawkes |
| 3 | CRAVEN PLATE | 2000 | \$175,000 | Cateclipse | Gai Waterhouse |
| 3 | THE SHORTS | 1100 | \$175,000 | Bentley Biscuit | Gai Waterhouse |
| 3 | HAWKESBURY CUP | 1600 | \$150,000 | Beauty Watch | Gai Waterhouse |
| 3 | SUMMER CUP | 2400 | \$150,000 | Jamberoo | Bede Murray |
| 3 | FREDERICK CLISSOLD STKS | 1200 | \$100,000 | The Free Stater | Paul Cave |
| 3 | BREEDERS CLASSIC | 1200 | \$100,000 | Pasikatera | Gai Waterhouse |

NSW GROUP AND LISTED WINNERS - 2006/07 (Continued)

| Group | Race | Dist | Prize \$ | Winner | Trainer |
|--------|--------------------------|------|-----------|--------------------|-------------------|
| 3 | MILLIE FOX QTY STAKES | 1300 | \$100,000 | A Country Girl | Barbara Joseph |
| 3 | LIVERPOOL CITY CUP | 1200 | \$100,000 | The Free Stater | Paul Cave |
| 3 | KINDERGARTEN STAKES | 1100 | \$100,000 | Forensics | John Hawkes |
| 3 | RANDWICK CITY STAKES | 2000 | \$98,500 | Spirit Of Tara | Gerald Ryan |
| 3 | SKYLINE STAKES | 1200 | \$100,000 | Murtajill | Tim Martin |
| 3 | SWEET EMBRACE STAKES | 1200 | \$100,000 | Chinchilla Rose | Steele Ryan |
| 3 | NEWCASTLE NEWMARKET | 1400 | \$120,000 | Danzippo | John Hawkes |
| 3 | STAR KINGDOM STAKES | 1100 | \$100,000 | Posadas | John Hawkes |
| 3 | BIRTHDAY CARD STAKES | 1200 | \$100,000 | Aunty Betty | Albert Stapleford |
| 3 | ADRIAN KNOX QTY STAKES | 2000 | \$120,000 | Rena's Lady | Gary Portelli |
| 3 | SOUTH PACIFIC CLASSIC | 1400 | \$120,000 | Danleigh | Bob Thomsen |
| 3 | FRANK PACKER PLATE | 2000 | \$120,000 | Carnegie House | Anthony Cummings |
| Listed | WINTER CUP | 2400 | \$80,000 | Brave Lancer | Neville McBurney |
| Listed | WINTER STAKES | 1400 | \$80,000 | With A Chance | Mac Griffiths |
| Listed | RAMORNIE HANDICAP | 1200 | \$125,000 | For Valour | Mitchell Hudson |
| Listed | GRAFTON CUP | 2400 | \$160,000 | Rocking On | Gai Waterhouse |
| Listed | RUN TO THE ROSE | 1300 | \$100,000 | Mentality | John Hawkes |
| Listed | SHOW COUNTY HANDICAP | 1200 | \$70,000 | Primus | John O'Shea |
| Listed | TOY SHOW HANDICAP | 1400 | \$70,000 | Walk Alone | John Hawkes |
| Listed | PREMIER'S CUP | 1800 | \$80,000 | Activation | Graeme Rogerson |
| Listed | SHERACO STAKES | 1100 | \$100,000 | At Ease | Steve Englebrecht |
| Listed | MONA LISA STAKES | 1350 | \$75,000 | Pasikatera | Gai Waterhouse |
| Listed | MING DYNASTY HANDICAP | 1400 | \$70,000 | Mearas | John Hawkes |
| Listed | TIBBIE STAKES | 1400 | \$70,000 | Yolo | Gai Waterhouse |
| Listed | HERITAGE STAKES | 1200 | \$120,000 | Star Of Luis | Rick Worthington |
| Listed | STARLIGHT STAKES | 1100 | \$100,000 | Fast 'N' Famous | John O'Shea |
| Listed | BREEDERS PLATE | 1000 | \$80,000 | Murtajill | Tim Martin |
| Listed | REG ALLEN QTY HANDICAP | 1400 | \$80,000 | Absolutelyfabulous | Kris Lees |
| Listed | DULCIFY QTY HANDICAP | 1800 | \$80,000 | Theseo | Gai Waterhouse |
| Listed | THE NIVISON | 1200 | \$100,000 | Whoever | Guy Walter |
| Listed | GIMCRACK STAKES | 1000 | \$80,000 | Hurried Choice | David Payne |
| Listed | BRIAN CROWLEY STAKES | 1200 | \$70,000 | Reigning To Win | John O'Shea |
| Listed | ANGST QTY HANDICAP | 1400 | \$100,000 | More Than Lucky | David Payne |
| Listed | CITY TATTS CLUB CUP | 2400 | \$75,000 | Roanoke | Anthony Cummings |
| Listed | CITY TATTS LIGHTNING | 1100 | \$70,000 | Uber | David Payne |
| Listed | BELLE OF THE TURF STAKES | 1600 | \$100,000 | Pekalan | Albert Stapleford |
| Listed | SAFILO CUP | 1300 | \$75,000 | King Rex | Stephen Hood |
| Listed | FESTIVAL STAKES | 1400 | \$80,000 | Utzon | Les Bridge |
| Listed | CHRISTMAS CUP | 2400 | \$80,000 | Taken At The Flood | Paul Cave |
| Listed | CANONBURY STAKES | 1100 | \$68,600 | Danehill Smile | Anthony Cummings |
| Listed | RAZOR SHARP HANDICAP | 1100 | \$70,000 | Uber | David Payne |
| Listed | CARRINGTON STAKES | 1100 | \$70,000 | Strada | Gai Waterhouse |
| Listed | TATTS CLUB CUP | 2000 | \$70,000 | Grandiloquent | John Hawkes |
| Listed | WIDDEN STAKES | 1100 | \$70,000 | Superfly | David Hayes |
| Listed | FRANK UNDERWOOD CUP | 2000 | \$80,000 | Prince Arthur | Bart Cummings |
| Listed | AUST DAY CUP | 2400 | \$100,000 | Prince Arthur | Bart Cummings |
| Listed | SATELLITE STAKES | 1100 | \$80,000 | Impaler | David Atkins |
| Listed | TRISCAY STAKES | 1200 | \$100,000 | Doubting | Anthony Cummings |
| Listed | PARRAMATTA CUP | 2000 | \$80,000 | Silky Red Boxer | Chris Waller |
| Listed | WIGGLE QTY HANDICAP | 1400 | \$100,000 | Doubting | Anthony Cummings |
| Listed | ESKIMO PRINCE STAKES | 1100 | \$70,000 | Absolutelyfabulous | Kris Lees |
| Listed | ASPIRATIONS QTY | 1600 | \$70,000 | Banc De Fortune | John Hawkes |
| Listed | WENONA GIRL HANDICAP | 1200 | \$70,000 | Kakakakatie | Pat Webster |
| Listed | SKY HIGH STAKES | 1900 | \$80,000 | Coalesce | John Hawkes |
| Listed | KEITH F NOLAN CLASSIC | 1600 | \$130,000 | Hot Danish | Les Bridge |
| Listed | DARBY MUNRO STAKES | 1200 | \$100,000 | Slow Waltz | John Hawkes |
| Listed | N E MANION CUP | 2400 | \$100,000 | The Chieftain | Guy Walter |
| Listed | EPONA STAKES | 1900 | \$100,000 | Safwa | John O'Shea |
| Listed | T L BALLIEU HANDICAP | 1400 | \$70,000 | Pistols | John Hawkes |
| Listed | ROYAL PARMA STAKES | 1400 | \$100,000 | Mr Ubiquitous | Chris Waller |
| Listed | NEVILLE SELLWOOD STAKES | 2000 | \$100,000 | Coalesce | John Hawkes |
| Listed | MCCARTEN STAKES | 1200 | \$100,000 | Double Dare | Chris Waller |
| Listed | CARBINE CLUB STAKES | 1600 | \$100,000 | Yasumori | John Hawkes |
| Listed | FERNHILL HANDICAP | 1600 | \$100,000 | Stone Canyon | Garry White |
| Listed | PJ BELL HANDICAP | 1200 | \$100,000 | Hot 'N' Ready | Steve Englebrecht |
| Listed | HALL MARK STAKES | 1200 | \$100,000 | Anwaar | Gai Waterhouse |
| Listed | JRA PLATE | 2000 | \$100,000 | Safwa | John O'Shea |
| Listed | KEITH MACKAY HANDICAP | 1200 | \$100,000 | Sliding Cube | Gai Waterhouse |
| Listed | JAMES H B CARR STAKES | 1400 | \$100,000 | Stellamac | Kevin Moses |
| Listed | HAWKESBURY GUINEAS | 1400 | \$125,000 | Alverta | Paul Messara |
| Listed | WAGGA CUP | 2000 | \$110,000 | Fooram | John O'Shea |
| Listed | CIVIC STAKES | 1400 | \$80,000 | Flaming | Gai Waterhouse |
| Listed | DARK JEWEL CLASSIC | 1400 | \$110,000 | Rosa's Spur | Rodney Northam |
| Listed | SCONE CUP | 1600 | \$110,000 | Spy Zaim | Guy Walter |
| Listed | W J MCKELL CUP | 2400 | \$100,000 | Zavite | Anthony Cummings |
| Listed | PACESETTER STAKES | 1200 | \$100,000 | Newton's Rings | Jeff Englebrecht |



Brian Judd
General Manager - Industry

Although a significant number of NSW race clubs are now embracing the rewards from adding alternative revenue streams to their operations, the industry still retains a high level dependence on wagering revenue.

Trends can be affected by the number of meetings and climatic conditions, but in summary, the recent history of wagering turnover is as follows;

| | Metropolitan | | Provincial | | Country | |
|---------|---------------|--------|---------------|--------|---------------|--------|
| 2006/07 | \$545,807,078 | 50.66% | \$202,541,735 | 18.80% | \$328,974,742 | 30.54% |
| 2005/06 | \$552,852,597 | 49.40% | \$219,957,762 | 19.66% | \$346,201,610 | 30.94% |
| 2004/05 | \$556,997,056 | 50.14% | \$224,660,494 | 20.22% | \$329,299,981 | 29.64% |

Distributions from Tabcorp, although disappointing for the first half, recovered to provide a 2.66% increase over 2005/06 for the full year.

Those funds were distributed to the three sectors as follows;

| | Metropolitan | | Provincial | | Country | |
|---------|--------------|--------|------------|--------|---------|--------|
| 2006/07 | \$78.1m | 55.51% | \$24.2m | 17.20% | \$38.4m | 27.29% |
| 2005/06 | \$76.8m | 55.45% | \$23.9m | 17.26% | \$37.8m | 27.29% |
| 2004/05 | \$77.6m | 55.47% | \$24.2m | 17.30% | \$38.1m | 27.23% |

In distributing the funding the metropolitan clubs retained their existing Scheme of Distribution; the provincial clubs have adopted a new Scheme to commence from 1 July 2007 which is performance-based and country locked down funding of Saturday TAB meetings and (increased) prizemoney reimbursements, within an already performance-based Scheme.

Funding for the provincial and country sectors was further assisted by renegotiated Marketing and Sponsorship agreements with Tabcorp and Sky Channel and all sectors benefited by the new agreements with Fairfax and News Ltd for the publication of form.

Utilisation of those funds is demonstrated by comparing movements in prizemoney and the number of race meetings conducted;

| | Metropolitan | | Provincial | | Country | |
|---------|--------------|-----|------------|-----|----------|-----|
| 2006/07 | \$66.02m | 121 | \$13.53m | 118 | \$24.48m | 509 |
| 2005/06 | \$64.06m | 123 | \$13.78m | 126 | \$25.10m | 543 |
| 2004/05 | \$62.05m | 122 | \$13.52m | 124 | \$24.18m | 547 |

METROPOLITAN TRENDS

During the year the Australian Jockey Club increased minimum prizemoney from \$55,000 to \$65,000 for Saturday meetings, from \$37,000 to \$40,000 for Public Holiday meetings, and from \$22,000 to 25,000 for midweek meetings. Prizemoney, trophies and subsidies increased by almost \$1.1 million overall for the year.

The AJC Easter Carnival was affected by inclement weather and an exceptionally high number (60%) of meetings were conducted throughout the year on rain-affected tracks. The club's trading loss for the year has been well documented along with the financial measures taken by the Committee after year end.

Although the club continues to adjust its trading position, the Masterplan for Randwick Racecourse has been furthered through the approval processes and provides a heartening commercial and strategic objective for the club.

Similar to the AJC, the Sydney Turf Club increased prizemoney by almost \$1 million for the year and also commenced facility development with the start of the Grand Pavilion at Rosehill Gardens to cater for corporate requirements on raceday and provide exhibition and conference facilities on non-racedays.

The STC traded with a small profit for the year after TAB distributions reduced from the previous year. The club's relatively new feature race, the Golden Rose, was upgraded to Group 2 after only its fourth running.

DISTRIBUTION HISTORY

| | | |
|---------|---------|----------------------------|
| 2006/07 | \$78.1m | Increase of \$1.3m or 1.7% |
| 2005/06 | \$76.8m | Decrease of \$0.8m or 1.0% |
| 2004/05 | \$77.6m | Increase of \$1.6m or 2.1% |

TAB SALES

| | | |
|--------------------------------|----------|-----------------------------|
| 2006/07 | \$546m | Decrease of \$7.05m or 1.3% |
| Sales were made up as follows: | | |
| Randwick (incl. Kensington) | \$230.3m | 42.20% |
| Warwick Farm | \$48.1m | 8.81% |
| Rosehill Gardens | \$200.6m | 36.75% |
| Canterbury Park | \$66.8m | 12.24% |

ON-COURSE BOOKMAKERS' TURNOVER

| | |
|---------|------------|
| 2006/07 | \$423.468m |
| 2005/06 | \$406.756m |
| 2004/05 | \$465.051m |

PRIZEMONEY DISTRIBUTION

| | | |
|---|----------|-----------------------------|
| 2006/07 | \$66.0m | Increase of \$1.96m or 3.1% |
| Prizemoney distributions were made up as follows: | | |
| Randwick (incl. Kensington) | \$29.19m | 44.23% |
| Warwick Farm | \$4.68m | 7.09% |
| Rosehill Gardens | \$25.91m | 39.25% |
| Canterbury Park | \$6.23m | 9.43% |

PROVINCIAL TRENDS

The provincial clubs increased minimum prizemoney by \$1,000 per race to \$11,000 and \$13,000 for Saturday and midweek meetings respectively. Feature race prizemoney was highlighted by the Hawkesbury club's elevation of prizemoney for their second Saturday stand-alone meeting on 21 April 2007 to total meeting prizemoney of \$675,000.

The club also opened a new motel facility the first venture of its type by a NSW race club. Generally the provincial clubs traded satisfactorily during the year when capital development programmes were taken into consideration.



Newcastle Jockey Club conducted the 100th running of the Newcastle Gold Cup and also hosted the National Racecourse Managers' Conference. During June both the Newcastle and Wyong clubs suffered severely from the monsoonal rain and floods with not only lost meetings but also considerable damage to their respective facilities.

A benchmark Sunday meeting was conducted by the Wyong club on 10 December 2006 with the conversion of the Strawberry Hills Slipper to the Magic Millions race meeting. Conversely the Gosford club lost two feature meetings, the Gold Cup and the Guineas, but still managed to increase the average turnover and number of starters for their remaining meetings.

DISTRIBUTION HISTORY

| | | |
|---------|---------|------------------------------|
| 2006/07 | \$24.2m | Increase of \$0.337m or 1.4% |
| 2005/06 | \$23.8m | Decrease of \$0.337m or 1.4% |
| 2004/05 | \$24.2m | Increase of \$0.596m or 3.3% |

DISTRIBUTION SHARE 2006/07

| | | |
|------------|--------|----------|
| Gosford | 18.16% | \$4.409m |
| Hawkesbury | 18.68% | \$4.530m |
| Illawarra | 21.00% | \$5.070m |
| Newcastle | 24.00% | \$5.769m |
| Wyong | 18.16% | \$4.409m |

TAB SALES

| | | |
|--------------------------------|---------|-----------------------------|
| 2006/07 | \$203m | Decrease of \$17.4m or 7.9% |
| Sales were made up as follows: | | |
| Newcastle | \$51.3m | 25.3% |
| Illawarra | \$44.1m | 21.8% |
| Hawkesbury | \$42.3m | 20.9% |
| Wyong | \$31.6m | 15.6% |
| Gosford | \$33.3m | 16.4% |

ON-COURSE BOOKMAKERS' TURNOVER

| | |
|---------|-----------|
| 2006/07 | \$55.132m |
| 2005/06 | \$54.776m |
| 2004/05 | \$68.311m |

PRIZEMONEY DISTRIBUTION

| | | |
|---|----------|-----------------------------|
| 2006/07 | \$13.53m | Decrease of \$0.25m or 1.8% |
| Prizemoney distributions were made up as follows: | | |
| Newcastle | \$3.28m | 24.26% |
| Illawarra | \$2.58m | 19.08% |
| Hawkesbury | \$3.00m | 22.19% |
| Wyong | \$2.27m | 16.79% |
| Gosford | \$2.39m | 17.68% |

COUNTRY TRENDS

Similar to the metropolitan and provincial clubs, country racing also increased minimum prizemoney to \$7,000 during the year. A review of country racing was concluded with the primary objective of establishing minimum prizemoney of \$10,000 per race by 2010/11.

Country racing is funded from a central budget which finished with a satisfactory trading position for the year. Conversely race clubs felt the brunt of significantly increased ambulance costs which in some instances tripled the annual fee for the service.

Saturday (morning) TAB meetings were successfully introduced on a permanent basis between November and March. Guidance in the responsible service of alcohol remained a high priority for Racing NSW Country. The Country Racecourse Development Fund distributed \$2.8 million in capital development programmes.

DISTRIBUTION HISTORY

| | | |
|---------|----------|-------------------------------|
| 2006/07 | \$38.40m | Increase of \$0.556m or 1.45% |
| 2005/06 | \$37.85m | Decrease of \$0.255m or 0.67% |
| 2004/05 | \$38.10m | Increase of \$1.248m or 3.28% |

TAB SALES

| | |
|---------|--------|
| 2006/07 | \$329m |
| 2005/06 | \$346m |
| 2004/05 | \$329m |

SALES - LEADING COUNTRY CLUBS

| \$'m | Club |
|--------|----------------------------|
| \$19.5 | Murrumbidgee Turf Club |
| \$19.3 | Taree-Wingham Race Club |
| \$18.8 | Goulburn & Dist. Race Club |
| \$18.8 | Clarence River Jockey Club |
| \$16.8 | Muswellbrook Race Club |
| \$16.2 | Coffs Harbour Race Club |
| \$15.9 | Tamworth Jockey Club |
| \$14.9 | Scone Race Club |

ON-COURSE BOOKMAKERS' TURNOVER

| | |
|---------|-----------|
| 2006/07 | \$44.952m |
| 2005/06 | \$40.969m |
| 2004/05 | \$46.139m |

PRIZEMONEY - LEADING COUNTRY CLUBS

| \$'m | Club |
|--------|----------------------------|
| \$1.63 | Clarence River Jockey Club |
| \$1.34 | Murrumbidgee Turf Club |
| \$1.12 | Scone Race Club |
| \$1.08 | Port Macquarie Race Club |
| \$1.05 | Golden West Race Club |
| \$1.03 | Taree-Wingham Race Club |
| \$1.02 | Tamworth Jockey Club |
| \$0.99 | Goulburn & Dist. Race Club |





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
- Industry Training
- Racing Colours
- Jockey Safety secretariat
- Benevolent Fund
- Rules of Racing
- Regulation of Betting
- Disciplinary enquiries in conjunction with Stewards
- Dispute resolution

The GM-Regulatory has a supervisory role in regard to these departments, including Senior Management reporting to the Board and 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 2006/07 year, such as:

Jockeys Safety Review

The National Jockey Safety Review entered the project stage. Progress in the project and initiatives include;

- Development of the software required to establish a National Racing IT platform - the Australian Racing Incidents Database "ARID" for the recording of incidents/injuries
- Appointment of Professor Andrew McIntosh of the UNSW School of Safety Science to research and develop an improved Jockey/Rider helmet
- Increase in the minimum weights and minimum topweights to be carried by horses in handicap races, and an increase to the weight-for-age scale by 1kg, providing a consistent and therefore healthier platform for jockey's weight management
- Research into alternate running rails including trialling of marker pegs in place of running rails, and testing of plastic running rails
- Recommendation to the Australian Racing Board for the appointment of a National Medical Adviser to oversee medical, health and performance policies for industry participants

* The ARID database and UNSW Helmet project are supported by project funding from **RIRDC** (the Rural Industries Research and Development Corporation). RIRDC derives the major portion of its income from the Registrar of Racehorses, as \$20 per horse registration is donated by the racing industry. These contributions are matched dollar for dollar by the Federal Government.

Registration Department transfer to RISA – Following a decision to transfer the Registrar of Racehorses to RISA (a company owned by the Principal Racing Clubs, including Racing NSW) the

changeover of National functions officially occurred on August 1 2006. To the industry at large, this transition represented little disruption as arrangements were made to maintain the location of the Registration department in the offices of Racing NSW. Internally, State-based transactions such as Transfers, Leases, Colours and Syndicates remain the responsibility of Racing NSW, as they do in other States where they are managed by each Principal Racing Authority.

Track and Raceway Safety – As part three of the safety recommendations stemming from a meeting of industry officials held in 2005 to consider improved safety at trackwork and on raceway, a lightning safety process was distributed to race clubs in NSW. This follows the testing of an 'Electrical Storm Identification Device' at Canberra Racecourse, successfully utilised in conjunction with the 30/30 rule to monitor storm activity and when required suspend outdoor operations.

Apprentice Jockey Mentor Agreement (Sydney Turf Club) – A model was proposed and developed whereby a mentor was employed by the Sydney Turf Club on behalf of Rosehill trainers to assist in the training and development of apprentice jockeys based at Rosehill. The role was advertised and successful jockey Leeann Olsen accepted an initial 12-month contract.

Australian Security & Investment Commission - Syndicators – Racing NSW continues to act in its appointed role as a lead regulator for the racing industry in NSW. This involves the review of individual Product Disclosure Statements for each horse prior to the syndicator obtaining authorisation to offer shares. Racing NSW also distributes to other Principal Racing Authorities ASIC document updates and releases.

Transportation of samples - Review – As a follow-up to the 2005 review, a second comprehensive review of the storage and transportation of samples was completed. A series of improved procedures was introduced which provide greater control and consistency of the temperature of urine and blood samples during their transportation from racecourse to the laboratory.

Labour Agreement - Renewal – Racing NSW submitted a monitoring report to obtain permission to extend the Labour Agreement for overseas trackwork riders into the 3rd and final year. Following advice that the Federal Government may raise the threshold for the minimum wage of overseas skilled workers to a rate significantly higher than the local award track rider wage, submissions were made to relevant Government Departments about the unfairness of this policy if applied to the racing industry.

It was pointed out that despite the Government objective of making sure foreign workers are not imported at cheap wages, the proposed MSL would see overseas workers paid 16% more than their Australia equivalents. This would seem unfair to local trackwork riders and would affect the viability of future agreements. Some remission was received but the salary remained significantly higher than the local award.

Race Field Legislation – In preparation for the introduction of the race field legislation, planning for the integrity and administration system requirements has commenced. A central reporting and integrity platform is required, and Racing NSW will work closely with the NSW Office of Gaming and Racing, race clubs and bookmakers to establish a uniform system.

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 the 1st July.



The Licensing Committee met on five occasions during 2006/2007. 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.

Licensing Committee Mr Don Hopkins (Chairman)
 Mr Rob Ferguson

The meetings are also attended by members of the Integrity Assurance Committee. The Board gratefully acknowledges the contribution of IAC members to the licensing function.

New category of licence: Stablehand - Restricted Rider – Following the introduction of the procedure requiring an applicant for a Metropolitan or Provincial Stablehand Rider's licence to undergo an assessment prior to obtaining approval to ride on club training grounds, a number of trainers raised the issue of the need for a further category of licence to suit learning riders.

As a consequence, the category Stablehand - Restricted Rider was introduced. As it is important that applicants for this licence category have knowledge of relevant safety issues, it was determined that a part assessment would occur on commencement.

Should a Restricted Rider and their employing trainer consider that their skills have developed and wish to make application to upgrade their licence to the category of full Stablehand Trackwork Rider, a further assessment of their skills is required.

Review of Bookmakers Guarantees – Each year individual bookmaker guarantees are reviewed against their turnover levels for the previous financial year. The process matches annual betting turnover benchmarks against a graduated guarantee schedule agreed to by Racing NSW and the NSW Bookmakers Co-Operative. The financial guarantee can be called upon by Racing NSW in case of default by the bookmaker.

In 2006/07, two Bookmakers were obliged to upgrade their guarantees to comply with the schedule. Applications from two bookmakers to reduce their guarantee due to a decrease in turnover were also approved this year.

Amendments to level of guarantee required from interstate based Bookmakers – Following a review of the betting turnover of interstate-based bookmakers who field in NSW on a casual basis, it was recognised that a visiting bookmaker could still turnover a significant amount of money on a meeting-by-meeting basis. However, due to the small number of meetings attended their annual turnover would not surpass the level which would require them to provide more than the minimum level of guarantee.

As such, a policy was developed whereby a Visiting Bookmaker, after their projected turnover is assessed, would be required to obtain a guarantee reflecting more closely their average turnover on a meeting.

Comparison of Licensing statistics – 2006/07 vs. 2005/06

NSW licensing statistics experience slight variances from year to year. In 2006/07, some licence categories experienced a slight decrease in numbers this season. No single reason can be attributed to the marginal drop, but a combination of factors may all contribute depending on the category.

For example, the number of trainers licensed last season was slightly down (1.50%) on the previous year, however, this is a better result than pre-2005 where we were losing approximately 5% per annum. Factors that may affect the number of trainers renewing this season, particularly in the country region, include the high cost of fuel and general operating expenses.

| | Metropolitan | | Provincial | | Country | | Total | |
|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Total 06/07 | Total 05/06 | Total 06/07 | Total 05/06 | Total 06/07 | Total 05/06 | Total 06/07 | Total 05/06 |
| Trainers | 114 | 110 | 232 | 225 | 886 | 917 | 1232 | 1252 |
| Jockeys | 90 | 87 | 25 | 24 | 174 | 192 | 289 | 303 |
| Apprentices | 14 | 10 | 11 | 12 | 98 | 106 | 123 | 128 |
| App Riders | - | - | - | - | 44 | 34 | 44 | 34 |
| Bookmakers | 59 | 58 | 10 | 9 | 151 | 147 | 220 | 214 |
| BM Clerks | 463 | 459 | 66 | 65 | 357 | 371 | 886 | 895 |
| SH Riders | 327 | 405 | 199 | 258 | 645 | 690 | 1171 | 1353 |
| SH Non TW | 600 | 620 | 349 | 333 | 983 | 951 | 1932 | 1904 |
| Foreperson | 84 | 84 | 36 | 32 | 155 | 163 | 276 | 279 |
| Rider Agents | 17 | 15 | 5 | 4 | 22 | 15 | 44 | 34 |
| Total | 1769 | 1848 | 933 | 962 | 3515 | 3586 | 6217 | 6396 |

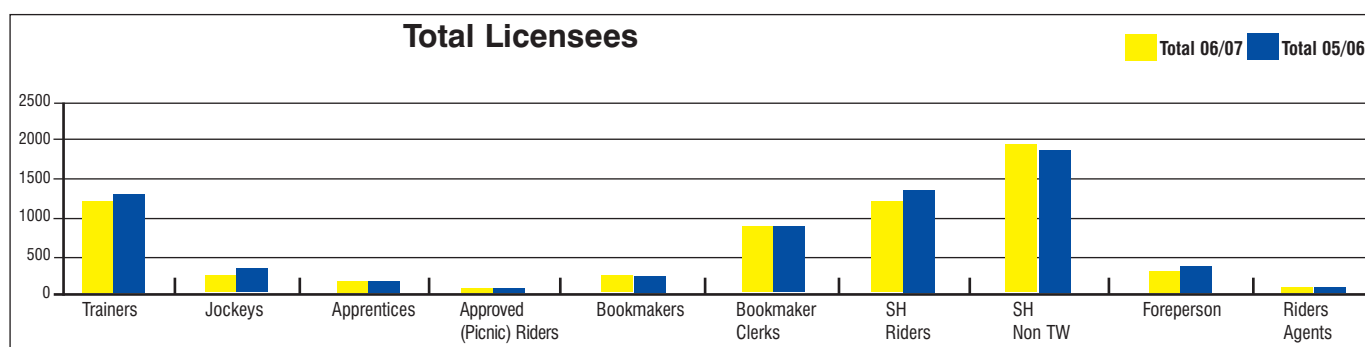
NB – All Jockeys or Apprentices who ride in NSW are required to hold a licence in this State. As such the above statistics include those who are based interstate. Resident NSW Jockeys - 158 (162); Apprentices - 72 (71). The decrease in the number trackwork riders compared to the number registered last season as represented on the above table are misleading. This is due to the divide of the category on our database specifically for trackwork riders and casual or pony riders. In previous seasons all riders, including those that rode a horse in any capacity, e.g. stable pony, were grouped with trackwork riders in the classification Stablehand - Rider. All Stablehands who are not registered to ride trackwork are now included in the category Stablehand – Non Trackwork.

TRAINING

The Training Department is responsible for co-ordinating the delivery of training primarily to new and existing industry licensed persons. In particular, focus applies to new riders and future apprentice jockeys. Both on-the-job and off-the-job training forms an integral part of a participant's future qualifications.

The objectives of the Industry Training Department include:

- increasing apprentice jockey and trackwork rider numbers



- managing and delivering industry training
- managing the Rising Star Apprentice Race Series
- encouraging greater participation of young people in the racing industry
- 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

The process begins with visits by Racing NSW to career markets, schools and pony clubs spreading the recruitment message to attract new participants to the industry. New and existing industry trainees are then brought into the Talent Identification Program for career path assistance. The marketing theme continues with the co-ordination of 'Apprentice Jockey Only' races which promote industry careers and training to the broader community.

Apprentice Jockey Forum

Meetings were held in June and July 2006 with prominent trainers, jockeys, apprentices and stewards to review apprentice jockey training and welfare issues. The following issues were identified:

- Apprentices being released in block groups to TAFE and having to forgo riding opportunities
- Apprentices attending courses that were not relevant to their level of competence
- Development of and adherence to an apprentice code of conduct and an employer code of conduct
- Placing of apprentices with suitable trainers
- More riding opportunities required for apprentices

Racing NSW commences delivery of Training

Acting on industry feedback, Racing NSW put in place a significant development this year by assuming responsibility for the direct delivery of training to our participants. Previously TAFE NSW had delivered the training.

Through Racing NSW's registered training company, we now employ a number of former jockeys including Maurice Logue (Manager), Malcolm Fitzgerald, Ron Quinton, Jamie Whitney and Craig Rixon in part-time or full-time roles. Former Steward Luke Millington is Training Co-ordinator and Compliance Officer Melissa De-Moria completes the team. Training is conducted in a mainly practical environment by on-the-job delivery at stables, at trackwork and on raceday.

The improvement brought about by Racing NSW now delivering training and providing support to the apprentices using hands on industry teachers and mentors is reflected in the results below:-

Talent Identification Program

Racing NSW ran two Talent Identification Intakes in January 2006 (15 students) and February 2006 (17 students). 20 of the students are continuing as prospective apprentice jockeys and 6 as stablehand riders.

Promotions and Recruitment

Increase in profile of careers in racing with Racing NSW this year entailed representation at 13 careers markets (each market attracting between 2,000 and 7,000 students) 4 pony club camps, and 39 high schools.

Rising Star Series

The Rising Star series is a schedule of races for apprentice riders only, with the winner of the series decided on a point score basis. The seventh staging of the Series was held between April and November 2006 and the winner for the second consecutive year was Tamworth apprentice Luke Morgan.

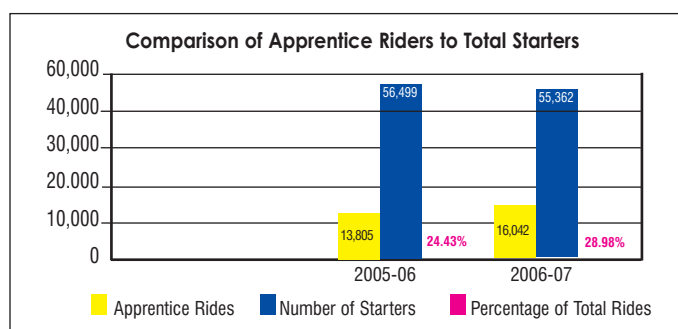
Apprentice Winning Rides

NSW apprentices have been showing continued improvement over the last 12 months as demonstrated in the table below. Our apprentice jockeys rode more winners in the 2006 / 2007 season than in each of the previous three seasons.

| | 2003 - 2004 | 2004 - 2005 | 2005 - 2006 | 2006 - 2007 |
|---------------------|-------------|-------------|-------------|-------------|
| Metropolitan | 156 | 120 | 147 | 249 |
| Provincial | 181 | 140 | 179 | 218 |
| Country | 821 | 1089 | 879 | 1008 |
| Total Winning Rides | 1158 | 1349 | 1205 | 1475 |

Apprentice Rides

There has also been an increase in the percentage of overall rides secured by the apprentices, rising from 24.4% in 04/05 to a record 28.98% this year. This table includes metropolitan, provincial and country statistics.



Apprentice Jockey Numbers

At the close of the 2006 / 2007 season there were 72 NSW indentured apprentice jockeys and 16 trialling riders in NSW. In addition, there were 80 Certificate II stablehand trainees.

Club Employed Trainee Rider Project

In March, the Training Department ran a pilot program with Lismore Turf Club. The club employed a trainee and hosted the trainee out to three trainers on a fee for service basis. The club paid a weekly wage to the trainee and collected fees from the three trainers that were providing work for the trainee. This model works well in situations where there is no individual employer at a training centre large enough to employ a rider or apprentice outright.

Labour Agreement

Department of Employment and Workplace Relations (DEWR) is currently changing the conditions under which work riders are able to enter Australia under the 457 Labour Agreement VISA. We have been informed the changes will make it increasingly difficult to gain approval under the 457 VISA. Racing NSW will continue to investigate options for the temporary entry and employment of overseas trackwork riders in NSW.

REGISTRATION OF RACEHORSES – IDENTIFICATION, NAMING & OWNERSHIP

As mentioned, the ROR is a division of Racing Information Services Australia Pty Ltd (RISA), located in the Racing NSW offices in Sydney's CBD. The function of the Registrar is to identify, record, name and register thoroughbred horses for racing in Australia, or for export.

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.

The transition of the Registrar of Racehorses to RISA began from the 1st of July. The department welcomed new Team Leader, Peter Benci, in August 2006. In conjunction with ROR staff, a series of changes and improvements were implemented in the department. One of the first actions was a review to improve data integrity between the Australian Stud Book, Registration and IRIS IT systems. This ensured that all new and updated data flowed correctly to all three systems.

Other quality management items such as application procedures, forms and data entry were reviewed and improved. These changes will help reduce the number of discrepancies occurring on completed application forms, ensuring registrations are processed as quickly as possible.

As part of the pending move to the city in December, files were evaluated and many old files were archived or discarded, freeing up space at the new premises. Items of historical significance were noted, including Registration ledgers dating back to the early 1900's.

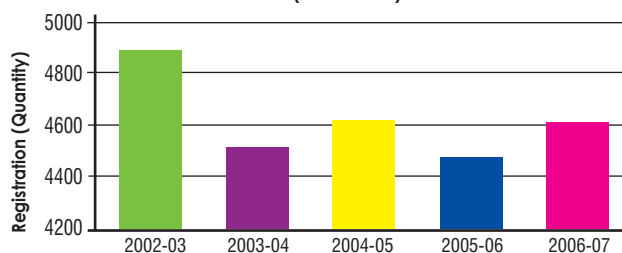
With the new RISA visual identity being adopted by ROR in early 2007, significant work was completed to redesign stationery, the certificate of registration and the Thoroughbred Identification Card (TIC).

In a review of IT systems, a National System Scoping Project team collected data on existing PRA business process and supporting IT infrastructure. The Registrar of Racehorses, on behalf of RISA, worked with Racing NSW stewards, handicapping, licensing and stakes

payments to provide feedback into the project. The Project team arrived at a high level national IT solution that RISA believes will deliver significant benefits to the industry.

Financial Year in Review – By the end of the 2006-07 financial year the Registration Department had recorded 13,988 horse registrations. NSW contributed 4,616 registrations, 2,365 transfers, 854 leases, and 395 syndicates to these totals.

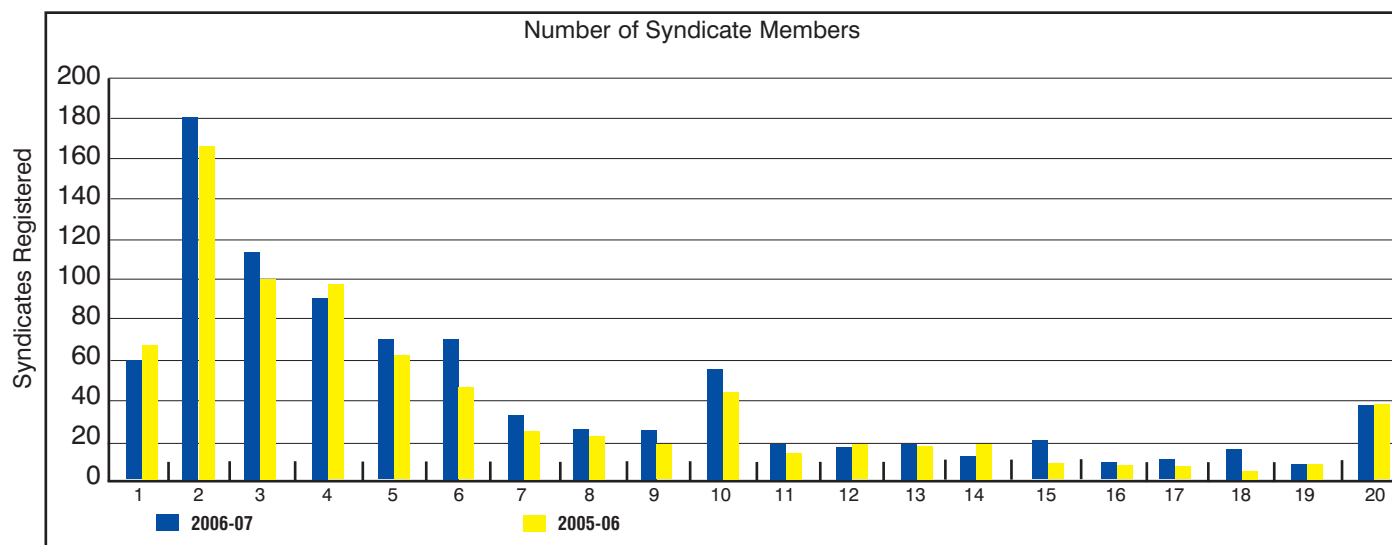
**NSW Registration Figures
(New Horses)**



The overall processing of applications was up on the previous year, with just under 3% increase in horse registrations. Once again, the popularity of syndicates was unabated, with a 30% increase in registrations in NSW alone. Approximately 23% of all horses registered in the year contained at least one syndicate in the ownership.

As people seek more affordable ways to race horses, it can be seen that the number of members registered per syndicate is increasing.

Number of Syndicate Members





Kate Robertson
Insurance Manager/Legal Counsel



RACING NSW WORKERS' COMPENSATION INSURANCE

The Racing NSW specialised insurance fund has now been managed internally for two years, in furtherance of Executive and Board initiatives to improve the efficiency and accountability of the fund and ensure that its operation best serves the needs of the thoroughbred industry.

Management of claims made against the fund was previously outsourced to Employers Mutual Limited, then transferred internally to Racing NSW on 1 July 2005 and staffed by claims and injury managers from QBE. From 1 July 2006 all management and administration of the fund has been undertaken by an in-house insurance team at Racing NSW. The Fund now employs:

- an Insurance Manager/Legal Counsel with both legal and allied health qualifications and experience;
- three senior Case Managers with significant workers' compensation, OH&S and industry expertise; and
- a specialist Injury Manager to implement and monitor return to work initiatives and thereby minimise time lost due to injury.

The method by which premiums are levied from the industry is a subject of ongoing review by Racing NSW to ensure that all participants have the benefit of affordable insurance for workplace injuries, but also that premiums are levied in a fair and equitable way and that employers are accountable (to an appropriate degree) for their work practices.

In 2006/2007, trainers against whom claims had been made in the relevant period were required to pay a slightly increased (though still minimal) premium to reflect the cost of their claims, so that trainers with no claims history were no longer required to pay a minimum adjusted premium. Significant cross-subsidisation (both from within the industry and through the investment activities of Racing NSW), was still applied to minimise the premiums required to be levied to meet the fund's liabilities, in order to protect industry employers from the true cost of their claims whilst ensuring the financial viability of the fund.

The Racing NSW workers' compensation fund is performing competitively and overall claims management has continued to improve since the move to fully internalise the operations of the Fund on 1 July 2006.

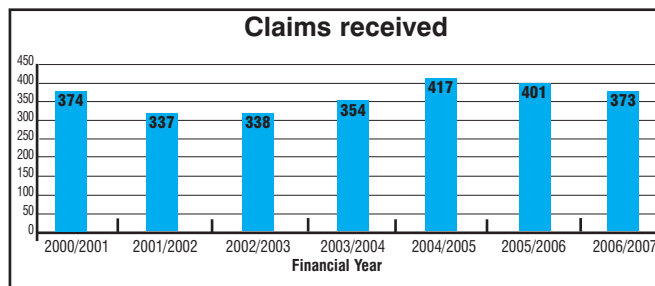
The aim of the Fund, which appears to have been satisfactorily achieved in 2006/ 2007, is to balance commercial considerations with the needs of injured industry participants and the capacities of employers in an inherently dangerous industry. The following are the most significant achievements in the fund's performance:

- The projected outstanding workers' compensation liability at 30 June 2007 is estimated at \$21.939million gross of reinsurance recoveries and \$20.440m net of likely recoveries. The central actuarial estimate of the Fund's liabilities (less likely reinsurance recoveries and allowing a 25% prudential margin) has decreased by \$2.35m in the last 12 months;

- Improvements in every aspect of the fund's performance in the June 2007 WorkCover audit compared with the audit conducted in June 2006;
- Improved case estimation procedures, to ensure consistency, regular review and compliance WorkCover guidelines;
- Improved internal procedures for the processing of payments to providers, employers and claimants, resulting in a satisfactory result in this element of the fund's performance at the WorkCover audit in June 2007;
- Increased focus on injury management and return to work initiatives, resulting in a number of claimants (particularly longer term claimants) returning to work in some capacity. The commercial benefits of this initiative include lower than expected claim developments, decreased reliance on external providers and the reversal of the trend in recent years of steadily increasing expenditure on weekly compensation payments;
- Reduced numbers of open claims in the last 12 months from 464 at 30 June 2006 to 316 at 30 June 2007, a reduction of 32% in the size of the portfolio as a result of an ongoing focus on finalizing and closing appropriate claims;
- The ability to constrain lump sum and common law settlement amounts, weekly payments and (to some extent) medical expenses despite legislative changes increasing lump sum entitlements and limiting settlement opportunities, increases in statutory weekly compensation rates and the cost of medical and rehabilitation treatments, all of which encourage consistent ongoing increases in expenditure, and
- Continuing the trend of significant decreases in expenditure on legal costs by use of internal legal counsel.

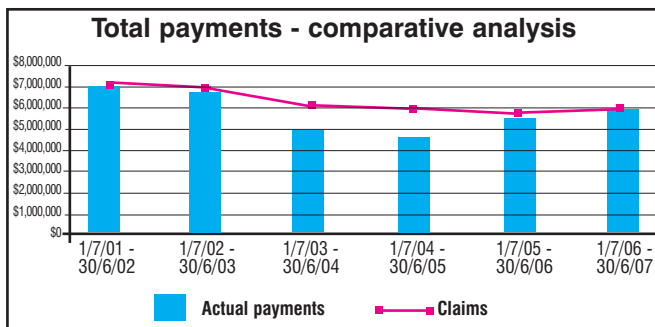
COMPARATIVE FUND PERFORMANCE

Claim Numbers



It was noted in the 2005/2006 report that claim numbers and the incidence of claims in the racing industry had been trending upwards since 2002/2003. As the annual number of claims received has decreased consistently since 2004/2005 this trend appears to have reversed, though there is insufficient data available to make any long-term predictions in respect of claim numbers.

The graph below demonstrates the fund's performance in recent financial years in respect of the total payments made and the average over the period depicted.



The total amount paid by the fund has increased consistently since 2004/2005 and was slightly above the 6-year average in 2006/2007. The quantum of payments made do not simply correlate with claim numbers, but are affected by factors such as the incidence of severe or catastrophic injuries and legislative changes.

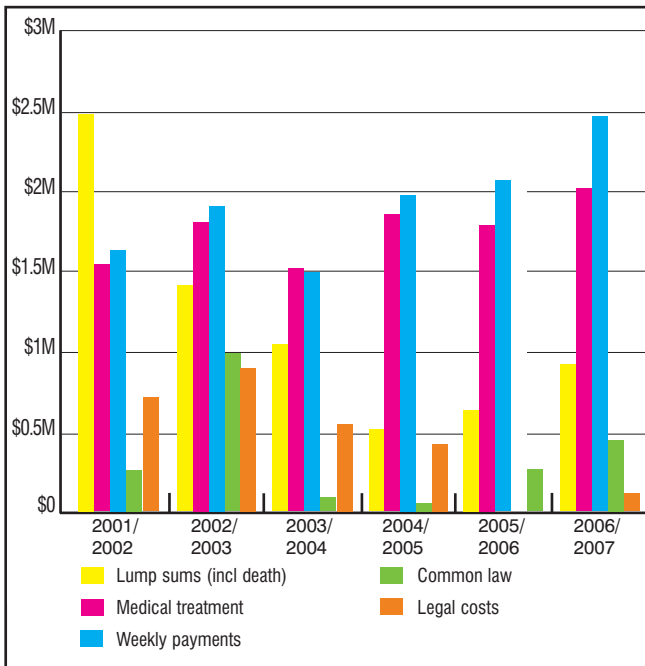
The graph below demonstrates the trends in payments in key areas of expenditure. With respect to the quantum of payments made in 2006/2007:

Medical expenses continue to rise with the increased cost of treatment.

Weekly compensation payments trend upward due to increases in wages and to the biannual increase of statutory rates of compensation, although increased focus on injury management and return to work initiatives has achieved a decrease in total weekly payments compared with 2005/2006.

Lump sum payments have steadily increased since 2004/2005, partially due to legislative changes increasing the lump sum compensation payable and to a number of large lump sum claims from previous years settled in 2006/7.

Legal expenses continued to decrease and were in fact less than half the amount of the previous year.



Racing NSW will continue to pursue its objectives of ensuring appropriate support to injured industry participants and their employers whilst taking all reasonable steps to reduce the cost of workers' compensation to the industry through proactive injury management, return to work initiatives to minimise the time lost through injury and appropriate claims and dispute management to avoid unnecessary administrative, legal or other expenses.

GENERAL INSURANCE AND PUBLIC LIABILITY

Racing NSW has continued its function of negotiating the placement of public liability, property and other forms of general insurance on behalf of race clubs and industry bodies such as the ARB and Racingcorp.

Racing NSW achieved savings of approximately \$86,000 in the placement of all forms of insurance that we co-ordinate on the industry's behalf, including an \$18,000 (17%) reduction in brokers' fees. This reduction was achieved despite heavy flooding in the Hunter during June 2007 which resulted in numerous claims against the property and motor vehicle policies.

In 2006/2007 Racing NSW made a decision to exit the tri-state public liability scheme entered into with Racing Victoria Limited and Queensland Racing in 2006, in order to consolidate our relationship with insurers and brokers in the placement of all NSW insurance.

As a result of favourable marketing conditions and our aggressive tender and negotiation strategy, the premium (including all costs, taxes and charges) payable by Racing NSW, NSW clubs and associations for public liability insurance was \$475,431, a reduction of \$60,640 from the heavily reduced premium paid in 2005/2006 as part of the tri-state placement.



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

APPEAL PANEL MEMBERS

Mr John Hiatt OAM

(Principal Member) effective 1 January 2007

Mr Peter Capelin QC

(Principal Member) retired 31 December 2006

Mr Martin Einfeld QC

Mr Darcy Leo

Ms Margaret Crawley

Mr Jack Hickman

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 Cliff Clare

Mr Donald Storey

EXECUTIVE FOR APPEAL PANEL

Mr P N V'landys, Secretary

Ms K Reece, Appeals Co-ordinator

CHANGES TO APPEAL PANEL

Mr Peter Capelin QC (Principal Member) retired on 31 December 2006 and Mr John Hiatt OAM was appointed as Principal Member, effective 1 January 2007. Mr Martin Einfeld QC also retired during the year.

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 14 occasions during 2006/2007 under the following Chairmen:

Mr J Hiatt OAM 11

Mr P Capelin QC 3

Within those 14 sittings there were 18 Appeals lodged against 21 individual charges. Four Appeals 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 | Penalty Varied | Withdrawn | \$200 Refunded | Total Charges |
|--------------------|--------|-----------|----------------|-----------|----------------|---------------|
| Appeal Panel | 2 | 15 | 12 | 4 | 1 | 21 |
| Racing Association | 0 | 1 | 0 | 0 | 0 | 1 |

| Rule | Description | Number |
|--------------|---|-----------|
| AR135(b) | The rider of every horse shall take all reasonable and permissible measures throughout the race to ensure that his horse is given full opportunity to win or to obtain the best possible place in the field. | 4 |
| AR135(c) | Any person who in the opinion of the Stewards has breached, or was a party to breaching, any portion of this Rule may be punished, and the horse concerned may be disqualified. | 3 |
| AR137(a) | Any rider may be punished if, in the opinion of the Stewards, he is guilty of careless, improper incompetent or foul riding. | 7 |
| AR175(a) | The Committee of any Club or the Stewards may punish; any person, who, in their opinion, has been guilty of any dishonest, corrupt, fraudulent, improper or dishonourable action or practice in connection with racing. | 2 |
| AR177 | Any horse that has been brought to a racecourse and a prohibited substance is detected in any sample taken from it prior to or following its running in any race must be disqualified from any race in which it started on that day. | 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 |
| Total | | 21 |

REPRESENTATIVE TABLE

| | Dismissed | Upheld |
|--------------------------|-----------|----------|
| Represented by Solicitor | 12 | 2 |
| Represented Self | 3 | 0 |
| Totals | 15 | 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 (Racing Appeals Tribunal)

His Honour Justice W R Haylen (Acting Racing Appeals Tribunal)

His Honour Judge J C McGuire (Acting Racing Appeals Tribunal)

Mr P N V'landys, Secretary Racing Appeals Tribunal

Ms K Reece, Appeals Co-ordinator

Three Appeals were lodged with the Racing Appeals Tribunal and heard by His Honour Mr B R Thorley AM. The Tribunal dismissed all three Appeals and the penalties on two were varied. These Appeals were under AR135(b) & (c), AR175(a) and AR178.

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)

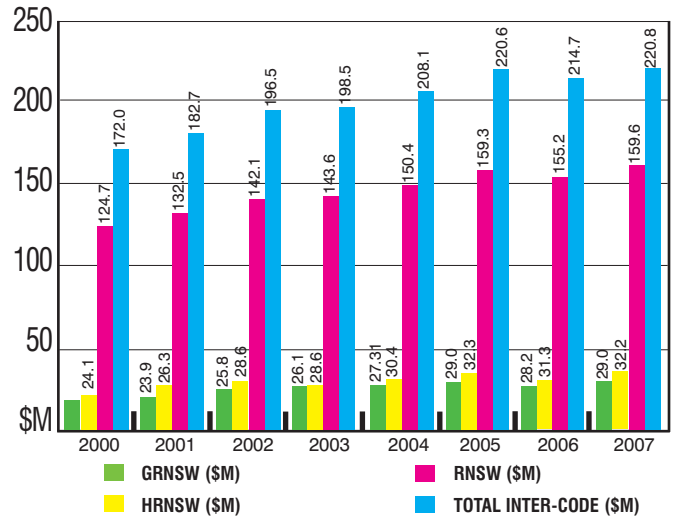
Racing NSW, Harness Racing NSW and Greyhound Racing NSW are the controlling bodies of each racing code in NSW. Together, they established the company RACINGCORP to represent them under the RDA and act as the interface between the racing industry and Tabcorp.

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 2006/2007 year were:

- Mr Gary Pemberton AC
- Mr Don Hopkins
- Mr Graeme Pash
- Mr Brian Reardon
- Mr Peter V'landys
- Mr Noel Bracks

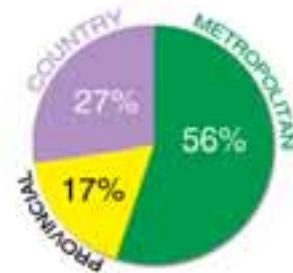
INTER-CODE AGREEMENT

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 per the following graph:

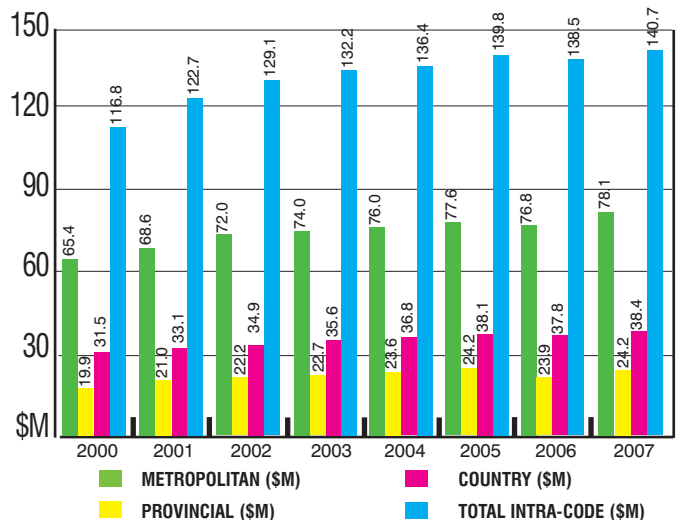


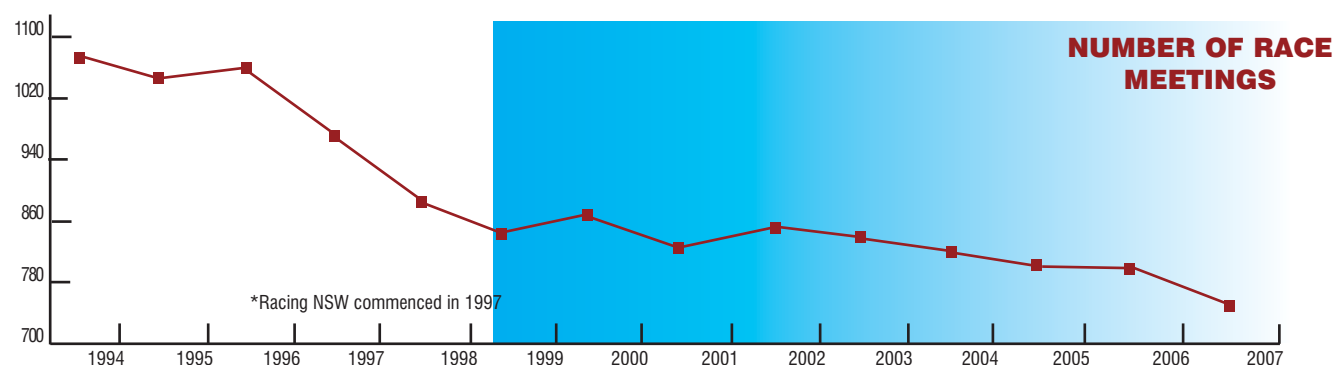
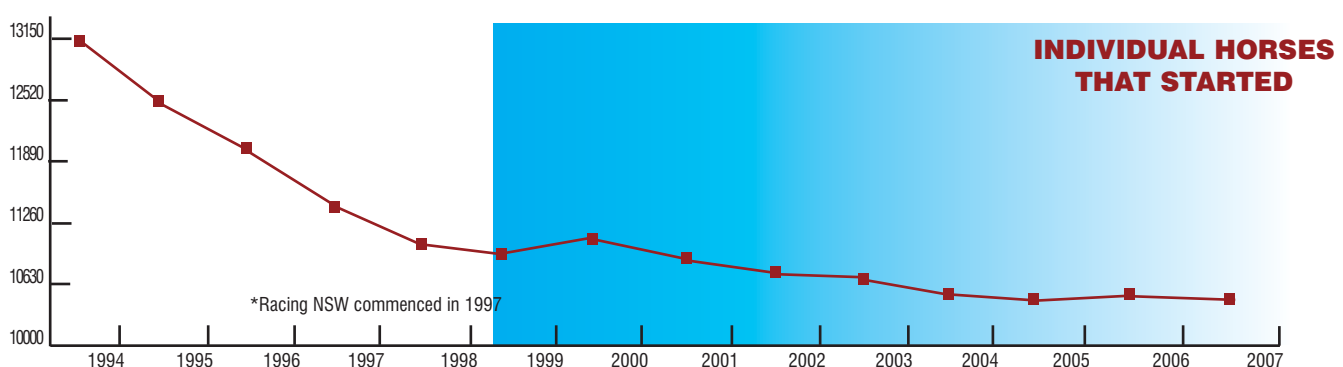
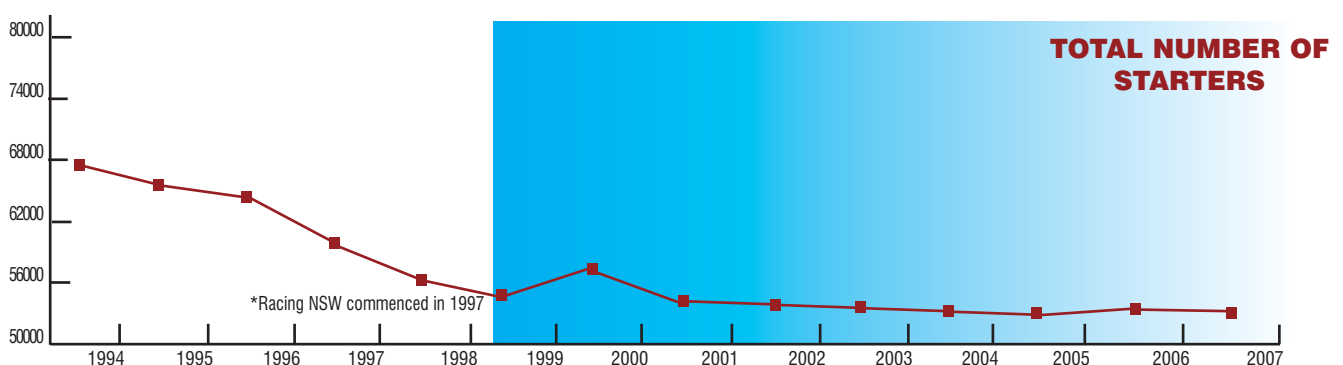
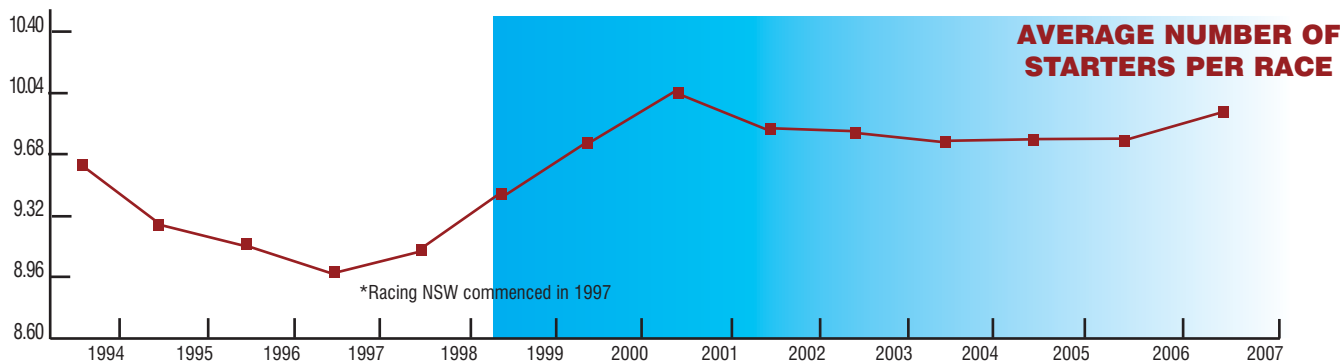
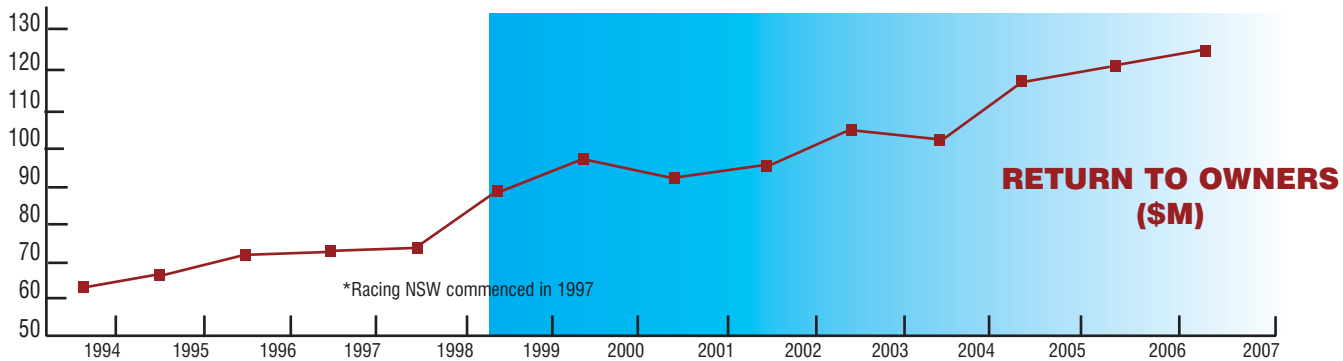
INTRA-CODE AGREEMENT

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:





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, 2007

| | 2007 \$ | 2006 \$ |
|---|-------------------|-------------------|
| REVENUE | | |
| Revenue from Operating Activities | | |
| Sale of Goods - Publications | 663,568 | 706,547 |
| Sale of Services | 5,329,046 | 5,225,209 |
| | 5,992,614 | 5,931,756 |
| Revenue from Non Operating Activities | | |
| Proceeds from Disposal of Assets | (10,336) | 948,372 |
| Interest - General | 749,778 | 622,918 |
| | 739,442 | 1,571,290 |
| | 6,732,056 | 7,503,046 |
| REVENUE FROM ORDINARY ACTIVITIES | | |
| EXPENSES | | |
| Analytical | 184,925 | - |
| Finance | 341,242 | - |
| Administration/Executive | 3,942,918 | 4,698,165 |
| Legal | 287,636 | 461,859 |
| Licensing | 197,444 | 202,847 |
| Ownership | - | - |
| Race Results | 48,446 | 82,285 |
| Publications | 600,626 | 604,139 |
| Laboratory | 2,373,137 | 2,540,019 |
| Handicapping | 235,279 | 228,347 |
| Stewards | 2,745,446 | 2,864,453 |
| Veterinary | 499,549 | 529,520 |
| Syndicates | 49,469 | 52,019 |
| Media | 110,504 | 91,702 |
| Thoroughbred Trainers Service Centre | 118,676 | 56,661 |
| Industry Training | 418,548 | 364,848 |
| Stakes Payments | 333,072 | 307,854 |
| Information Technology | 539,368 | 565,295 |
| Racing Office | 155,941 | 219,295 |
| Borrowing Costs | 77,847 | 68,579 |
| | 13,260,073 | 13,937,887 |
| Share of profit/(loss) in Registrar of Racehorses | - | (174,563) |
| Distribution from Associate | - | - |
| Share of net equity accounted gains/(losses) | 517,062 | 51,765 |
| | 8,118,113 | 8,118,085 |
| | 2,107,157 | 1,560,446 |
| Appearance Fees disbursed during the year, recouped through a first charge on TAB distributions | 6,521,200 | 6,673,400 |

PROFIT/LOSS STATEMENT - WORKERS COMPENSATION FUND

THE YEAR ENDED 30 June, 2007

| | 2007 \$ | 2006 \$ |
|--|-------------------|-------------------|
| REVENUE | | |
| Revenue from Operating Activities | | |
| Workers Compensation Premiums/Charges | 7,962,639 | 8,240,835 |
| | 7,962,639 | 8,240,835 |
| Revenue from Non Operating Activities | | |
| Movement in market value of land/buildings | - | 24,304 |
| Interest - Workers Compensation Fund | 516,128 | 247,300 |
| Movement in market value of investment fund | 2,439,521 | 2,323,908 |
| | 2,955,649 | 2,595,512 |
| | 10,918,288 | 10,836,347 |
| REVENUE FROM ORDINARY ACTIVITIES | | |
| EXPENSES | | |
| Workers Compensation Payments and Provisions | 4,042,081 | 8,875,826 |
| Workers Compensation Administrative & Regulatory | 1,271,886 | 2,145,762 |
| Borrowing Costs | 105,518 | 93,588 |
| | 5,419,485 | 11,115,176 |
| | 5,498,803 | (278,829) |

INCOME STATEMENT

CONSOLIDATED - GENERAL ACTIVITIES AND WORKERS COMPENSATION FUND

RACING NSW ABN 86 281 604 417

THE YEAR ENDED 30 June, 2007

| | Note | 2007 \$ | 2006 \$ |
|---|-----------|--------------------|--------------------|
| REVENUE AND OTHER INCOME | | | |
| REVENUE | | | |
| Sale of Goods - Publications | 6(i) | 663,568 | 706,547 |
| Sale of Services | 6(ii) | 5,329,046 | 5,225,209 |
| Workers Compensation Fund Premiums & Revenues | 6(iii) | 7,962,639 | 8,240,835 |
| First Charge | 6(iv) | 8,118,113 | 8,118,085 |
| Appearance Fee Receipts | 6(v) | 6,521,200 | 6,673,400 |
| OTHER INCOME | | | |
| (Loss)/Gain on Disposal of Assets | 6(vi) | (10,336) | 948,372 |
| Movement in net market value of Land and Buildings integral to insurance activities | | - | 24,304 |
| Interest other parties | 6(vii) | 1,265,904 | 870,218 |
| Movement in net market value of investments integral to insurance activities | | 2,439,521 | 2,323,908 |
| TOTAL REVENUE AND OTHER INCOME | | 32,289,655 | 33,130,878 |
| EXPENSES | | | |
| Analytical | 6(viii) | 184,925 | - |
| Finance | 6(ix) | 341,242 | - |
| Administration/Executive | 6(x) | 3,942,918 | 4,698,165 |
| Legal | 6(xi) | 287,636 | 461,859 |
| Licensing | 6(xii) | 197,444 | 202,847 |
| Race Results | 6(xiii) | 48,446 | 82,285 |
| Cost of Goods Sold - Publications | 6(xiv) | 600,626 | 604,139 |
| Laboratory | 6(xv) | 2,373,137 | 2,540,019 |
| Handicapping | 6(xvi) | 235,279 | 228,347 |
| Stewards | 6(xvii) | 2,745,446 | 2,864,453 |
| Veterinary | 6(xviii) | 499,549 | 529,520 |
| Syndicates | 6(xix) | 49,469 | 52,019 |
| Media | 6(xx) | 110,504 | 91,702 |
| Thoroughbred Trainers Service Centre | 6(xxi) | 118,676 | 56,661 |
| Industry Training | 6(xxii) | 418,548 | 364,848 |
| Stakes Payments | 6(xxiii) | 333,072 | 307,854 |
| Information Technology | 6(xxiv) | 539,368 | 565,295 |
| Racing Office | 6(xxv) | 155,941 | 219,295 |
| Appearance Fee (unplaced starters) | 6(xxvi) | 6,521,200 | 6,673,400 |
| Workers Compensation Fund Expenses | 6(xxvii) | 5,313,967 | 11,021,588 |
| Finance Costs | 6(xxviii) | 183,365 | 162,167 |
| TOTAL EXPENSES | | 25,200,757 | 31,726,463 |
| Share of profit/(loss) in Registrar of Racehorses | 11b) | - | (174,563) |
| Share of profit of Associate (RISA) | 11a) | 517,062 | 51,765 |
| SURPLUS BEFORE INCOME TAX | 6(xxix) | 7,605,960 | 1,281,617 |
| INCOME TAX EXPENSE | | - | - |
| SURPLUS | | 7,605,960 | 1,281,617 |
| TRANSFERRED TO RESERVES | 22 | (7,605,960) | (1,281,617) |
| | | - | - |

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

BALANCE SHEET



RACING NSW ABN 86 281 604 417
AS AT 30 June, 2007

| | Note | 2007 \$ | 2006 \$ |
|--|------|-------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | 8 | 18,285,712 | 13,088,823 |
| Trade and Other Receivables | 9 | 12,815,154 | 13,722,906 |
| Other Current Assets | 10 | 54,276 | 37,738 |
| | | 31,155,142 | 26,849,467 |
| Asset Held for Sale | 13 | - | 4,100,000 |
| TOTAL CURRENT ASSETS | | 31,155,142 | 30,949,467 |
| NON-CURRENT ASSETS | | | |
| Investment accounted for using the equity method | 11 | 3,347,087 | 3,511,225 |
| Financial Assets | 12 | 18,682,045 | 16,242,524 |
| Property, Plant and Equipment - Buildings | 14 | 4,779,320 | - |
| Property, Plant and Equipment - Other | 15 | 2,201,799 | 1,609,845 |
| TOTAL NON-CURRENT ASSETS | | 29,010,251 | 21,363,594 |
| TOTAL ASSETS | | 60,165,393 | 52,313,061 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables | 16 | 9,759,201 | 8,234,671 |
| Breeders and Owners Bonus Scheme | 17 | 6,932,122 | 5,050,519 |
| Short Term Provisions | 18 | 535,531 | 479,656 |
| Workers Compensation Provisions | 19 | 6,530,708 | 5,182,000 |
| Other Current Liabilities | 20 | 961,663 | 1,114,694 |
| Short Term Borrowings | 21 | 1,539,801 | 2,221,001 |
| TOTAL CURRENT LIABILITIES | | 26,259,026 | 22,282,541 |
| NON-CURRENT LIABILITIES | | | |
| Breeders and Owners Bonus Scheme | 17 | 5,298,740 | 5,266,114 |
| Long Term Provisions | 18 | 317,615 | 408,896 |
| Workers Compensation Provisions | 19 | 19,046,542 | 22,718,000 |
| TOTAL NON-CURRENT LIABILITIES | | 24,662,897 | 28,393,010 |
| TOTAL LIABILITIES | | 50,921,923 | 50,675,551 |
| NET ASSETS | | 9,243,470 | 1,637,510 |
| EQUITY | | | |
| Reserve | 22 | 9,243,470 | 1,560,446 |
| Accumulated Surplus | 23 | - | 77,064 |
| TOTAL EQUITY | | 9,243,470 | 1,637,510 |

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

STATEMENT OF CHANGES IN EQUITY

RACING NSW ABN 86 281 604 417
THE YEAR ENDED 30 June, 2007

| | Reserves \$ | Accumulated Surplus \$ | Total \$ |
|---|------------------|------------------------------|------------------|
| Balance at 1 July 2005 | 1,981,610 | 355,893 | 2,337,503 |
| Surplus for the Year | - | 1,281,617 | 1,281,617 |
| Total Recognised Income and Expense for the Year | - | 1,281,617 | 1,281,617 |
| Payments to Industry Participants | (1,981,610) | | (1,981,610) |
| Transfer to Reserves | 1,560,446 | (1,560,446) | - |
| Balance at 1 July 2006 | 1,560,446 | 77,064 | 1,637,510 |
| Surplus for the Year | - | 7,605,960 | 7,605,960 |
| Total Recognised Income and Expense for the Year | - | 7,605,960 | 7,605,960 |
| Transfer to Reserves | 7,683,024 | (7,683,024) | - |
| Balance at 30 June 2007 | 9,243,470 | - | 9,243,470 |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

RACING NSW ABN 86 281 604 417
THE YEAR ENDED 30 June, 2007

| | Note | 2007 \$ | 2006 \$ |
|--|-------------|-------------------|--------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 31,707,815 | 35,029,593 |
| Payments to suppliers and employees | | (27,634,113) | (28,894,568) |
| Interest and Investment earnings received | | 1,265,904 | 870,218 |
| Borrowing costs | | (183,365) | (162,167) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 7(b) | 5,156,241 | 6,843,076 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Payments for property, plant and equipment | | (6,284,826) | (455,280) |
| Receipts/payments for interest in associated entity (RISA) | | 681,200 | (188,460) |
| Proceeds from sale of plant and equipment | | 4,178,532 | 148,916 |
| Loans (to)/from related parties | | 2,146,942 | (4,086,135) |
| NET CASH USED IN INVESTING ACTIVITIES | | 721,848 | (4,580,959) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Repayment of loans to an Associated entity (RISA) | | (681,200) | - |
| Payments of accumulated surplus to race clubs | | - | (1,981,610) |
| NET CASH USED IN FINANCING ACTIVITIES | | (681,200) | (1,981,610) |
| NET INCREASE IN CASH | | 5,196,889 | 280,507 |
| Cash at beginning of the year | | 13,088,823 | 12,808,316 |
| CASH AT THE END OF THE YEAR | 7(a) | 18,285,712 | 13,088,823 |

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 that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers Racing NSW. Racing NSW is a body corporate established by the *Thoroughbred Racing Act, 1996* (NSW).

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 15 October, 2007.

The financial report is presented in Australian dollars.

(b) Statement of Compliance

The financial report complies with the Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

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. Each asset's residual value and useful life is 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 the ANZ Wholesale Investment Trust, are measured at their 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. Collectability 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 date of transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange prevailing at that date. The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in the income statement 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 employee 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 includes cash on hand and at bank, deposits held at call with financial institutions, other short term and 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 NSW and their progeny conceived in NSW 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 a First Charge from the TAB distributions.

Where a participating progeny of a participating stallion wins a race at a registered meeting in NSW, a BOBS bonus is paid to the owners of the horse and of the stallion 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 expected 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 such 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 Flow 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 2007, Racing NSW has a net asset surplus of \$9,243,470 (2006: \$1,637,510). The Directors 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).

s) 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 in estimation of insurance liabilities (Refer Note 32).

NOTE 2: CONSOLIDATED OPERATIONS

Racing NSW - Administration includes the administrative functions of Racing NSW in accordance with the *Thoroughbred Racing Act 1996* (NSW). Racing NSW provides the independent integrity functions of the NSW Thoroughbred Racing Industry including Licensing, Stewards, Veterinary and Laboratory. In addition it co-ordinates key industry services of the NSW Thoroughbred Racing Industry including race programming, stakes payments and industry training. Also included are Racing Colours Registration, NSW Racing Magazine, Syndicates, Leases and Transfers and the Racing NSW Insurance Fund separately. 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 25.13% (2006: 24.3%) of its income via a First Charge on the TAB distributions 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

On 25th August 2007 the thoroughbred racing industry experienced an outbreak of Equine Influenza which closed down the majority of thoroughbred racing in NSW following the NSW Department of Primary Industry directive to halt all movement of horses. The close down is anticipated to continue through to November 2007 and has resulted in:

1. Income not being earned by industry participants. This will have some impact on the timing of the recovery of receivables.
2. Activity income not being earned by Racing NSW. This has an impact on Racing NSW however this is mitigated by reduced expenditure.
3. TAB distributions paid to Racing NSW via the Racing Distribution Agreement and Inter-Code Agreement are 15% below normal levels. This will continue until the industry returns to normal racing conditions.

Whilst the close down has some financial impact on Racing NSW itself, the long term effects of this on the industry are impossible to quantify.

The Federal Government has provided assistance in the form of a Commercial Horse Assistance Payment scheme. This is focussed on providing a per horse, per day welfare payment to trainers (and owners) to ensure horses are maintained at a level that enables them to resume racing when this is permitted by the NSW Department of Primary Industry. Under this scheme payments are also being made to jockeys and others in the racing industry. This will also assist in retaining people within the industry.

A significant contingent liability may arise from the national AusVet Plan whereby the costs of containment and fighting a contagious (equine) disease are borne 10% by Federal authorities, 10% by State authorities and 80% by the horse industry. At this stage the costs associated with containment and fighting the outbreak of Equine Influenza are unknown, however there is a possibility that a liability may arise in future for the Racing Industry portion of these costs. The results of the Callinan inquiry, an independent inquiry into the entry and spread of Equine Influenza in Australia in 2007, may also have some effect on this contingent liability.

NOTE 6: INCOME STATEMENT

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

(ii) Sale of Services represents income derived from the sale of services to the racing industry - including Stewards, Handicapping, Laboratory, Veterinary, Race Results, Syndicates and Stakes Payments.

(iii) 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) (Loss)/Gain on Disposal of Assets represents net amounts received on sale or trade in of assets, less the carrying value of these assets.

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

(viii) Analytical includes staff, software and office costs associated with providing specialised analytical information. This was included in Administration in prior years.

(ix) Finance includes staff, software and office costs associated with providing finance and accounting support. These costs were included in Administration in prior years

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

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

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

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

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

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

(xvi) Handicapping expenditure includes staff and office costs.

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

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

(xix) Syndicates expenditure includes staffing and office costs.

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

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2007

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

(xxii) Industry Training expenditure represent staffing costs as well as educational costs associated with the training of apprentice jockeys.

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

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

(xxv) Racing Office represents the cost of coordinating race dates and programming throughout NSW.

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

(xxvii) Workers Compensation Insurance Fund. This Fund, provides workers compensation insurance cover for employees of NSW Racing Clubs, Associations, owners and trainers of racehorses against liability relating to injury, loss or damage either sustained or caused by jockeys, apprentices, stable hands, workers, servants, employees or agents in their employment or acting on their behalf pursuant to NSW Workcover legislation. In July 2000 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 has been managed in-house by Racing NSW.

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

| | Note | 2007 \$ | 2006 \$ |
|--|------|--------------------|------------------|
| (xxix) Surplus before Income Tax | | | |
| The surplus from ordinary activities has been determined after : | | | |
| Finance Costs | | | |
| - Other parties | | 183,365 | 162,167 |
| Total Finance Costs | | 183,365 | 162,167 |
| Depreciation and impairment expense of non-current assets | | | |
| - Plant and Equipment Impairment Expense | | - | 647,436 |
| - Plant and Equipment Depreciation Expense | | 824,684 | 965,332 |
| Total Depreciation and Impairment Expense | | 824,684 | 1,612,768 |
| Bad and Doubtful Debts | | | |
| - Trade Debtors | | 32,528 | (5) |
| Total Bad and Doubtful Debts | | 32,528 | (5) |
| Racing NSW has included in its trade debtors amounts owed by race clubs for amounts billed for public liability claims made but 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 possibility, subject to further advice, that the settlements will become a liability of its Workers Compensation Fund. | | | |
| Rental Expense on Operating Lease | | 139,227 | 315,811 |
| Total (Loss)/Gain on disposal of non-current assets: | | | |
| - Property, Plant and Equipment | | (10,336) | (2,896) |
| - Interest in associated entity (Registrar of Racehorses) | 33 | - | 951,268 |
| Total (Loss)/Gain on disposal of non-current assets | | (10,336) | 948,372 |
| Remuneration of Auditor | | | |
| - Audit services | | 86,037 | 60,824 |
| - Non-audit services | | - | - |
| Total Remuneration of Auditor | | 86,037 | 60,824 |
| Employee Benefits Expense | | 6,622,225 | 7,011,003 |
| Defined Contribution Superannuation Expense | | 487,927 | 455,727 |
| Individually Significant Items: | | | |
| (Decrease)/ increase in Provision relating to Insurance Claims Liability as recommended by the Actuary (Refer Note 19) | | (2,322,750) | 3,474,000 |
| Impairment Write down (Refer Note 15) | | - | 647,436 |

| | 2007 \$ | 2006 \$ |
|-------------------------------------|-------------------|-------------------|
| NOTE 7: CASHFLOW INFORMATION | | |
| a) Reconciliation of Cash | | |
| Cash | 18,285,712 | 13,088,823 |
| Cash | 18,285,712 | 13,088,823 |

As at 30 June 2007, Racing NSW has credit facilities in place with a limit of \$100,000 (2006: \$110,000) with an amount of \$100,000 (2006: \$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 | | |
| Surplus after tax | 7,605,960 | 1,281,617 |
| Loss/(Gain) on Sale of Assets | 10,336 | (948,372) |
| Increase in Accruals RISA | - | (98,732) |
| (Decrease) in Leave Provisions | (35,406) | (32,199) |
| Depreciation and Impairment Expense | 824,684 | 1,612,768 |
| Share of net loss/(profit) in Associate net of distributions received (Registrar of Racehorses) | - | 174,563 |
| Share of net (profit) in Associate net of distributions received (RISA) | (517,062) | (51,765) |
| Unrealised (Surplus) on investment | (2,439,520) | (2,323,908) |
| Gain on revaluation | - | (164,000) |
| | 5,448,992 | (550,028) |
| Decrease/(increase) in Trade Debtors | 374,355 | (766,180) |
| (Increase) in Prepayments | (16,538) | (10,519) |
| (Increase)/decrease in Stakes Payment Debtors | (1,205,205) | 1,967,448 |
| (Increase)/decrease in Other Debtors | (285,726) | 1,059,910 |
| Increase in Trade Creditors | 1,710,011 | 1,995,564 |
| Increase/(decrease) in Stakes Payment Creditors | 1,058,278 | (147,199) |
| Increase/(decrease) in Sundry Creditors and Accruals | 394,824 | (179,920) |
| (Decrease)/increase in Insurance Claims Provision | (2,322,750) | 3,474,000 |
| | (292,751) | 7,393,104 |
| Cash Flows from operating activities | 5,156,241 | 6,843,076 |

NOTE 8: CASH AND CASH EQUIVALENTS

| | | |
|-------------------|-------------------|-------------------|
| Cash at Bank | 8,626,143 | 8,042,037 |
| Cash on Deposit | 9,659,569 | 5,046,786 |
| Total Cash | 18,285,712 | 13,088,823 |

The Cash at Bank bears floating interest rates between 5.75% and 6.15% (2006: 3.60% and 5.2%). Cash on deposit bears interest at 6.19% (2006: 5.68%). The deposits at call are pledged as security for the ANZ Bank Guarantee to Workcover (Note 19).

NOTE 9: TRADE AND OTHER RECEIVABLES

| | | |
|---|-------------------|-------------------|
| Trade Debtors | 1,833,365 | 2,177,945 |
| Provision for Doubtful Debts | (213,426) | (183,651) |
| Sundry Debtors | 1,308,388 | 1,026,255 |
| Amounts receivable from associated entities | | |
| - Racing NSW Country Ltd | 3,977,762 | 5,479,443 |
| - Registrar of Racehorses | - | 158,658 |
| - Racingcorp Pty Limited | - | 17,418 |
| - Australian Racing Board Limited | 151,098 | 497,669 |
| Stakes Payment Debtors | 5,695,188 | 4,489,983 |
| Bank Guarantee | 62,779 | 59,186 |
| Total Receivables | 12,815,154 | 13,722,906 |

NOTE 10: OTHER CURRENT ASSETS

| | | |
|-------------|---------------|---------------|
| Prepayments | 54,276 | 37,738 |
| | 54,276 | 37,738 |

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2007

NOTE 11: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a) Interest in Associated Entity

| Name of Entity | Principal Activity | Country of Incorporation | Balance Date | 2007 | 2006 |
|---|---|--------------------------|--------------|------------------|------------------|
| Racing Information Services Australia Pty Ltd (RISA) | | | | | |
| | Maximising benefits of racing information | Australia | 30/06/2007 | | |
| Ownership Interest | | | | 42.7% | 42.7% |
| Voting Power | | | | 42.7% | 42.7% |
| | | | | 2007 | 2006 |
| | | | | \$ | \$ |
| Movements in carrying amounts | | | | | |
| At beginning of financial year | | | | 3,511,225 | - |
| Investment during year | | | | - | 4,312,277 |
| Reversal and amendment of Investment on rescission of participation | | | | - | (852,817) |
| Distribution from RISA | | | | (681,200) | - |
| Share of operating gain after income tax | | | | 517,062 | 51,765 |
| At end of financial year | | | | 3,347,087 | 3,511,225 |

b) Interest in joint venture partnership:

| Name of Entity | Principal Activity | Country of Incorporation | Balance Date | 2007 | 2006 |
|--|---|--------------------------|--------------|-------------|-------------|
| Registrar of Racehorses | | | | | |
| | Registration of Racehorses in Australia | Australia | 30/06/2007 | | |
| Ownership Interest | | | | 0% | 0% |
| Voting Power | | | | 0% | 0% |
| | | | | 2007 | 2006 |
| | | | | \$ | \$ |
| Movements in carrying amounts | | | | | |
| At beginning of financial year | | | | - | 174,653 |
| Investment during year | | | | - | - |
| Share of operating profit after income tax | | | | - | (174,653) |
| Receipts from Registrar of Racehorses | | | | - | - |
| At end of financial year | | | | - | - |

Total Investments Accounted for using Equity Method

3,347,087 **3,511,225**

Share of RISA's profit or loss

517,062 247,503

Summarised financial information of RISA as at balance date

| | | |
|---------------|------------------|------------------|
| Assets | 5,275,248 | 5,827,877 |
| Liabilities | 1,054,447 | 2,117,807 |
| Equity | 4,220,801 | 3,710,070 |
| Revenues | 1,935,650 | 1,736,687 |
| Profit/Loss | 517,062 | 247,503 |

Share of RISA's commitments

| | | |
|---------------------|---|---|
| Capital commitments | - | - |
| Lease commitments | - | - |
| | - | - |

Contingent liabilities of RISA

| | | |
|---|--------|---------|
| Share incurred jointly with other investors | 11,780 | 725,029 |
| For which Racing NSW is severally liable | - | - |

NOTE 12: FINANCIAL ASSETS

| | | |
|--------------------------------|-------------------|-------------------|
| ANZ Wholesale Investment Trust | 18,682,045 | 16,242,524 |
| | 18,682,045 | 16,242,524 |

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 19).

| | 2007 \$ | 2006 \$ |
|--|------------|------------------|
| NOTE 13: ASSETS HELD FOR RESALE | | |
| Fixtures and Fittings | - | 139,696 |
| Land and Buildings | - | 3,960,304 |
| Total Assets Held for Resale | - | 4,100,000 |

The Baxter Road property was mortgaged to the ANZ Bank and acted as security for the ANZ Bank Guarantee to Workcover (Note 19). The building was an asset held by the Workers Compensation Fund and used by it to earn rental income. The building and fixtures and fittings were sold on 1 September 2006 for \$4,100,000. The proceeds were placed in a term deposit which has replaced this asset as part of the backing for the ANZ Bank Guarantee.

NOTE 14: PROPERTY, PLANT AND EQUIPMENT - BUILDINGS

| | | |
|---------------------------------|------------------|----------|
| Land and Buildings | 4,779,320 | - |
| Total Land and Buildings | 4,779,320 | - |

The Druitt Street property was purchased on 29th September 2006.

NOTE 15: PROPERTY, PLANT AND EQUIPMENT - OTHER

| | | |
|---|------------------|------------------|
| Plant and Equipment - at cost | 6,227,760 | 5,675,757 |
| Less accumulated depreciation | 4,025,961 | 4,065,912 |
| Total Plant and Equipment | 2,201,799 | 1,609,845 |
| Movement in Carrying Amounts | | |
| Balance at Beginning of Year | 1,609,845 | 2,919,145 |
| Additions | 1,505,506 | 594,977 |
| Transfer to Assets Held for Resale | - | (139,696) |
| Disposals | (88,867) | (151,813) |
| Impairment Expense | - | (647,436) |
| Depreciation Expense | (824,684) | (965,332) |
| Carrying Amount at the end of the year | 2,201,799 | 1,609,845 |

The sale of the Baxter Road property gave rise to the impairment expense. This was recognised in the 2006 year when the building, its fixtures and fittings were reclassified as an asset held for resale.

Plant and equipment above is comprised of the following categories.

| | | |
|---|----------------|----------------|
| Laboratory Equipment - at cost | 2,230,607 | 2,142,793 |
| Less accumulated depreciation | 1,840,993 | 1,461,239 |
| Total Laboratory Equipment | 389,614 | 681,554 |
| Movement in Carrying Amounts | | |
| Balance at Beginning of Year | 681,554 | 884,930 |
| Transfer from Office Equipment | - | 147,129 |
| Additions | 56,208 | 57,227 |
| Disposals | - | - |
| Depreciation Expense | (348,148) | (407,732) |
| Carrying Amount at the end of the year | 389,614 | 681,554 |
| Building Fit-out, Furniture & Fittings - at cost | 966,826 | 1,346,909 |
| Impairment Write Down | - | 647,436 |
| | 966,826 | 699,473 |
| Less accumulated depreciation | 72,823 | 538,028 |
| | 894,003 | 161,445 |
| Reclassify to Assets held for Resale | - | 139,696 |
| Total Building Fit-out, Furniture & Fittings | 894,003 | 21,749 |
| Movement in Carrying Amounts | | |
| Balance at Beginning of Year | 21,749 | 942,820 |
| Additions | 945,077 | - |
| Write Downs and transfers | - | (787,132) |
| Depreciation Expense | (72,823) | (133,939) |
| Carrying Amount at the end of the year | 894,003 | 21,749 |

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2007

| | 2007 \$ | 2006 \$ |
|---|-------------------|-------------------|
| NOTE 14: PROPERTY, PLANT AND EQUIPMENT - BUILDINGS CONTINUED | | |
| Office & Other Equipment - at cost | 2,249,663 | 1,991,046 |
| Less accumulated depreciation | 1,860,626 | 1,646,503 |
| Total Office & Other Equipment | 389,037 | 344,543 |
| Movement in Carrying Amounts | | |
| Balance at Beginning of Year | 344,543 | 527,942 |
| Transfer to Laboratory | - | (147,129) |
| Additions | 290,222 | 228,934 |
| Disposals | - | - |
| Depreciation Expense | (245,728) | (265,204) |
| Carrying Amount at the end of the year | 389,037 | 344,543 |
| Motor Vehicles - at cost | 802,412 | 804,428 |
| Less accumulated depreciation | 273,268 | 242,430 |
| Total Motor Vehicles | 529,144 | 561,998 |
| Movement in Carrying Amounts | | |
| Balance at Beginning of Year | 561,998 | 563,453 |
| Additions | 213,998 | 308,816 |
| Disposals | (88,867) | (151,813) |
| Depreciation Expense | (157,985) | (158,458) |
| Carrying Amount at the end of the year | 529,144 | 561,998 |
| NOTE 16: TRADE AND OTHER PAYABLES | | |
| Trade Creditors | 528,096 | 732,314 |
| Other Creditors and Accruals | 1,569,911 | 956,683 |
| Employee Leave | 812,127 | 859,753 |
| Amounts payable to associated entities | | |
| - Racingcorp Pty Limited | 122,615 | - |
| Stakes Payment Creditors | 6,305,238 | 5,246,960 |
| Benevolent Fund | 421,214 | 438,961 |
| Total Creditors and Accruals | 9,759,201 | 8,234,671 |
| Stakes Payments Creditors represent balances on 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. | | |
| NOTE 17: BREEDERS AND OWNERS BONUS SCHEME | | |
| Current | | |
| Breeders and Owners Bonus Scheme | 6,932,122 | 5,050,519 |
| Total Current | 6,932,122 | 5,050,519 |
| Non-Current | | |
| Breeders and Owners Bonus Scheme | 5,298,740 | 5,266,114 |
| Total Non-Current | 5,298,740 | 5,266,114 |
| | 12,230,862 | 10,316,633 |

BOBS current liabilities are those amounts expected to be settled within the next 12 months or within Racing NSW's normal operating cycle. BOBS is funded by stallion owners who pay a fee to nominate their stallion to participate in BOBS and owners of eligible progeny of participating stallions who also pay nomination fees in respect of each eligible progeny which participates in the scheme. Racing NSW supplements the scheme funds with a First Charge from the TAB distributions. (Refer Note 1 (I))

| | 2007 \$ | 2006 \$ |
|--|----------------|----------------|
| NOTE 18: PROVISIONS FOR EMPLOYEE BENEFITS | | |
| Current | | |
| Employee Benefits | 535,531 | 479,656 |
| Total Current | 535,531 | 479,656 |
| Non-Current | | |
| Employee Benefits | 317,615 | 408,896 |
| Total Non-Current | 317,615 | 408,896 |
| Total Provisions for Employee Benefits | 853,146 | 888,552 |

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.

| | | |
|--|---------------|----------------|
| Present value of employees accrued benefits | 2,476,561 | 2,159,477 |
| Net market value of assets held by the fund to meet future benefit payments | 2,272,566 | 1,904,183 |
| Adjustment for known shortfall | (150,505) | - |
| Excess of the present value of employees accrued benefits over assets held to meet future benefit payments | 53,490 | 255,294 |

NOTE 19: PROVISIONS FOR WORKERS COMPENSATION INSURANCE LIABILITIES

| | | |
|---|-------------------|-------------------|
| Current | | |
| Provision for Insurance Outstanding Claims | 6,530,708 | 5,182,000 |
| Total Current | 6,530,708 | 5,182,000 |
| Non-Current | | |
| Provision for Insurance Outstanding Claims | 19,046,542 | 22,718,000 |
| Total Non-Current | 19,046,542 | 22,718,000 |
| Total Provisions for Workers Compensation | 25,577,250 | 27,900,000 |
| Workers Compensation Provisions | | |
| Opening Balance of Workers Compensation Provisions | 27,900,000 | 24,426,000 |
| Movement in Workers Compensation Provisions | (2,322,750) | 3,474,000 |
| Closing Balance of Workers Compensation Provisions | 25,577,250 | 27,900,000 |

Provision for Insurance Outstanding Claims

An independent actuarial valuation of the outstanding workers compensation claims was performed by McMahon Actuarial Services as at 30 June 2007. The ANZ Bank have issued guarantees amounting to \$23,531,000 as at 30 June 2007 (with approval from ANZ to increase this to \$26,901,000) 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% (2006 - 25%) in respect of the net central estimate of liabilities relating to the specialised insurers license and a prudential margin of 50% (2006: 25%) in respect of the net central estimate of liabilities relating to the self insurers license. The directors have determined that these prudential risk margins are 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 either income or an expense of the period. No surplus or deficit has been identified by the Liability Adequacy Test.

NOTE 20: OTHER

| | | |
|-----------------|----------------|------------------|
| Deferred Income | 961,663 | 1,114,694 |
| | 961,663 | 1,114,694 |

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, license fees, Workers Compensation Insurance premiums and subscriptions to NSW Racing magazine.

NOTE 21: BORROWINGS

| | | |
|----------------------|------------------|------------------|
| Current | | |
| Loan payable to RISA | 1,539,801 | 2,221,001 |
| | 1,539,801 | 2,221,001 |

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

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2007

| | 2007 | 2006 |
|--|------|------|
| | \$ | \$ |

NOTE 22: RESERVES

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

Reserves

| | | |
|-------------------------------|------------------|------------------|
| General Reserve | 1,422,596 | 828,471 |
| Operating Reserve | 731,975 | 731,975 |
| Industry Distribution Reserve | 1,590,096 | - |
| Workers Compensation Reserve | 5,498,803 | - |
| Total Reserves | 9,243,470 | 1,560,446 |

Movement in Reserves

General Reserve

| | | |
|--|-----------|---------|
| Balance at the beginning of the year | 828,471 | - |
| Transfers from surplus | 594,125 | 828,471 |
| Balance reserve at the end of the year | 1,422,596 | 828,471 |

Operating Reserve

| | | |
|--|---------|---------|
| Balance at the beginning of the year | 731,975 | - |
| Transfers from surplus | - | 731,975 |
| Balance reserve at the end of the year | 731,975 | 731,975 |

Industry Distribution Reserve

| | | |
|--|-----------|-------------|
| Balance at the beginning of the year | - | 1,981,610 |
| Payments to Industry Participants | - | (1,981,610) |
| Transfers from surplus | 1,590,096 | - |
| Balance reserve at the end of the year | 1,590,096 | - |

Workers Compensation Reserve

| | | |
|--|-----------|---|
| Balance at the beginning of the year | - | - |
| Transfers from surplus | 5,498,803 | - |
| Balance reserve at the end of the year | 5,498,803 | - |

Total Reserves

| | |
|------------------|------------------|
| 9,243,470 | 1,560,446 |
|------------------|------------------|

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

NOTE 23: ACCUMULATED SURPLUS

| | | |
|--|-------------|---------------|
| Accumulated Surplus at beginning of the financial year | 77,064 | 355,893 |
| Total Funds transferred to Reserves | 7,605,960 | 1,281,617 |
| Transfer to General Reserve | (594,125) | (828,471) |
| Transfer to Operating Reserve | - | (731,975) |
| Transfer to Industry Distribution Reserve | (1,590,096) | - |
| Transfer to Workers Compensation Reserve | (5,498,803) | - |
| Accumulated surplus at end of the financial year | - | 77,064 |

NOTE 24: 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 | 14,752 | 36,806 |
| Payable later than 1 year and not later than 5 years | 23,427 | - |
| | 38,179 | 36,806 |

Other Commitments

Racing NSW has net funding commitments to RISA of \$1,539,801 (2006: \$2,221,001)

NOTE 25: CONTINGENT LIABILITIES

Racing NSW facilitates the placement of public liability insurance on behalf of all industry participants, including race clubs in the NSW racing industry. The insurance was placed through a Captive Fund participated in by the racing industries of NSW, Victoria and Queensland. Under the Captive Fund, participating states are liable for claims of up to \$2 million with reinsurance responsible for claims beyond this amount. At the 31st December 2006, the fund had assets net of liabilities and provisions amounting to \$829,846 (31 December 2005: \$988,778). While it is not envisaged any shortfall in funding will occur from operations during the year ended 30 June 2007, any shortfall due to underperformance would be shared among participating bodies and race clubs in NSW. The captive fund was quarantined 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 (2006 : \$23,531,000) at balance date, against a facility of \$27,000,000 (2006 : \$23,540,000). Unused facilities at balance date amount to \$3,469,000 (2006 : \$9,000).

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 note 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 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

N F Bracks

Nominated by Sydney Turf Club

G Pash

Nominated by Provincial Association of NSW

B 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

D P R Esplin

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

b) Key Management Personnel Compensation

| | 2007 \$ | 2006 \$ |
|--------------------------------|------------------|------------------|
| Short Term Benefits | | |
| Salary and Fees | 1,818,615 | 1,604,703 |
| Non-Cash Benefits | 139,800 | 184,061 |
| Post Employment Benefit | | |
| Other | 45,620 | 166,443 |
| Superannuation | 445,073 | 217,240 |
| Total | 2,449,108 | 2,172,447 |

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 (NSW)*. As such it is an entity incorporated and domiciled in Australia.

The registered office and principal place of business of the Board is: Level 7, 51 DrUITT Street, Sydney, NSW, 2000.

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2007

NOTE 28: FINANCIAL INSTRUMENTS

| | Note | Floating Interest Rate | | Non Interest Bearing | | Total | |
|---|--------|------------------------|-------------------|----------------------|--------------------|-------------------|-------------------|
| | | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Financial Assets: | | | | | | | |
| Cash | 8 | 18,285,712 | 13,088,823 | - | - | 18,285,712 | 13,088,823 |
| Receivables | 9 | - | - | 12,815,154 | 13,722,906 | 12,815,154 | 13,722,906 |
| Investments | 11, 12 | 18,682,045 | 16,242,524 | 3,347,087 | 3,511,225 | 22,029,132 | 19,753,749 |
| Total Financial Assets | | 36,967,757 | 29,331,347 | 16,162,241 | 17,234,131 | 53,129,998 | 46,565,478 |
| Weighted average interest rate | | 9.14% | 9.31% | | | | |
| Financial Liabilities: | | | | | | | |
| Loans and Overdrafts | 21 | - | - | 1,539,801 | 2,221,001 | 1,539,801 | 2,221,001 |
| Breeders and Owners Bonus Scheme | 17 | - | - | 12,230,862 | 10,316,633 | 12,230,862 | 10,316,633 |
| Trade and sundry creditors | 16 | - | - | 9,759,201 | 8,234,671 | 9,759,201 | 8,234,671 |
| Total Financial Liabilities | | - | - | 23,529,864 | 20,772,305 | 23,529,864 | 20,772,305 |
| Weighted average interest rate | | | | | | | |
| Net financial assets/(liabilities) | | 36,967,757 | 29,331,347 | (7,367,622) | (3,538,174) | 29,600,135 | 25,793,173 |

At balance date, the maximum exposure to credit risk (excluding the value of any collateral or other security) 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 Ltd, and the Australian Racing Board. The receivables as at 30 June 2007 were \$3,997,762 (2006:\$5,479,443), and \$151,098 (2006:\$497,669) 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

| | 2007 | | | 2006 | | |
|--|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
| | Racing NSW | Insurance | Total | Racing NSW | Insurance | Total |
| Primary Reporting - Business Segments | | | | | | |
| Revenue | | | | | | |
| External Sales | 20,631,927 | 7,962,639 | 28,594,566 | 20,985,523 | 8,240,835 | 29,226,358 |
| Other Revenue | 739,440 | 2,955,649 | 3,695,089 | 1,571,289 | 2,595,513 | 4,166,802 |
| Share of Profit of associated entity | 517,062 | - | 517,062 | (122,798) | - | (122,798) |
| Total Segment Revenue | 21,888,429 | 10,918,288 | 32,806,717 | 22,434,014 | 10,836,348 | 33,270,362 |
| Expenditure | | | | | | |
| Depreciation | 18,956,588 | 5,419,485 | 24,376,073 | 19,260,800 | 11,115,176 | 30,375,976 |
| Share of Loss of associated entity | 824,684 | - | 824,684 | 1,612,768 | - | 1,612,768 |
| Total Segment Expenditure | 19,781,272 | 5,419,485 | 25,200,757 | 20,873,568 | 11,115,176 | 31,988,744 |
| Segment Result | 2,107,157 | 5,498,803 | 7,605,960 | 1,560,446 | (278,828) | 1,281,618 |
| Assets | | | | | | |
| Segment Assets | 28,425,027 | 28,393,279 | 56,818,306 | 23,279,115 | 25,522,721 | 48,801,836 |
| Investments in Assets Accounted for using the Equity Method | 3,347,087 | - | 3,347,087 | 3,511,225 | - | 3,511,225 |
| Total Assets | 31,772,114 | 28,393,279 | 60,165,393 | 26,790,340 | 25,522,721 | 52,313,061 |
| Liabilities | | | | | | |
| Segment Liabilities | 25,169,491 | 25,752,432 | 50,921,923 | 22,327,921 | 28,347,630 | 50,675,551 |
| Total Liabilities | 25,169,491 | 25,752,432 | 50,921,923 | 22,327,921 | 28,347,630 | 50,675,551 |
| Net Assets/(Liabilities) | 6,602,623 | 2,640,847 | 9,243,470 | 4,462,419 | (2,824,909) | 1,637,510 |
| Purchase of Non-Current Assets | 6,278,037 | - | 6,278,037 | 540,988 | 14,301 | 555,289 |
| Impairment Losses | - | - | - | - | 647,436 | 647,436 |
| Significant Non Cash Expenses other than Depreciation | - | - | - | 1,954,443 | 3,474,000 | 5,428,443 |

NOTE 29: SEGMENT REPORTING CONTINUED

The primary business activity of Racing NSW is provision of administrative, integrity and regulatory 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 NSW, 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.

The entity operates in one geographical segment, being the state of NSW, Australia.

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
- B. Reardon
- R.M. Lapointe
- P. Esplin
- D.E. Hopkins
- R.A. Ferguson
- G. Pash
- N F Bracks
- P.N. V'landys

Agistment fees for research horses of \$30,452 (2006 : \$20,570) were expended to Muskoka Farm. Muskoka Farm is owned by R M Lapointe, a Board member of Racing NSW. These transactions are conducted on normal commercial terms.

Mr G M Pemberton, Mr D E Hopkins, Mr D P R Esplin, Mr B 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 Ltd, NSW TRB Training Limited, Racingcorp Pty Limited, Australian Racing Board Limited and Thoroughbred Trainers Service Centre Ltd. Amounts disclosed above as receivable from other entities are payable to Racing NSW by these entities for expenses paid on their behalf. These transactions are on normal commercial terms. These are summarised as follows:

| | Expenses Paid on behalf of entity | Receipts taken on behalf of entity |
|--|-----------------------------------|------------------------------------|
| - Racing NSW Country Limited | 75,095,346 | 76,597,027 |
| - Australian Racing Board Limited | 1,943,287 | 2,240,650 |
| - Racingcorp Pty Limited | 134,914 | 274,948 |
| - Thoroughbred Trainers Service Centre Ltd | 121,858 | 45,832 |
| - NSW TRB Training Limited | 80,968 | 63,743 |

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 of Directors.

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 a First Charge on Tab distributions to the NSW 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 31: RISK MANAGEMENT POLICIES AND OBJECTIVES CONTINUED

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 19)

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.

Work Cover guidelines and 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 claims). These practices and procedures are regularly reviewed and, in conjunction with the Occupational Health & Safety and Workers Compensation summary publicly available on Racing NSW's website, are available for review and comment by WorkCover NSW upon request.

Racing NSW's Insurance Manager is a practicing lawyer 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

| | 2007 \$ | 2006 \$ |
|--|-------------------|-------------------|
| Premium revenue | 7,556,812 | 7,461,015 |
| Reinsurance recoveries and other recoveries revenue | 227,641 | 356,010 |
| Investment revenue | 2,955,649 | 2,571,208 |
| Other Income | 178,186 | 448,114 |
| | 10,918,288 | 10,836,347 |
| General and Administration | 999,779 | 1,679,350 |
| Direct claims | 3,876,734 | 8,875,826 |
| Outwards reinsurance | 542,972 | 560,000 |
| | 5,419,485 | 11,115,176 |
| Underwriting result for the financial year excluding investments revenue and expense | 2,532,844 | (2,759,807) |

NOTE 32: INSURANCE ACTIVITIES CONTINUED

| | 2007 \$ | 2006 \$ |
|------------------------------------|-------------------|-------------------|
| Investments | | |
| Asset held for resale | - | 3,960,304 |
| Land and buildings | - | - |
| ANZ Trust | 18,682,045 | 16,242,524 |
| | 18,682,045 | 20,202,828 |
| Operating Assets | | |
| Bank | 9,648,455 | 7,604,814 |
| Bank guarantee | 62,779 | 59,186 |
| Receivables | - | 84,777 |
| Reinsurance recoveries | - | - |
| | 9,711,234 | 7,748,777 |
| Liabilities | | |
| Outstanding claims | 25,577,250 | 27,900,000 |
| Unearned Premiums | 175,182 | 215,228 |
| | 25,752,432 | 28,115,228 |
| a) Outstanding Claims | | |
| Gross undiscounted claim liability | 30,610,000 | 32,792,000 |
| Discount to present value | (8,284,000) | (7,803,000) |
| Third party recoveries | (387,000) | (537,000) |
| Re-insurance recoveries | (1,499,000) | (2,132,000) |
| | 20,440,000 | 22,320,000 |
| Prudential margin | 5,137,250 | 5,580,000 |
| | 25,577,250 | 27,900,000 |
| Current | 6,530,708 | 5,182,000 |
| Non-current | 19,046,542 | 22,718,000 |
| | 25,577,250 | 27,900,000 |

The average weighted term to settlement of the outstanding liabilities is 5.7 years (2006: 4.1 years).

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

| | 2007 | | 2006 | |
|----------------|-----------|------------|-----------|------------|
| | Next Year | Thereafter | Next Year | Thereafter |
| Inflation rate | 4.00% | 4.00% | 4.00% | 4.00% |
| Discount Rate | 6.60% | 6.60% | 5.90% | 5.90% |

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

| | 2007 | | 2006 | |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Current Year Incurred \$ | Reassess Prior Years \$ | Current Year Incurred \$ | Reassess Prior Years \$ |
| Gross undiscounted incurred claims | 9,061,000 | (4,053,000) | 9,296,000 | 183,000 |
| Undiscounted reinsurance & other recoveries | (27,000) | 508,000 | (240,000) | (155,000) |
| Net undiscounted incurred claims | 9,034,000 | (3,545,000) | 9,056,000 | 28,000 |
| Discounting of incurred claims | (1,500,000) | (622,000) | (1,747,000) | (77,000) |
| Discounting recoveries | 6,000 | 68,000 | 44,000 | 2,000 |
| | 7,540,000 | (4,099,000) | 7,353,000 | (47,000) |

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2007

NOTE 32: INSURANCE ACTIVITIES CONTINUED

| | 2007 | | 2006 | |
|---|-----------------------------|----------------------------|-----------------------------|----------------------------|
| | Current Year Incurred \$ | Reassess Prior Years \$ | Current Year Incurred \$ | Reassess Prior Years \$ |
| Gross discounted incurred claims | 7,561,000 | (4,675,000) | 7,549,000 | 106,000 |
| Discounted reinsurance & other recoveries | (21,000) | 576,000 | (196,000) | (153,000) |
| Net discounted incurred claims | 7,540,000 | (4,099,000) | 7,353,000 | (47,000) |

The claim cost incurred consists of paid to date plus estimate of outstanding liabilities plus administration expenses, being 10% of the gross discounted liability. The increase in interest rates has resulted in an reduction in the discounted incurred costs for prior years.

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 Authorities (PRA) which would provide synergies for the PRAs 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
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 the this information for wagering operations but foregone any right to sell NSW racing information to wagering operators.

Detailed below is the impact of the reversal of the rescission on the 2006 Accounts.

| | 2006 \$ |
|---|------------|
| 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 | 51,785 |
| 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 |

DECLARATION BY MEMBERS OF THE BOARD



The Members of the Board declare that:

- (1) the financial statements comprising the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes:
 - (i) give a true and fair view of the financial position of Racing NSW as at 30 June 2007 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.
- (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 15 day of October, 2007

Mr R M Lapointe
Director



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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF RACING NSW

We have audited the accompanying financial report of Racing NSW, which comprises the balance sheet as at 30 June 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Members of Racing NSW's Responsibility for the Financial Report

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 and Australian Accounting Standards (including the Australian Accounting Interpretations). This includes responsibility for the maintenance of adequate accounting records and establishing and maintaining 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.

Auditors Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of Racing NSW as of 30 June 2007 and of its financial performance and cash flows for the year then ended in accordance with the Thoroughbred Racing Act 1996 and Australian Accounting Standards (including the Accounting Interpretations).

BDO Kendalls

Chartered Accountants

R Peck
Partner

Signed at Sydney, this 15 day of October 2007





RACING NSW

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