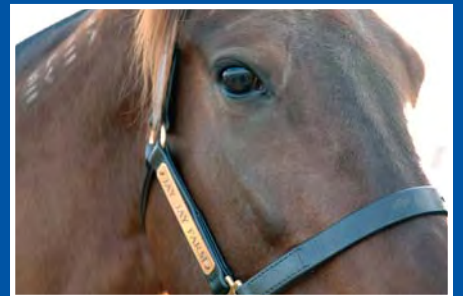


# HARNESS RACING NSW HARNESS RACING NSW HARNESS RACING NSW



*Harness Racing New South Wales is a body corporate constituted by the Harness Racing Act 2002 to undertake the commercial development and management of harness racing in New South Wales.*

*Headed by a four person Board that is nominated by the industry and an independent Chairman, HRNSW is responsible for registering harness racing clubs and associations; developing and implementing policies for the promotion, development and welfare of the industry; distributing funds to the industry; allocating race dates; and development of breeding and handicapping policies.*

## BOARD MEMBERS

Brian Paddock	Independent Chairman	Appointed 13 November 2002
John Baker	Nominated by NSW Harness Racing Club	Appointed 26 August 2002
Robert Corrie	Nominated by Country Clubs	Appointed 26 August 2002
Col Murray	Nominated by TAB Clubs Association	Appointed 26 August 2002
John Porter	Industry Participants Representative	Appointed 16 October 2003

## EXECUTIVE & STAFF

Max Pool	Chief Executive
Bruce Coomber	Racing Manager
Adam Fairley	Racing Officer
Belinda Hancock	Sponsorship & Marketing
John Klipp	Acting Finance Manager
Olivera Aceski	Finance Officer

## OFFICE

Suite 102 8 French Avenue Bankstown NSW 2200	Mailing Address PO Box 1034 Bankstown NSW 1885
Tel: 02 9709 5780 Fax: 02 9709 5781	Email: <a href="mailto:admin@hrnsw.com.au">admin@hrnsw.com.au</a> Web: <a href="http://www.hrnsw.com.au">www.hrnsw.com.au</a>

Designed and produced by HRNSW.

Photographs courtesy of the NSW Harness Racing Gazette and Marions Photographics. Photo of Dennaë Brunow courtesy of the Border Mail.

This is the annual report for the year ended 30 June 2005. The reporting period covered in the annual report is from 1 July 2004 to 30 June 2005. References to the 'financial year' are to the year ended 30 June 2005.

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# Highlights of the Year

**The 2004/05 season coincided with the commencement of the Strategic Plan. Highlights achieved in the first year of the Plan are:**

- A total of 4,221 races were conducted, of which 3,582 (85%) were TAB races and 639 (15%) were Non-TAB races.
- TAB Turnover increased by \$11.4m, representing growth of 5.1% on the previous year.
- Harness racing market share of total TAB Turnover on racing increased to 14.5% compared to 13.9% for the previous year.
- Total funding provided to the harness racing code was \$32.3m, an increase of \$1.9m on the previous year.
- TAB Distribution to harness racing clubs increased by \$1.6m, representing growth of 6.3% on the previous year.
- Gross Prizemoney paid to participants increased by \$2.75m, up 14% on the previous year.
- The number of foals registered increased by 296, up 19.2% on the previous year.
- The number of sires, which was previously declining each year at an average rate of -10%, was stabilised.
- The number of trainers, which has been in decline for the last ten years, was stabilised.
- The number of drivers, which has also been in decline for the last ten years, was stabilised.
- The NSW Sires Stakes Series was revamped with increased prizemoney for heats and higher percentage returns to winners.
- NSW trained horses were competitive at the highest levels and achieved national recognition by winning four major national awards.
- State records for the number of senior trainer wins (P Fitzpatrick - 191) and junior driver wins (G Fitzpatrick - 145) were broken.

# Chairman's Statement

In building our future, it is essential that we as an industry maintain our focus on the Strategic Plan and on ensuring that we see through to completion the raft of initiatives it contains.

The year ended 30 June 2005 saw great strides made in relation to the delivery of outcomes contained in the Strategic Plan as well as the emergence of external threats which pose equally great challenges for the industry - both in NSW and nationally.

The Strategic Plan which was implemented on 1 July 2004 remains the cornerstone of our efforts to rebuild and revitalise the industry.

After twelve months, the Plan has delivered significant benefits for the betterment of the industry as a whole.

One of the key successes in this respect was growth in TAB turnover on harness racing of 5.1% for the year compared to 0.4% growth for the thoroughbred and 0.7% growth for the greyhound racing codes.

This amounted to an increase in turnover of over \$11m primarily as a result of consolidating TAB racing to Regional Racing Centres and revising the allocation of race dates to deliver continuity of racing.

In addition harness racing market share increased to 14.5% in 2004/05, compared to 13.9% for the previous year.

Funding to clubs grew by \$1.9m to \$32.3m and gross prizemoney distributed increased with an additional \$2.75m being paid to participants in 2004/05.

The increase in prizemoney paid would have totalled \$3.0m had all clubs conducted their allocated program.

Breeding and participation rates also showed improvement over previous years as a result of the implementation of the Strategic Plan.

The introduction of a foal registration subsidy in conjunction with other initiatives, led to a 19% increase in the number of foals registered compared to the previous year.

The decline in the number of registered trainers and drivers which has occurred every year for the past decade was arrested.

Independently and in association, the initiatives contained in the Strategic Plan delivered positive reform and promoted growth following several years of stagnation and decline.

Quite separately to the initiatives contained in the Strategic Plan, the Board was successful in establishing ownership of two industry assets previously held by the Greyhound and Harness Racing Regulatory Authority (GHRRA).

In this respect, the Minister for Gaming and Racing supported the view put forward by HRNSW that the Beresfield land, earmarked for the development of the industry in the Hunter Valley Region, should be identified as a HRNSW asset.

Further to this and subsequent to the end of the reporting period, the Minister also determined that the ownership of the NSW share of the Racing Information Services Enterprise (RISE), a commercial joint venture with Harness Racing Victoria for the production of the HaRVEY software system, is to vest with HRNSW.

These important decisions, in conjunction with the elements of the Strategic Plan, reinforce the rationale and purpose underlying the management of industry commercial issues by HRNSW.

The year was not, however, without its disappointments.

The TVN-SKY dispute, which remains unresolved at the time of preparing this Report, is perhaps the most serious threat facing the racing industry in recent years.

While the effects of the dispute were relatively minimal in 2004/05, the extension of the dispute into 2005/06 has had a detrimental impact and if not satisfactorily resolved in the near future will have dire consequences in regard to industry funding.

Industry funding, as well as integrity, is further threatened by Tasmania's ongoing flirtation with betting exchanges and the possibility that a licence may be granted for the operation of betting exchanges in that State.

HRNSW has continually expressed its opposition to any licensing of betting exchanges and has consistently supported the anti-betting exchange position taken by the Minister for Gaming and Racing

If betting exchanges are permitted to operate, the issue of product fees payable to the racing industry must be addressed.

Along with licensing betting exchanges, the expansion of corporate bookmakers poses a long-term threat to the financial viability of the racing industry.

The racing industry is entitled to require payment of a product fee for the racing product on which these businesses rely.

This is a matter of considerable concern for the entire racing industry and one which must be addressed with urgency.

Going forward, HRNSW will continue to work with its key business partners Tabcorp and Sky Channel to further the aims of harness racing in NSW.

Our business partners together with HRNSW are focused on working cooperatively to address issues such as increasing turnover, improving the quality of our product and refining its broadcast.

In building our future, it is essential that we as an industry maintain our focus on the Strategic Plan and on ensuring that we see through to completion the raft of initiatives it contains.

During its term in office, the Board has applied itself to bringing about industry reform.

While results to date would suggest that the Board has been successful in its endeavour, the Board is of the view that further changes are necessary in order to revitalise the industry and deliver sustainable growth and development.

The share of funding allocated to the Regional Racing Centres is insufficient to promote and sustain further significant growth.

Regional Racing Centres currently conduct 75% of the racing in this State and generate 68% of TAB turnover. However they only receive 55% of the funds distributed to those clubs that conduct TAB racing.

The current Scheme of Distribution is inequitable and as such represents an impediment to Regional Racing Centre growth and development and, by extension to overall industry growth.

In this respect, a greater share of the Distribution should be allocated to the Regional Racing Centres in recognition of the contribution they make to the industry overall.

The Board believes that the current Scheme of Distribution needs to be revised and a more equitable, performance based scheme developed.

On behalf of the Board, I would like to thank the Minister for Gaming and Racing - Grant McBride MP, the Director General of the Department of Gaming & Racing - Ken Brown AM, and the officers of his Department for the assistance and cooperation shown to HRNSW during the year.

I would also like to thank Mr Darrell Loewenthal, who retired as Deputy Director General of the Department of Gaming & Racing during the year, for his support of the harness racing industry in NSW over many years.

Thanks are also due to Max Pool CEO of HRNSW and his staff for their efforts and contributions during the year.

Finally, I would also like to personally thank John Baker, Robert Corrie, Col Murray and John Porter who have again devoted many hours of hard work during their term as Members of the foundation Board of HRNSW.



Brian Paddock  
**Chairman**



# Chief Executive's Report

2005 was an important and successful year for harness racing in NSW with record increases in TAB Distribution received, TAB Turnover generated and Gross Prizemoney paid.

## OVERVIEW

At a time when the other racing codes experienced a less than 1% increase in their business compared to the previous year, harness racing grew 5.1%.

Against this overall background, HRNSW achieved a mixed scorecard of achievement for FY2005.

While it played a major role in implementing and monitoring the results of initiatives set out in the Strategic Plan, progress towards achieving other operational objectives did not meet the high expectations that we set for ourselves.



*Max Pool, CEO HRNSW*

Restructuring the fundamentals of the industry arising from the implementation of the Strategic Plan was the highpoint of achievement in FY2005 and the primary reason behind harness racing's greatly improved performance.

Consolidation of TAB racing to the Principal Club and Regional Racing Centres paid dividends in terms of improved turnover performance.

At the same time, the provision of racing opportunities through the Graduation and Penalty Free Clubs maintained the presence of harness racing in the many communities spread across NSW while preserving the feeder network of horses to the larger clubs.

Revision of the club structure flowed on to mechanisms for industry funding and administration, as defined in a new Intracode Agreement signed between HRNSW and all harness racing clubs.

The new Intracode Agreement documents obligations of clubs and HRNSW, the basis for club funding by HRNSW, club performance measurement criteria and provisions for promotion/relegation of clubs.

Negotiation of a new Intracode Agreement was followed by the formation of a Harness Racing Clubs Committee (HRCC) to replace the TAB Clubs and Country Clubs Associations.

The HRCC, at which all clubs have representation, serves as the peak club body in NSW.

The role of the HRCC is to provide an open, consultative forum through which clubs and HRNSW can work cooperatively to deal with issues facing the industry.

The racing programme for FY2005 was also completely revised to reflect the new industry structure.

The benefits of the revised programme can clearly be seen in the level of turnover growth (5.1%) achieved during FY2005.

Further refinements to race programming are planned for 2006 in light of experience gained during the first year of the Strategic Plan.

While the FY2005 race programme delivered substantial benefits through strong focus on clubs conducting TAB racing, the needs of Graduation and Penalty Free Clubs were not overlooked.

In this respect, changes to the race programming process provided flexibility for clubs not conducting TAB racing to program race dates to best suit the needs of their local communities.

This approach ensured that participants were provided with opportunities to race while ensuring that activities occurred within available funding parameters.



Changes to the conditions of the State Bred Bonus Scheme (SBBS) and the introduction of a foal registration subsidy provided a major impetus to the breeding industry.

Removing the restrictions on transferability of SBBS certificates and prohibiting their exchange for a partial cash payment ensured that certificates were used to promote breeding.

It will not be possible to quantify the results of this key change to the conditions of the SBBS until FY2006 when the number of foalings is known however based on services there is every reason to be optimistic regarding future prospects for horse numbers.

Outside of the Strategic Plan, HRNSW devoted considerable effort and attention during 2005 to finalising the separation of HRNSW and the GHARRA.

In this respect infrastructure in the form of systems and procedures were developed to enable commercial functions previously performed by the GHARRA to be undertaken by HRNSW.

These functions ranged from processing of TAB distribution payments to clubs, payment of prizemoney to participants and management of industry insurance matters to dealing with clubs and participants on a range of racing and basic business matters.

While every effort was taken to minimise the effects of the transition on participants, which in the majority of cases was accomplished successfully, there were issues in some areas that in hindsight could have been dealt with differently.

Lessons learned during the transition have resulted in changes to operational procedures as part of HRNSW's commitment to continuous improvement and delivery of efficiencies.

During FY2005 HRNSW was also heavily engaged in representing harness racing interests in racing industry negotiations connected with the takeover of TAB Limited by Tabcorp.

*Double Identity hitting its stride at Wagga*



These negotiations, which were protracted and complex, resulted in a deal that will continue to deliver sound financial benefits to harness racing without foregoing protections and funding arrangements put in place in 1998 when the NSW TAB was privatised.

Other racing industry issues and proposals arose subsequent to the negotiation of the deal that provided NSW racing industry approval of the takeover of TAB Limited.

HRNSW was fully engaged in assessing these issues and proposals with an aim to delivering the best outcome for harness racing.

The introduction of TVN and ongoing intrusion of betting exchanges are major threats that are being monitored and resisted by HRNSW.

While the effects on harness racing turnover of the split vision between TVN and Sky Channel were minimal in FY2005, lengthy prolongment of the dispute into FY2006 will have a more dramatic impact that will threaten industry funding.

The threat of betting exchanges became more prominent in FY2005 in light of the Federal Government's disinterest in amending legislation that would prohibit their operation.

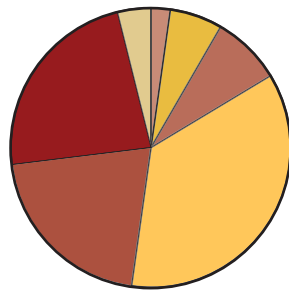
Lack of action by the Federal Government in this respect provided an opportunity which was subsequently utilised by Betfair to make an approach to the Tasmanian Government for an Australian licence.

On top of the regular challenges faced by all racing codes to maintain their position in the face

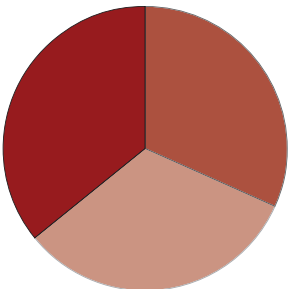
of competition for the wagering dollar, these two issues pose what is perhaps the most significant threat to the financial wellbeing of harness racing in FY2006 and future years.

All things considered the first year of the Strategic Plan has delivered on HRNSW's initial aims.

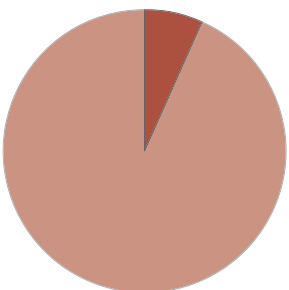
This will be achieved in consultation with and through the assistance of harness racing clubs along with key industry stakeholders such as Tabcorp and Sky Channel to maximise benefits to all participants and continue the establishment of a sound and viable future for the industry.



**TAB Distribution FY2005**  
 36% Principal Club  
 21% RRC L1  
 23% RRC L2  
 4% Non-TAB  
 2% HRNSW  
 6% GHRRA  
 8% RDF/IF



**TAB Turnover FY2005**  
 32% Principal Club  
 32% RRC L1  
 36% RRC L2



**TAB Turnover by Source, FY2005**  
 93% Offcourse  
 7% Oncourse

After twelve months, the figures prove that the strategies introduced in the Strategic Plan have turned long-standing declines around and established a platform for further constructive development.

HRNSW's focus in FY2006 and beyond will be to continue the development path established in the Strategic Plan while seeking to introduce refinements identified during the course of operations.

**INDUSTRY FUNDING**

The NSW Racing Industry (thoroughbreds, harness and greyhounds) received \$220.5m in fees from TAB Limited in FY2005 - an increase of \$8.9m on the previous year.

Turnover on harness racing for FY2005 was \$238m, an increase of \$11.4m compared to FY2004.



Offcourse turnover for the year increased by 6% to \$221.2m however oncourse turnover, which amounted to \$18m in FY2004, declined by 4% to \$17m.

The total amount provided to the harness racing industry under the terms of the Intercode Deed which governs the allocation of funds from TAB Limited to the three racing codes increased by \$1.9m to \$32.3m.

In accordance with the Harness Racing Act 2002, \$2.5m was deducted from the total amount received by harness racing as funding for the Racecourse Development Fund (\$646,000) and Industry Funds (\$1.9m).

These deductions were as specified by the Act which requires 2% and 6% of the funds received by harness racing to be allocated to the Racecourse Development Fund and Industry Funds respectively.

A further \$2.0m was deducted to fund the operating costs of the GHRA as determined by the

Minister for Gaming and Racing on approval of the GHRA annual budget.

The HRNSW operating budget for FY2005 was \$736,000 funded from the TAB Distribution.

HRNSW operated within budget and ended FY2005 with a surplus of \$88,414.

Total funds distributed to harness racing clubs in FY2005 after the above deductions was \$26.9m.

Gross prizemoney paid increased by 14% to \$22.3m, primarily as a result of the introduction of the Strategic Plan which set benchmarks for prizemoney paid and club overhead as proportions of industry funding received.

In view of the high level of uncertainty regarding TAB turnover as a result of the impact of split vision on racing (TVN-Sky Channel dispute) and betting exchanges, HRNSW has adopted a conservative approach to industry funding for FY2006.

## RACECOURSE DEVELOPMENT FUND

Revised procedures and clarification of conditions for applications for assistance from the RDF came into effect from 1 July 2004.

Applications from clubs were forwarded to the Harness Racing Clubs Committee for review and recommendation prior to consideration for approval by the HRNSW Board.

During the course of FY2005 HRNSW approved a series of grants from the Racecourse Development Fund following reduced spending in FY2004.

The majority of grants approved were for replacement plant and equipment including two new mobile barriers (one each to be used by the NSWHR and Penrith), acquisition of an irrigator for Penrith, a replacement grader for Bathurst, and a 50% contribution to the cost of installing air-conditioning at Penrith.

*Another bumper crowd at the 2005 Leeton MIA Breeders Plate*





Construction work in FY2005 funded through the RDF was limited in light of the Board's decision to focus primarily on replacement plant and equipment, and included construction of a new judges' tower at Young due to OH&S concerns with the existing tower and, worksheds and a water tank for Newcastle.

No provision has been made to increase the percentage of the TAB Distribution (2%) set aside to fund the RDF in FY2006.

#### INDUSTRY FUNDS

A total of \$2.0m was paid out of Industry Funds to the harness racing industry in the form of prizemoney subsidies, breeders' bonus certificates, grants and other subsidies.

The majority of prizemoney subsidy funding was allocated to the Bathurst Gold Crown, Foundation Trotters Series and the Sires Stakes Series.

As occurred in FY2004, other significant payments made were for the operation of the Centralised Stakes Payment System and, link & bearer costs for broadcasting country races.

No provision has been made to increase the percentage of the TAB Distribution (6%) set aside to fund the Industry Funds in FY2006.

#### BENEVOLENT FUND

HRNSW is responsible for the administration and management of a Benevolent Fund established to provide financial assistance to participants who might find themselves in indigent circumstances.

Two applications for assistance from the Benevolent Fund were received during FY2005, of which one was approved.

#### FORMATION OF THE GHARRA

The long-anticipated merger of the Harness Racing Authority (HRA) and Greyhound Racing Authority (GRA) into a single statutory authority responsible for management of regulatory matters for both codes was completed in FY2005 with the formation of the Greyhound and Harness Racing Regulatory Authority (GHARRA).

Following the establishment of the GHARRA, considerable effort was devoted by HRNSW and the new body to complete the separation of commercial and regulatory functions.

This involved the separation of financial and administrative systems and processes, and development of appropriate working arrangements between the two bodies.

The Boards of HRNSW and the GHARRA established a pattern of regular meetings as required under the Harness Racing Act 2002 and Greyhound and Harness Racing Act 2004.

In addition, as agreed through a Memorandum of Understanding, both organisations provided harness racing representation on racing industry committees.

HRNSW continued to express concerns, both in public and directly to the Minister for Gaming and Racing, regarding delivery of the annual savings of \$800,000 (total for both codes) anticipated from the merger of the HRA and GRA.

The Minister confirmed during the year that the merger is definitely intended to deliver savings to the industry of this magnitude however it has been acknowledged that delivery will be progressive over a period of time.

As such the full benefit to the harness racing industry arising from the anticipated savings will, as has been indicated previously, not arise within the originally envisaged timeframe.

#### EXTERNAL REPRESENTATION

HRNSW represents harness racing interests on an industry and/or State basis on a variety of external bodies with the involvement of Board Members and/or the Chief Executive.

#### NSW RACING (RACINGCORP)

HRNSW, along with RacingNSW (thoroughbreds) and GRNSW (greyhounds), is a founding member of NSW Racing Pty Limited (Racingcorp), a company formed to act as the agent for the three codes in dealings with Government, and Tabcorp on matters pertaining to the Racing Distribution Agreement (RDA).

The RDA outlines the contractual relationship between the three codes and Tabcorp, and includes amongst other things the minimum number of race meetings that each code must supply as well as the manner in which fees payable are to be calculated.

The Board of Racingcorp is comprised of eight Directors of whom four are nominated by the thoroughbred code, two are nominated by harness racing and two by greyhound racing.



*NSW mini-trotters - a source of future trainers and drivers*

HRNSW nominees on the Board are Brian Paddock, Chairman of HRNSW and Tony McGrath, Director of the NSWHRC.

Max Pool, Chief Executive of HRNSW, attends Racingcorp Board Meetings as an observer along with the Chief Executives of RacingNSW and GRNSW.

During FY2005, the Racingcorp Board was primarily concerned with negotiations for NSW racing industry approval of the takeover of TAB Limited by Tabcorp.

These negotiations, which were protracted and complex, were successfully completed resulting in a Deed of Accession, Cooperation and Agreement (DACA) between Tabcorp and the racing industry.

#### **BUSINESS AND STRATEGY COMMITTEE**

HRNSW provides representation on behalf of the harness racing industry to the Business and Strategy Committee which was established under the RDA for the purpose of enabling regular, formalised high-level consultation between the racing industry and Tabcorp.

Brian Paddock, Chairman of HRNSW, represents the harness racing industry on the Business and Strategy Committee.

#### **RACING PRODUCT SUPPLY ADVISORY COMMITTEE**

HRNSW provides representation on behalf of the harness racing industry to the Racing Product Supply Advisory Committee established under the RDA.

The Committee, which did not meet during the period under review as a result of the takeover of TAB Limited, provides advice and direction in setting the NSW Racing Programme to the Racing Product Committee.

Harness racing is entitled to appoint two representatives to the Racing Product Supply Advisory Committee.

#### **RACING PRODUCT COMMITTEE**

HRNSW provides representation on behalf of the harness racing industry to the Racing Product Committee established to monitor compliance with the RDA.

The functions of the Racing Product Committee, which did not meet during the period under review as a result of the takeover of TAB Limited, are to discuss issues of concern or interest in relation to the supply of racing programme, racing information and TAB coverage, and operational activities contemplated by the RDA; and discuss and implement proposed solutions.

Harness racing is entitled to appoint a representative to the Racing Product Committee.

#### **AUSTRALIAN HARNESS RACING COUNCIL**

The Memorandum of Understanding between HRNSW and the GHRRA provides for joint membership of the Australian Harness Racing Council (AHRC) by the two entities.

The GHRRA has carriage of all AHRC matters relating to regulatory matters and HRNSW has carriage in relation to all other matters.



The Chairman and Chief Executive attended the meeting of the AHRC held in Auckland to coincide with the 2005 Inter-Dominion Series during April 2005.

The primary issue promoted by HRNSW at the meeting related to cancellation of bets policy and how best the issue could be resolved without commercially impacting on the industry.

At the meeting, the AHRC resolved to adopt the Chairman of HRNSW's proposal that the AHRC sponsor a national solution to the cancellation of bets issue with an aim to providing a proposed solution for endorsement at the AHRC Annual General Meeting to be conducted in October 2005.

#### INDUSTRY TRAINING SUB-COMMITTEE

While industry training issues are the responsibility of the GHRRA, HRNSW provides representation on a Training Sub-Committee established to oversee the management of industry training and provision of TAFE courses.

Board Member John Baker was the HRNSW representative until late in 2005 when he stepped down from this position.

Harness racing industry interests are now represented the Chief Executive of HRNSW and a representative appointed by the GHRRA.

#### BETTING EXCHANGES

There was no final settlement of the betting exchanges issue in FY2005 despite the application of considerable influence and pressure by the racing industry both locally and nationally.

In the absence of a decision by the Federal Government to ban the operation of betting exchanges through an amendment of the Interactive Gaming Act, the door was left open for betting exchanges to seek an Australian licence through individual State Governments.

HRNSW supported the position taken by the NSW Minister for Gaming & Racing opposing the licensing of betting exchanges

and continued to press this stance publicly and at the Australian Harness Racing Council.

Commercially, betting exchanges pose a threat to TAB turnover which forms the lifeblood on which the racing industry is funded.

It is imperative that betting exchanges are not allowed to establish any foothold that in time can be broadened as the consequences for the industry will be dire.

The overseas experience, in particular the ongoing scandals, is a compelling indication of the serious danger that betting exchanges pose to the integrity of racing.

HRNSW has argued that public confidence in our sport and our participants is paramount and that in this respect, no leeway can be provided that would enable the introduction of any operation that poses a risk to public trust in the fairness and probity of racing.

*Patrons enjoying harness racing in comfort at Bankstown*





In the interests of harness racing and the racing industry in general HRNSW will continue, both independently and in concert with other industry bodies, to state the case for a prohibition of betting exchanges.

### CANCELLATION OF BETS

The issue of cancellation of bets prior to the start of harness races achieved a level of prominence in FY2005 out of keeping with the reality of the threat posed to the integrity of racing.

HRNSW's long-standing position on the cancellation of bets is that the issue could be best resolved through increased scrutiny by Tabcorp to address the relatively few instances where bets were being cancelled inappropriately.

In light of broader concerns regarding the cancellation of bets, HRNSW sponsored the development of a national solution through the Australian Harness Racing Council.

Before the proposed solution could be devised, Tabcorp implemented a twenty-five second countdown clock.

HRNSW, in association with other State Controlling Bodies, opposed this initiative on the grounds that it was impractical, would negatively impact turnover and was out of proportion to the problem that it set out to address.

Dialogue with Tabcorp continued during FY2005 to arrive at a more practical solution that would be more readily acceptable as a basis for a national solution.

### INSURANCE

During the year HRNSW assessed options that could deliver savings on insurance based on the recognition that insurance premiums form a major part of the costs of participation.

One of the options examined included participation in a national personal accident insurance scheme proposed through the AHRC.

On evaluation of the costs and benefits on offer for FY2005, HRNSW retained the insurance cover provided by its existing underwriters.

HRNSW has committed to continuing dialogue with the AHRC with an aim to participating in a national personal accident insurance scheme in FY2006 that delivers concrete improvements in benefits to NSW participants at a comparable or reduced cost to the scheme currently in place.

### BREEDING INDUSTRY

The number of foals registered increased by 296 (14.9%) to 1841 during the 2005 season.

The increase in foals registered, the first since 2002, is primarily due to HRNSW's introduction of a foal registration subsidy to the value of \$100 (payable in two instalments of \$50) for each foal registered.

Stallion numbers dropped by 2 to 70. Although down, studmasters were able to lure well performed and well credentialed animals to their register.

This led to 336 interstate breeders having live foals to NSW based stallions of which 159 (47%) registered to compete in the NSW Sires Stakes Series.

The calibre of sire now standing in NSW is particularly noteworthy and indicates strong potential to further develop this segment of the breeding industry.

Changes to State Bred Bonus Scheme conditions were introduced in FY2005 whereupon certificates became fully transferable and the \$1,000 cash redemption option on certificates was ceased.

HRNSW introduced the new condition to ensure that all certificates are used for breeding or yearling purchases exclusively.

In addition to this the Scheme was broadened through the introduction of \$500 certificates on one age race, to be selected by the conducting club, at every Graduation and Penalty Free meeting.

During the year HRNSW also explored further options to boost the breeding industry through hosting a Breeders Workshop attended by key breeding industry stakeholders.

Topics discussed included NSW Sires Stakes Eligibility, NSW State Bred Bonus Scheme and a Mares-Based Bonus Scheme (a series for mares 4yo+).

Follow up workshops are planned for FY2006 with an aim to defining initiatives for further consideration by HRNSW.

## INDUSTRY PARTICIPANTS ADVISORY COMMITTEE

Formation of the Industry Participants Advisory Committee, required under the Harness Racing Act 2002, is the responsibility of the Department of Gaming & Racing.

Steps were taken by the Department during FY2005 to establish the Committee however this task has not been completed.

The delay in this respect has denied HRNSW the opportunity to receive input on industry matters from the body which under the Act is tasked with providing industry participants with a means of providing advice and comment to HRNSW.

It is expected that the Industry Participants Advisory Committee will be established by the end of the first half of FY2006.

## POLICY & PROCEDURES

HRNSW has developed its own internal policies and procedures to comply with the requirements of the Harness Racing Act 2002 and the promotion of good corporate governance.

A Register of Pecuniary Interests for the Board and staff of HRNSW is maintained by the Chief Executive and is updated on a quarterly basis.

In addition to this, HRNSW has developed a Code of Conduct for the Board and staff.

Confidentiality agreements for all members of HRNSW are in place to protect HRNSW, the industry and business partners from the disclosure of commercially sensitive and privileged information.

Policies and procedures developed during FY2005 include the appropriate use of Information Technology, travel and accommodation arrangements, intellectual property management and financial systems processes.

Review and further development of operational policies and procedures is an ongoing requirement in keeping with good corporate governance practice.

## HANDICAPPING & PROGRAMMING POLICY

No changes were made to handicapping and programming policy in FY2005.

HRNSW will pursue a review of handicapping and programming policy in FY2006.

## RISE

The Racing Information Services Enterprise (RISE) is a joint venture between NSW and Harness Racing Victoria which is responsible for the production and maintenance of the HaRVEY software product.

HRNSW views RISE as a commercial venture and has sought to have its ownership of the NSW share of the joint venture formally recognised.

This view is not shared by the GHRRA and as a result, both organisations have made representations to the Minister for Gaming & Racing stating their respective cases for ownership.

The Minister is considering these representations and will, in due course, make a determination as to which organisation owns the NSW share of RISE.

## NSW HARNESS RACING GAZETTE

A new look NSW Harness Racing Gazette was launched in August 2004 following a review of the publication's format and content.

The redesign, which was broadly welcomed, introduced more colour pages and a clearer, more reader-friendly format.

As a result of the changes there was increased interest from advertisers in using the Gazette as a means of promoting their products and services to the industry.



*A study in concentration - Trevor Munday defending his title at the 2005 Inter Dominion in Auckland*

## OUTLOOK

The results achieved in FY2005 clearly demonstrate the benefits to the industry arising from implementation of the Strategic Plan.

Under normal circumstances, the growth in turnover, increase in prizemoney paid and stabilisation of the longstanding declines in key harness racing activities would be reason to be optimistic about the future of the industry.

These are, however, uncertain times.

The TVN-Sky situation is having a major negative impact on racing in general and will most certainly adversely affect industry funding in FY2006.

The looming threat of the licensing of betting exchanges is also a cause of great concern due to the threat that such a short-sighted course of action will pose to long-term industry revenues.

While the harsh realities of the current racing environment need to be acknowledged, it is vitally important that the industry does not lose sight of the gains that have been made over the last twelve months.

The focus on delivering continued growth through reform and renewal, through renewed and redoubled effort on the part of all segments of the industry, remains the best protection against the challenges ahead.

In this respect, HRNSW will continue its efforts with and on behalf of the industry to achieve a more robust and sustainable future for harness racing in NSW.

On behalf of HRNSW, I would like to thank the Minister and Department of Gaming & Racing for their continued support of harness racing interests during FY2005.

I would also like to thank the Chairman and Members of the HRNSW Board, each of whom has contributed additional personal time and effort in the operations of HRNSW.

Thanks are also due to the staff of HRNSW for their dedication and enthusiasm over a period when many establishment and transitional challenges needed to be addressed.

My appreciation is also extended to the clubs, associations and participants for their efforts, input and cooperation during the year.

Max Pool  
**Chief Executive**







## 2005 Sires Stakes Series

The FY2005 series comprised of 60 races made up of 47 heats, 9 semi-finals and 4 finals which were contested by 232 individual horses for total prizemoney of \$1,005,000.

The NSW Sires Stakes Series was introduced in 1979 for prizemoney of \$130,000 as a concept to encourage broodmare owners to breed in NSW and to provide more opportunities for fillies to compete against their own sex in feature races.

The Series has produced many top-line performers however the 1996 foaling was the most notable having produced Smooth Satin, Jofess and Double Identity - three Grand Circuit champions each of which has won in excess of \$1m in prizemoney.

In FY2005 the Sires Stakes series was substantially changed as part of initiatives flowing from the Strategic Plan.

Changes included:

- an increase in prizemoney from \$8,000 to \$10,000 per heat
- an increase in the winner's percentage from 50% to 60%
- a reduction in the number of heats per age group

In order to boost the profile of the series, all heats were conducted at Regional Racing Centres culminating in semi-finals and finals conducted at the Principal Club.

### TWO YEAR OLD COLTS & GELDINGS

\$200,000 in prizemoney was distributed among 39 individual horses which competed in 10 races (7 heats, 2 semi-finals and the final.)

The final, held at Harold Park on 3 June 2005 was won by Four Trumps which defeated Mystical Torado and Zaguar over 2,160m in a time of 2.43.8 and a mile rate of 2.02.0. The margins were NK x 4m.

Four Trumps was bred by W L Lamb & A E Lamb, owned by J A Boserio, P J Ward, C S Lusby & J Butler, trained and driven by A S Turnbull.

There were 7 individual winners throughout the series:

Horse	Sire	Broodmare	Grand Sire	Prizemoney
Four Trumps	Trump Casino USA	Kiwi Blues	Caesar Blue Chip USA	\$78,000
Zaguar	Jaguar Cam USA	Zora Paree	Torado Hanover USA	\$18,150
Rockandroll Romeo	Peace of Art USA	Tiffany Liz	Tiff N Time USA	\$15,000
Strong Ambition	Strong Life USA	Bellestraad	Powerhouse Lobell USA	\$13,450
Run Lika Hare	Hare Hare USA	Tamisha Whiz	Armbro Whiz USA	\$9,500
River Of No Return	River Khan	Trick Marillo	Undertrick	\$9,000
Nomoredrink	John Street North USA	Well Kept Secret	Safely Kept USA	\$9,000



Four Trumps edges out Mystical Torado and Zaguar to win the Two Year Old Colts and Geldings Final at Harold Park

**TWO YEAR OLD FILLIES**

\$230,000 in prizemoney was distributed among 49 individual horses which competed in 13 races (10 heats, 2 semi-finals and the final.)

The final, held at Harold Park on 24 June 2005 was won by Vixen Hanover which defeated Pass The Parcel and Birubi Babe over 2,160m in a time of 2.53.1 and a mile rate of 2.09.0. The margins were NK x 6.50m

Vixen Hanover was bred by C P Furina, J Sacco & S Moschella, owned by J Sacco, C P Furina, S Nicoletti & J Di Giovanni, trained by C P Furina and driven by J D Pengilly.

There were 7 individual winners through the series :

Horse	Sire	Broodmare	Grand Sire	Prizemoney
Vixen Hanover	Trump Casino USA	Vivacious Hanover	Ambro Aussie USA	\$79,500
Pass The Parcel	Stoneridge Scooter USA	Shes My Girl	Whats Next USA	\$37,000
Jades Dream	Stature USA	Perfect Finish	Ironstone Fella	\$21,850
Livlifetotmax	Strong Life USA	Karamea Shannon	Paysons Brother	\$20,500
Kyeelaria	Sign Off USA	Absolute Legend	Scene Topper	\$7,750
Winning Tune	Trump Casino USA	The Minsteral	Harbor Skipper USA	\$6,500
Mesmerising	Our Sir Vancelot NZ	She Bites	Safely Kept USA	\$6,000



Vixen Hanover winning the Two Year Old Fillies Final at Harold Park

**THREE YEAR OLD COLTS & GELDINGS**

\$295,000 in prizemoney was distributed among 75 individual horses which competed in 19 races (15 heats, 3 semi-finals and the final.)

The final, held at Harold Park on 10 June 2005 was won by Flyingrama who defeated Mighty River and Waltango over 2,160m in a time of 2.43.6 and a mile rate of 2.01.9. The margins were 3m x 1.5m.

Flyingrama was bred by R A Walker, owned by A J Cormack & J C Cormack, trained by P F Peacock & driven by A L Peacock.



There were 10 individual winners throughout the series:

Horse	Sire	Broodmare	Grand Sire	Prizemoney
Flyingrama	Panorama USA	Jossella	Trustmaker USA	\$69,000
Mighty River	River Khan	Cyclone Jude	Jeremy Lobell USA	\$41,000
Spirit Of Vancelot	Our Sir Vancelot NZ	Esprit Etoile NZ	New York Motoring USA	\$26,100
Ricardos Toyboy	John Street North USA	Waikare Ragtime	Classic Garry	\$20,100
Rebelle	Statue USA	Bellevedere	Shipps Fella USA	\$17,100
Chatam Valley	Stoneridge Scooter USA	Girl Next Door	Whats Next USA	\$13,700
Just Pretend	Our Sir Vancelot NZ	Kaystace	Three Times One USA	\$13,000
Go Go Bop	John Street North USA	Souwester	Southern Gentleman USA	\$7,250
Ascana	Our Sir Vancelot NZ	Just Courtney	Laser Hanover USA	\$6,000
Toallagoodknight	Our Sir Vancelot NZ	Gueneviere	Whats Next USA	\$6,000



*Flyingrama clear winner of the Three Year Old Colts and Geldings Final at Harold Park*

### THREE YEAR OLD FILLIES

69 individual horses competed in 18 races (15 heats, 2 semi-finals and the final) and \$280,000 in total prizemoney was distributed.

The final, held at Harold Park on 17 June 2005 was won by Vin Cere who defeated Jerrys River and The Dancing Posum over 2,160m in a time of 2.39.2 and a slashing mile rate of 1.58.6. The margins were NK x 5.50m.

Vin Cere was bred by J J Starr, owned by J J Starr, I Brooks & M I Brooks, trained P R J Fitzpatrick & driven by B P Fitzpatrick.

There were 14 individual winners throughout the series, the most notable being:

Horse	Sire	Broodmare	Grand Sire	Prizemoney
Vin Cere	Our Sir Vancelot NZ	Highview Cross NZ	New York Motoring USA	\$75,000
Jerrys River	River Khan	Miss Jerry	Jeremy Lobell USA	\$32,000
Die Wondering	Die Laughing USA	Bisque	French Chef USA	\$24,000
The Dancing Posum	Stature USA	Night Romance	Young Dancer USA	\$20,000
Golden Rule	Golden Reign	Gold Durack	Jeremy Lobell USA	\$20,000
Bonnie Titian	Speed King	Ties Image	Allwood's Trick USA	\$14,000
Duchess Da Gama	Sun Lamp USA	Kaona	Telemon Hanover USA	\$14,000



*Vin Cere holds out Jerrys River to win the Three Year Old Fillies Final at Harold Park*

## SIRES PERFORMANCE

Sire	Eligible 2yo's	Eligible 3yo's	2yo C&G wins	2yo Filly wins	3yo C&G wins	3yo Filly wins	Total wins
Our Sir Vancelot NZ	59	119	0	1	6	4	11
Trump Casino USA	137	114	3	3	0	1	7
Stature USA	101	97	0	3	2	1	6
John Street North USA	109	127	1	0	4	0	5
River Khan	38	52	1	0	3	1	5
Stoneridge Scooter USA	32	95	0	2	2	1	5
Strong Life USA	58	0	1	2	0	0	3
Panorama USA	109	105	0	0	2	1	3

The most successful broodmare sires were Whats Next USA (3 individual winners), Jeremy Lobell USA (3), Safely Kept USA (2) and New York Motoring USA (2).

## MOST SUCCESSFUL BREEDERS

Wayne and Anne Lamb, from Golden Gait Stud at Canowindra bred Four Trumps, Winning Tune and Plain Georgie, while Anne is listed as the individual breeder of The Dancing Posum.

Their sire Trump Casino USA captured the 2YO double when Four Trumps and Vixen Hanover were victorious. Stature USA had three individual winners and Sun Lamp USA one.

Rod Woodhouse and the Yirribee Stud connections at Wagga Wagga had plenty to celebrate this series, with a trio of 3yo filly winners- Golden Rule, Bendall Rose, and Jerrys River - as well as the talented 3yo colt Mighty River.

Apart from the River Khan/Jeremy Lobell USA cross which was evident in relation to Jerrys River and Mighty River, they were successful with Walton Hanover USA and Golden Reign.

John Starr would have to be the best advocate anywhere for the Our Sir Vancelot NZ/New York Motoring USA version of the standard Albatross USA/Most Happy Fella USA cross, after the successes of Spirit of Vancelot and 3yo filly champ Vin Cere.

## SUB TWO MINUTE PERFORMANCES

Horses Name	Mile Rate	Distance	Track and date
Flyingrama	1.57.0	2,165m	Wagga, 18th February 2005
Vin Cere	1.58.6	2,160m	Harold Park, 17th June 2005
Spirit Of Vancelot	1.58.9	2,030m	Newcastle, 26th February 2005
Mesmerising	1.59.0	1,609m	Newcastle, 23rd April 2005
Bonnie Titian	1.59.5	2,030m	Newcastle, 22nd January 2005
Run Lika Hare	1.59.7	1,700m	Young, 7th April 2005
Bandall Rose	1.59.8	2,165m	Wagga, 20th May 2005
Rebelle	1.59.9	2,040m	Parkes, 3rd March 2005
Winning Tune	1.59.9	1,700m	Young, 7th April 2005

*Breeding - the essential purpose of the Sires Stakes Series*





# 2005 Industry Awards

Participant Awards	Winner
NSW Champion Driver	Greg Bennett
NSW Champion Trainer	Paul Fitzpatrick
NSW Champion Junior Driver	Gavin Fitzpatrick
Harold Park Drivers Premiership	Gavin Fitzpatrick
Harold Park Trainers Premiership	Paul Fitzpatrick
Junior Driver Encouragement Award	Joel Pengilly

Horse Awards	Winner
NSW Horse of the Year	Lady Waratah
NSW Trotter of the Year	Gold N Gold NZ
NSW Two Year Old of the Year	Lady Waratah
NSW Three Year Old of the Year	White Thunder
NSW Sire of the Year	Panorama USA
NSW Broodmare of the Year	Pragmatic

Special Awards	Winner
NSW Volunteer of the Year	Norm Johnson
Media Appreciation Award	John Baker
Best Race Club Promotion	"Country Cups" Dubbo Harness Racing Club Tamworth Harness Racing Club Wagga Harness Racing Club NSW Harness Racing Club

Joel Pengilly - winner of the 2005 NSW Junior Driver Encouragement Award



**NSW trained horses were competitive at the highest level throughout the season. The following horses were recognised for their achievements at the national level:**

Lady Waratah: Australian Two Year Old Pacer of the Year  
Australian Two Year Old Filly Pacer of the Year

Gold N Gold NZ: Australian Trotter of the Year (Tie)

Divisive: Australian Two Year Old Colt/Gelding Pacer of the Year

**NSW trainers and drivers broke state records for numbers of winners and prizemoney won:**

Paul Fitzpatrick: NSW Champion Trainer 191 wins (NSW Record)  
First Trainer to win \$1million stakes in a season at Harold Park

Gavin Fitzpatrick: NSW Champion Junior Driver 145 wins (NSW Record)

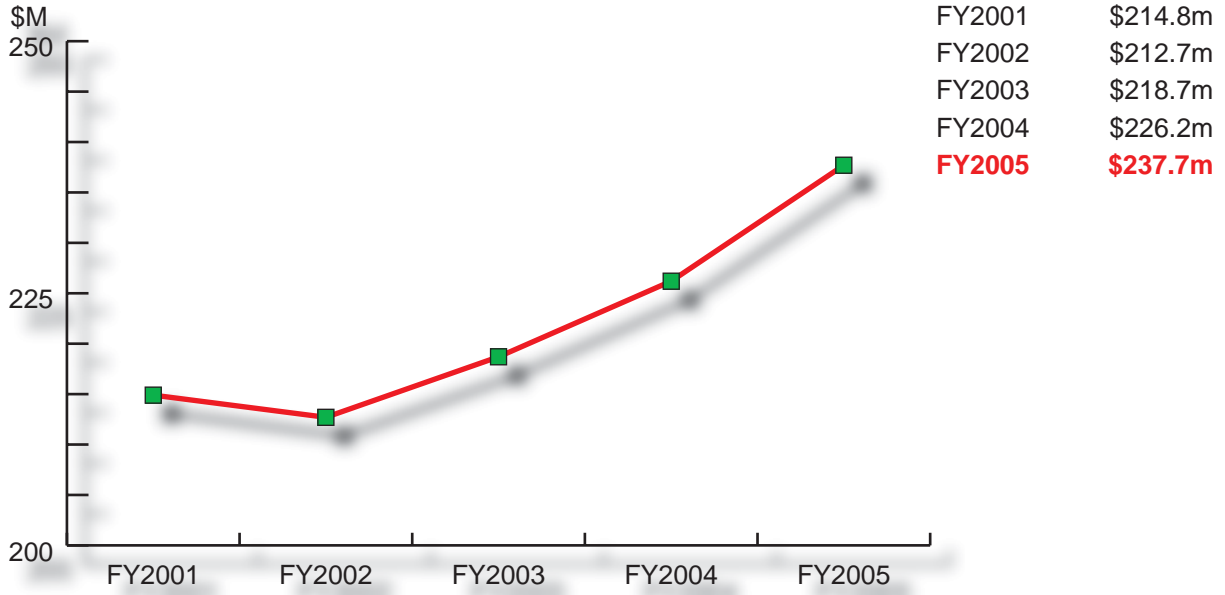
*Brian Paddock (Chairman, HRNSW), Bernie and Dianne Kelly (Trainer and Owners of NSW Horse of the Year, Lady Waratah), Hon. Grant McBride MP (Minister for Gaming & Racing)*



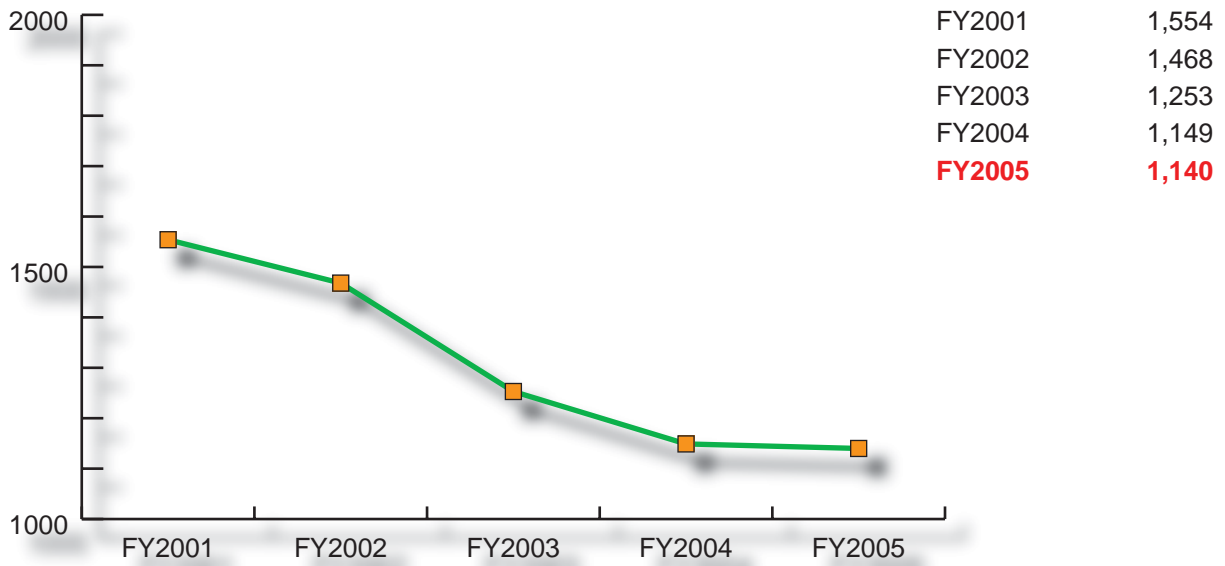


# Key Industry Indicators

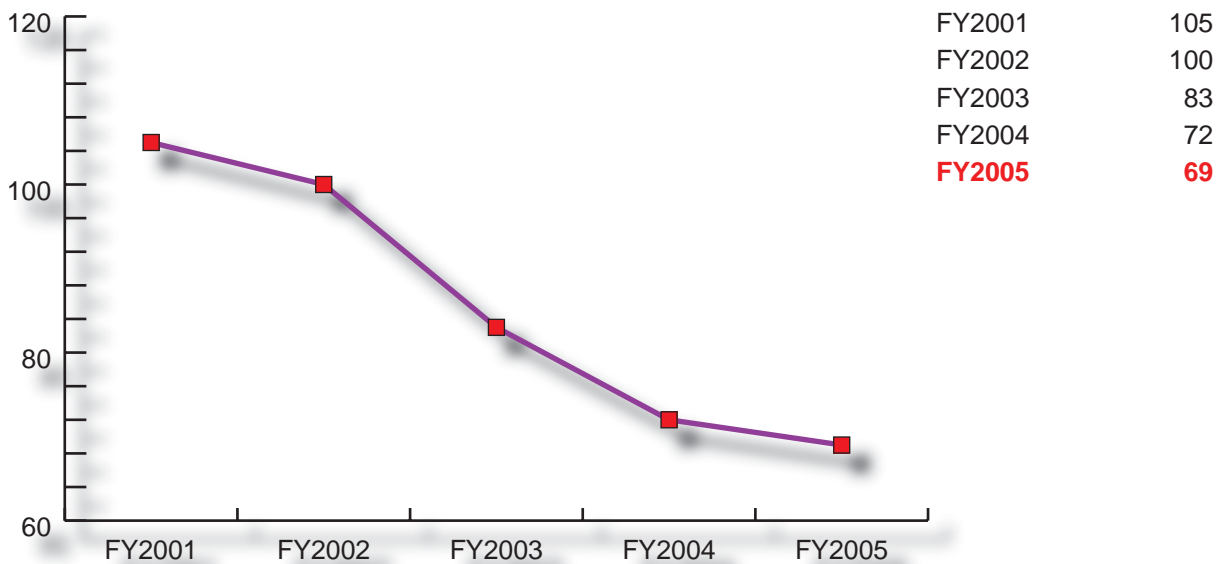
## TAB Turnover



## Drivers



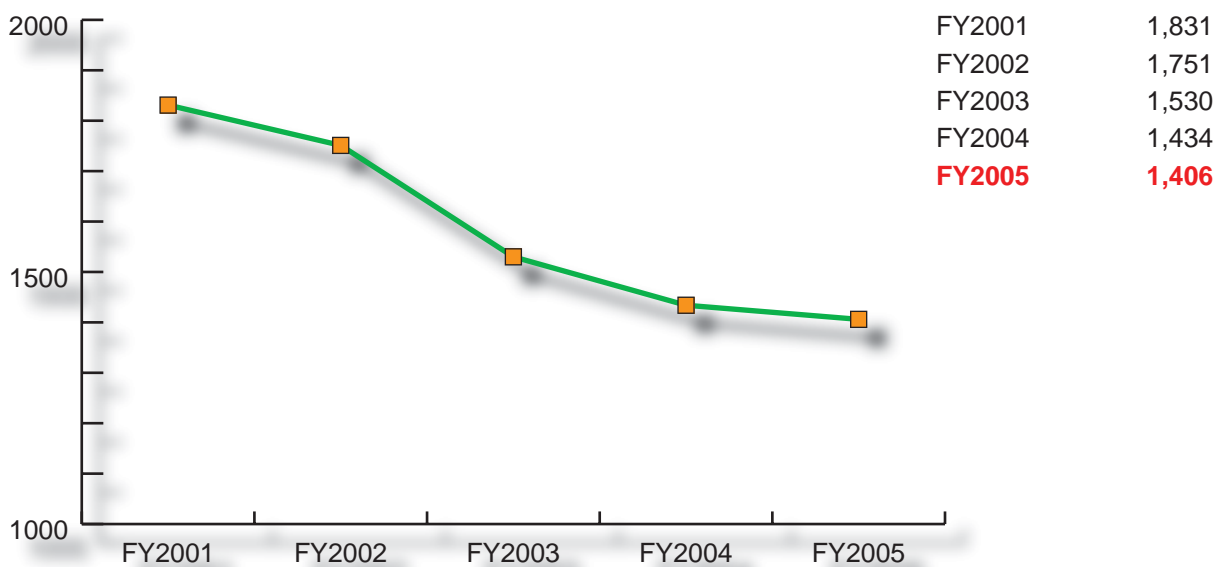
## Sires



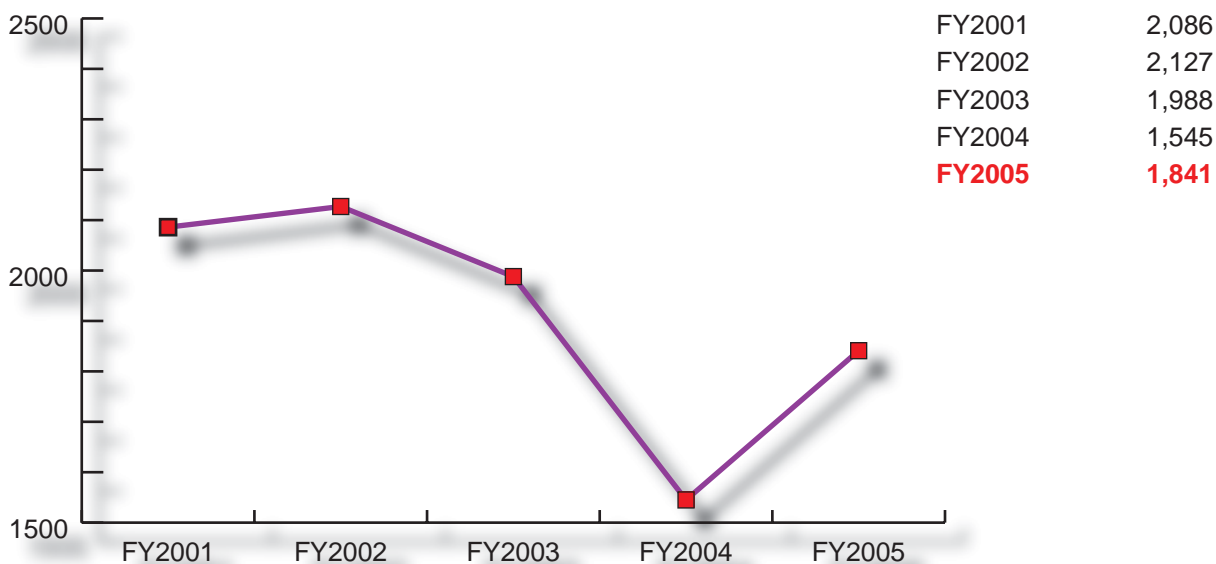
### Gross Prizemoney Paid



### Trainers



### Foals Registered





# Governance

HRNSW was constituted on 2 February 2003 through the enactment of the Harness Racing Act 2002 to provide the harness racing industry in New South Wales with autonomous responsibility for setting and managing its strategic direction and development.

## BOARD MEETING ATTENDANCE - FY2005

Board Member	Normal Meetings	Special Meetings	Total Attended
B Paddock	12	10	<b>22</b>
J Baker	11	10	<b>21</b>
R Corrie	12	10	<b>22</b>
C Murray	12	10	<b>22</b>
J Porter	11	10	<b>21</b>
R Horne*	1	0	<b>1</b>
R Woodhouse**	1	0	<b>1</b>

\* As alternate for J Baker

\*\* As alternate for J Porter

**A total of 22 Board meetings were conducted in 2004/05 comprised of 12 normal and 10 special meetings.**

The Board of HRNSW is an industry representative board consisting of the following members:

- one person nominated by the New South Wales Harness Racing Club,
- two persons nominated by harness racing clubs (other than the New South Wales Harness Racing Club), with one of those nominees being nominated as a representative of TAB Clubs and the other being nominated as a representative of country racing,
- one person nominated by participants in the harness racing industry (being owners, trainers, drivers, bookmakers or other persons involved with harness racing),

- one person selected by the nominated members of HRNSW, who is to be the Chairperson.

The term of office of each member of the Board is three years. All members of the Board are non-executive and between them have extensive industry experience as club administrators, owners, trainers and/or breeders of standardbreds.

Under normal circumstances, the Board meets on the last Friday of each month to consider matters specifically reserved for its attention.

In special instances where matters must be considered outside its normal meeting schedule, the Board holds meetings by teleconference.

The Board's role is to set the strategic direction of HRNSW, determine commercial policy and monitor the overall performance of the organisation against its established objectives.

Board Members are also directly involved in providing representation for the industry on bodies such as Racingcorp, the AHRC, IDHRC as well as internal and external committees.



HRNSW Board (L-R): C Murray, R Corrie, J Baker, B Paddock (Chairman), J Porter.

#### STATE OF AFFAIRS

In the opinion of the Board Members, there were no significant changes in the state of affairs of the economic entity during the financial year other than those referred to in the accounts or notes to the accounts.

#### SUBSEQUENT EVENTS

There were no significant events after 30 June 2005.

#### INDEMNIFICATION OF MEMBERS & OFFICERS

HRNSW has paid an insurance premium for Members and Officers liability insurance. HRNSW has not otherwise, during or since the financial year, indemnified or agreed to indemnify a Member, Officer or itself or any related body corporate against a liability incurred as such by a Member or Officer.

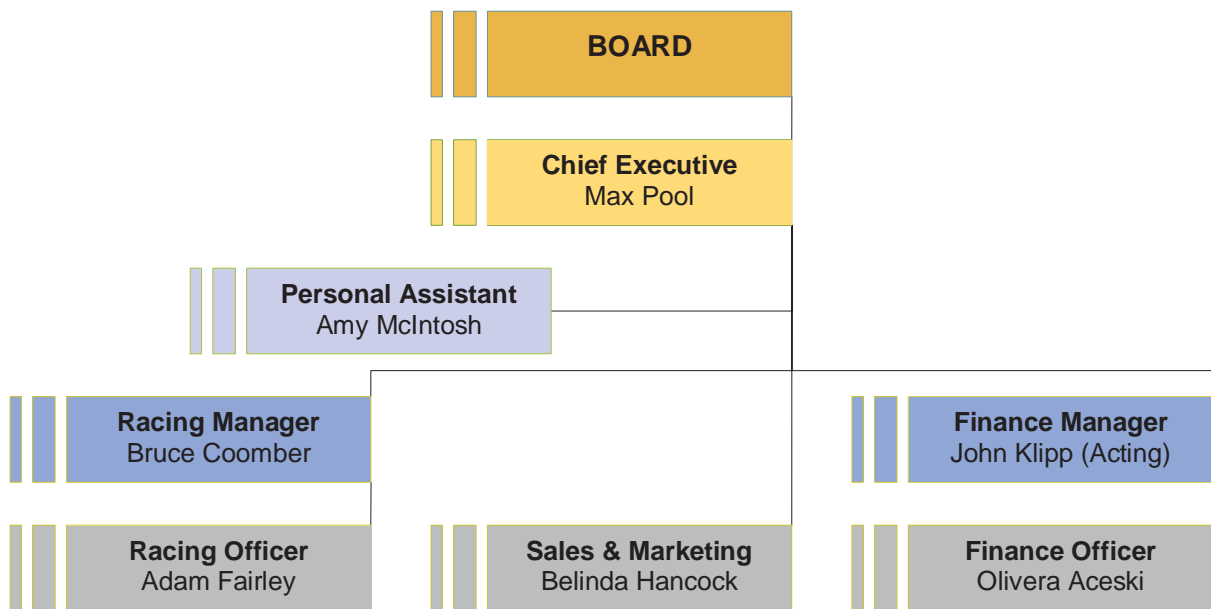
Signed in accordance with a resolution of the Board Members.

On behalf of the Board Members.

B Paddock  
**Chairman**

Dated at Sydney this 30th day of September, 2005

# HRNSW Structure



HRNSW has a total of 7 full-time permanent employees, an increase of 2 (Racing Manager and Personal Assistant) on the previous year.

The new positions were created during the course of FY2005 following re-examination of the skills and internal support required to fulfil operational objectives.

The resultant revision of the organisation structure provided a clearer delineation between racing and administrative functions.

In order to appropriately accommodate staff, HRNSW successfully negotiated provision of additional office space at its 8 French Avenue premises on the same terms as its existing lease.

No major changes were made to HRNSW's infrastructure and systems during FY2005 other than for minor upgrading of finance software to extend its useful life.

In all other respects HRNSW did not undertake any major hardware or software acquisitions during FY2005.

Provision of information technology and telephony services continues to be fully outsourced through competitive commercial arrangements.

A Register of Pecuniary Interests is maintained for the Board and staff, who are also expected to comply with the HRNSW Code of Conduct.

The Board and staff are also bound by confidentiality agreements which have been put in place to protect HRNSW, the industry and our business partners from the disclosure of commercially-sensitive and privileged information.





**BRIAN PADDOCK** B. Comm, CPA, FAIM [Age 61]

*Chairman. Appointed 13 November 2002.*

Mr Paddock held general management and Chief Executive positions with gaming machine and systems manufacturer Aristocrat, TAB Limited, Optima Computers, Automatic Totalizators Limited (ATL), AWA Limited and is a former Chief Executive of Intellect Europe based in Brussels.

An owner of standardbreds prior to his appointment to HRNSW, Mr Paddock is a Director of NSW Racing Pty Limited and is the HRNSW accredited representative to the Australian Harness Racing and Inter-Dominion Harness Racing Councils.



**JOHN BAKER** B.SC [Age 62]

*Appointed 26 August 2002. Nominated by the New South Wales Harness Racing Club.*

Mr Baker held senior management positions in multi-national companies for 15 years prior to establishing his own training and consulting company over 10 years ago.

Mr Baker has been an owner of standardbreds for over 30 years and has been a Director of the NSWHRRC for 15 years including the last four as President. Mr Baker is the Chairman of the National AgriFood Skills Council and represents HRNSW and the NSWHRRC on various associations and committees.



**ROBERT CORRIE** [Age 60]

*Appointed 26 August 2002. Nominated as the country clubs representative.*

Mr Corrie is a farmer and, current owner and breeder of standardbreds.

Mr Corrie is a past Board Member of HRNSW's predecessor, past President of Peak Hill Harness Racing Club and has served in an official capacity for the Club for over forty years.

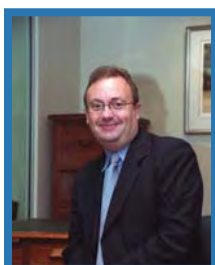


**COL MURRAY** [Age 53]

*Appointed 26 August 2002. Nominated as the TAB Clubs representative.*

Mr Murray is an independent Councillor on the Tamworth Shire Council and the former Managing Director of Murrays Earthmoving Pty Ltd, a major civil construction company based in Tamworth.

Mr Murray has been involved in the industry for over 30 years as a trainer, driver and owner. He has been on the Executive of the Tamworth Harness Racing Club for 26 years, the last 15 as President.



**JOHN PORTER** [Age 40]

*Appointed 16 October 2003 to replace Mr Bruce Boland (resignation) as the industry participants representative.*

Mr Porter, who is a licensed trainer, is a Systems Controller with Brambles, has trained over 200 winners including 80 at Harold Park, and is a past President of the Bulli Harness Racing Club.







# Financial Statements

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# Members' Report

The Members of Harness Racing New South Wales (HRNSW) present their report for the financial year ended 30 June 2005

1. HRNSW is a statutory corporation (entity) constituted under the Harness Racing Act 2002.
2. The Members of HRNSW in office at the date of this report are:  
Brian Paddock - Chairman  
Colin Murray  
John Baker  
Robert Corrie  
John Porter  
Members held office for the year to the date of this report unless otherwise stated.
3. The principal activities of HRNSW during the period included the following functions:
  - registration of harness racing clubs and harness racing associations,
  - initiation, development and implementation of policies considered conducive to the promotion, strategic development and welfare of the harness racing industry in the State,
  - distribution of money received as a result of commercial arrangements required by the Totalizator Act 1997,
  - allocation to harness racing clubs and harness racing associations of the dates on which they may conduct harness racing meetings and harness races, and
  - development and review of policy in relation to the breeding and handicapping of harness racing horses.
4. The surplus for the year amounted to \$88,414 compared with a surplus of \$28,452 for the prior year.
5. The entity was empowered to operate on 3 February 2003. There have been no significant changes in the state of affairs of the entity during the year. The Statement of Financial Performance is for the full twelve months.
6. The entity employed four employees as at 30 June 2005. As at the date of this report the entity had six employees.

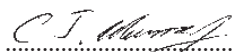


7. There are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect:
  - i) the operation of the entity
  - ii) the results of these operations,
  - iii) the state of affairs of the entity, in future years.
8. In recognising the need for the highest standards of corporate behaviour and account ability, the Members support and have adhered to the principles of good corporate governance.
9. Member emoluments are shown in the attached financial statements.
10. There are no likely developments which will affect the operations of the entity in subsequent years.
11. Neither since the financial year, nor during the financial year, has a Member received or become entitled to receive a benefit by reason of a contract made by the entity or a related body corporate which the Member or with a firm of which the Member is a member, or a company in which the Member is a member, or a company in which the Member has a substantial interest.

Signed in accordance with a resolution of the Members at Bankstown, this 30 September 2005.



Brian Paddock - **Chairman**



Col Murray **Member**

## Members' Declaration

The Members of Harness Racing New South Wales (HRNSW) present their declaration for the financial year ended 30 June 2005

In the opinion of the Members of the entity –

- (a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial performance of the entity for the year ended 30 June 2005,
- (b) the accompanying statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the entity as at 30 June 2005, and
- (c) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due.
- (d) The financial statements have been prepared in accordance with Accounting Standards in Australia.

Signed in accordance with a resolution of the Members at Bankstown, this 30 September 2005.

  
.....

Brian Paddock - **Chairman**

  
.....

Col Murray **Member**



# Auditor's Report

The auditor of Harness Racing New South Wales (HRNSW) presents his report for the financial year ended 30 June 2005

## SCOPE

I have audited the financial report of Harness Racing New South Wales (a statutory corporation constituted under the Harness Racing Act 2002) for the year ended 30 June, 2005, consisting of the statement of financial performance, statement of financial position, statement of cash flows and accompanying notes as set out on pages 39 to 48. The Board Members are responsible for the preparation and presentation of the financial report and the information they contain. I have conducted an independent audit of the financial report in order to express an opinion on it to the Members of the entity.

My audit has been conducted in accordance with the Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia as to present a view which is consistent with my understanding of the corporation's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

## AUDIT OPINION

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia the financial position of Harness Racing New South Wales as at 30 June 2005 and results of its operations and its cash flows for the year then ended.

Signature of Auditor:



30 September 2005

Name of Auditor :

Bruce A McLennan  
Chartered Accountant

Address :

GPO Box 1228  
SYDNEY NSW 2001

# Statement of Financial Performance

for the financial year ended 30 June 2005

	Note	2005 \$	2004 \$
<b>OPERATING INCOME from ordinary activities</b>			
Product Fee	3a	25,438,138	24,173,442
Wagering Incentive Fee	3a	6,866,466	6,230,444
Interest Earned		51,116	48,788
Grants Received - Racecourse Development Fund	3b	—	300,000
Grants Received - Industry Funds	3c	249,500	115,000
NSW Harness Racing Gazette	3d	259,831	157,853
Other Income		74,706	10,363
<b>Total Operating Income from ordinary activities</b>		<b>32,939,757</b>	<b>31,035,890</b>
<b>OPERATING EXPENSES from ordinary activities</b>			
HRNSW Distribution			
to Clubs	4a	26,964,809	25,300,253
to Industry Funds	4b	1,938,276	1,806,741
to Racecourse Development Fund	4c	646,092	602,247
Greyhound & Harness Racing Regulatory Authority	4d	2,019,150	2,087,845
AHRC Membership Levy	4e	59,003	46,464
Employee Salaries and Related Expenses	4f	323,937	168,947
Members Fees	4g	106,010	84,036
Printing & Production Costs - Harness Racing Gazette		205,725	171,531
Postage, Printing & Stationery		50,683	50,613
Travel	4h	89,644	51,323
Consultancy & Contractors		181,778	—
Building Costs		54,358	—
Equipment & Communications Costs		74,741	—
Other Expenses	4i	137,137	637,438
<b>Total Operating Expenses from ordinary activities</b>		<b>32,851,343</b>	<b>31,007,438</b>
<b>OPERATING SURPLUS from ordinary activities</b>		<b>88,414</b>	<b>28,452</b>

The accompanying notes form part of these statements

# Statement of Financial Position

for the financial year ended 30 June 2005

	Note	2005 \$	2004 \$
<b>CURRENT ASSETS</b>			
Cash		281,423	484,475
Receivables	5	8,721,392	8,051,319
Other		1,440	1,440
<b>Total Current Assets</b>		<b>9,004,255</b>	<b>8,537,234</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	6	80,901	9,838
Other Financial Assets		766	766
<b>Total Non-Current Assets</b>		<b>81,667</b>	<b>10,604</b>
<b>TOTAL ASSETS</b>		<b>9,085,922</b>	<b>8,547,838</b>
<b>CURRENT LIABILITIES</b>			
Payables	7	8,815,433	8,379,748
Income Received in Advance	8	19,976	22,144
Provision for Employee Benefits		16,153	—
<b>Total Current Liabilities</b>		<b>8,851,562</b>	<b>8,401,892</b>
<b>NON-CURRENT LIABILITIES</b>			
		—	—
<b>TOTAL LIABILITIES</b>		<b>8,851,562</b>	<b>8,401,892</b>
<b>NET ASSETS</b>		<b>234,360</b>	<b>145,946</b>
<b>EQUITY</b>			
Accumulated Surplus		234,360	145,946
<b>TOTAL EQUITY</b>	10	<b>234,360</b>	<b>145,946</b>

The accompanying notes form part of these statements



# Statement of Cash Flows

for the financial year ended 30 June 2005

	Note	2005 \$	2004 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts - Product Fee & Wagering Incentive Fee		32,305,758	29,572,155
Receipts from Other Operating Income		304,056	168,276
Interest Received		51,807	47,348
Grants Received		249,500	300,000
Receipts from Clubs for Prizemoney Distribution		19,129,981	10,926,620
HRNSW Distribution to Clubs		(26,123,033)	(24,605,448)
HRNSW Distribution to Industry Funds		(2,005,238)	(1,757,775)
HRNSW Distribution to Racecourse Development Fund		(690,958)	(585,612)
GHRRA		(2,244,592)	(2,025,191)
Payment of Prizemoney to Participants		(19,129,981)	(10,926,620)
Payments to Suppliers & Employees		(1,735,667)	(1,595,227)
<b>Net Cash Provided by (Used In) Operating Activities</b>	12	<b>(111,633)</b>	<b>(481,474)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans made from Benevolent Fund		—	(4,153)
<b>Net Cash Used in Financing Activities</b>		<b>—</b>	<b>(4,153)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for Property, Plant & Equipment		(91,419)	(2,500)
<b>Net Cash Used in Investing Activities</b>		<b>(91,419)</b>	<b>(2,500)</b>
<b>Net Increase (Decrease) in Cash Held</b>		<b>(203,052)</b>	<b>(488,127)</b>
<b>Cash at the Beginning of the Year</b>		<b>484,475</b>	<b>934,114</b>
<b>Cash at the End of the Year</b>		<b>281,423</b>	<b>445,987</b>

The accompanying notes form part of these statements

# Notes to the Financial Statements

for the financial year ended 30 June 2005

## 1. THE REPORTING ENTITY

### (a) Harness Racing New South Wales (HRNSW)

HRNSW is incorporated as a statutory body under the Harness Racing Act 2002.

### (b) Benevolent Fund

The Benevolent Fund was set up to assist persons associated with the harness racing industry in New South Wales who are in indigent circumstances and require financial assistance. The assets, liabilities and transactions of the Fund are incorporated into these financial statements.

### (c) Separate Funds

The following funds administered by HRNSW are not incorporated in these financial statements:

- i) Harness Racing Racecourse Development Fund
- ii) Harness Racing Industry Funds

HRNSW prepares and furnishes separate financial statements for these funds in its Annual Report.

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the entity in the preparation of the financial report:

### (a) Income Tax

HRNSW is registered as a not-for-profit organisation with the Australian Taxation Office. Income is not subject to income tax.

### (b) Receivables

The recoverability of receivables is reviewed annually. Bad debts are written off and a provision is established for doubtful debts.

### (c) Property, Plant and Equipment

Property, plant and equipment are measured at cost.

Property, plant and equipment are depreciated on a straight line basis and the depreciation rates are as follows:

Plant and Equipment	10-20%
Telecommunications, computers	33%

**(d) Revaluation of Non-Current Assets**

Non-current assets are revalued every five years or sooner if a revaluation is deemed to be material and may be performed for all the non-current assets or a class of non-current assets.

Non-current assets are not carried at a value above their recoverable amount. In determining recoverable amount, the expected net cash flows are discounted to their present value using a market determined risk adjusted discount rate.

**(e) Loans and Borrowings**

All loans are measured at principal amount. Interest is charged as it accrues.

**(f) Employee Salaries and Related Expenses**

Provision is made for employee entitlement benefits accumulated as a result of an employee service up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

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

**(g) Goods and Services Tax (GST)**

Revenue, expenses and assets are recognised net of GST, except:

- the amount of GST incurred by HRNSW as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

**(h) Cash**

Cash includes cash on hand and at call in deposits with banks or financial institutions and investments in money market instruments maturing within less than two months net of bank overdrafts.

**(i) Comparative Figures**

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

**(j) Adoption of International Financial Reporting Standards**

Adoption of the Australian equivalents to International Financial Reporting Standards (AIFRS) requirements in 2006 will have no impact on the entity's financial statements.

**(k) Events Subsequent to Reporting Date**

There have been no events subsequent to the reporting date that would materially affect these financial statements.



	2005	2004
	\$	\$
<b>3. OPERATING INCOME</b>		
<b>(a) Product Fee &amp; Wagering Incentive Fee</b>		
HRNSW share of the TAB Distribution is paid by NSW Racing Pty Ltd. HRNSW's percentage share is determined by the Intercode Deed. Product fees (daily and quarterly) are based on wagering turnover (all codes) and Wagering Incentive Fees (WIF) paid half yearly are based on wagering profitability (all codes).		
<b>(b) Grants Received - Racecourse Development Fund</b>		
The Racecourse Development Fund grant relates to the development and implementation of the Strategic Plan 2005-2007.	—	300,000
<b>(c) Grants Received - Industry Funds</b>		
Centralised Stakes Payment System	155,000	115,000
Sires Stakes Management Fee	94,500	—
	<u>249,500</u>	<u>115,000</u>
<b>(d) Harness Racing Gazette Income</b>		
Subscriptions	95,060	101,788
Advertising	78,858	26,067
Regulatory Notices	30,000	30,000
Sponsorships & Donations	55,913	—
	<u>259,831</u>	<u>157,855</u>

	2005	2004
	\$	\$
<b>4. OPERATING EXPENSES</b>		
<b>(a) HRNSW Distribution to Clubs</b>		
NSWHRC - Harold Park	11,495,302	10,956,682
NSWHRC - Menangle Park	955,709	921,165
Bankstown	1,059,955	1,332,384
Bathurst	1,805,849	1,221,840
Bulli	1,059,955	1,311,197
Dubbo	383,399	216,334
Fairfield	—	1,424,108
Maitland	88,740	994,460
Newcastle	3,314,399	1,777,609
Parkes	383,399	341,873
Penrith	2,437,057	1,353,569
Tamworth	732,039	395,501
Wagga Wagga	1,452,530	367,579
Young	510,348	209,924
Non-TAB Clubs	1,039,765	2,476,028
Funding related to races not conducted	246,363	—
	<b>26,964,809</b>	<b>25,300,253</b>

**(b) HRNSW Distribution to Industry Funds**

HRNSW is required under the Intracode Agreement to distribute a percentage of its share of the TAB Distribution to Industry Funds for the development and furtherance of the industry in NSW.	1,938,276	1,806,741
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The amount distributed to Industry Funds is equal to 6% (6%) of the HRNSW share of the TAB Distribution.

**(c) HRNSW Distribution to Racecourse Development Fund**

HRNSW is required to distribute a percentage of its share of the TAB Distribution to the Racecourse Development Fund to fund capital projects approved by HRNSW on behalf of the industry.	646,092	602,247
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The amount distributed to the Racecourse Development Fund is 2% (2%) of the HRNSW share of the TAB Distribution.

	2005	2004
	\$	\$
<b>4. OPERATING EXPENSES (continued)</b>		
<b>(d) Greyhound &amp; Harness Racing Regulatory Authority</b>		
The amount paid to the Greyhound & Harness Racing Regulatory Authority (GHRRA) and its predecessor body for provision of regulatory functions and services is determined annually by the Minister for Gaming and Racing.	2,019,150	2,087,845
<b>(e) AHRC Membership Levy</b>		
NSW membership of the Australian Harness Racing Council (AHRC) is shared equally between HRNSW and the GHRRA.	59,003	46,464
<b>(f) Employee Salaries and Related Expenses</b>		
Salaries	294,194	164,492
Superannuation	27,633	2,982
Workers Compensation Insurance and FBT	2,110	1,473
	323,937	168,947
<b>(g) Members Fees</b>		
The Members in office during the financial year were:		
B Paddock - Chairman	48,053	43,600
B Paddock - Acting Chief Executive Officer	10,000	—
J Baker	12,012	10,900
R Corrie	12,012	10,900
C Murray	12,012	10,900
J Porter	11,921	7,736
	106,010	84,036
No Member of HRNSW is a full-time employee and no Member has received a salary.		
The Chairman received an additional fee of \$10,000 for the period during which he acted as the Chief Executive Officer.		
<b>(h) Travel</b>		
Employees	38,163	4,834
Members	51,481	46,489
	89,644	51,323



	Note	2005	2004
		\$	\$
4. OPERATING EXPENSES (continued)			
(i) Other Expenses			
Advertising		8,792	1,300
Audit Fees		15,000	13,000
Bad and Doubtful Debts		5,000	8,264
Bank Charges		18,877	19,686
Computer Software Licence Fees & Processing Charges		27,356	72,843
Depreciation		20,356	3,172
Legal Fees		1,500	62,714
Media & Communications		6,737	—
Other Legal Fees Transferred to Strategic Plan		—	(54,612)
Other Fees Paid or Payable to Auditors		11,422	—
Professional Indemnity Insurance		11,037	10,288
Service Level Agreement with the GHRRA		—	226,008
Strategic Planning Costs		—	246,000
Subscriptions		5,387	6,513
Training		3,860	—
Sundry Expenses		1,813	22,262
		<u>137,137</u>	<u>637,438</u>

## 5. RECEIVABLES

Trade Debtors		815,056	343,679
Provision for Doubtful Debts		(10,888)	(6,000)
NSW Racing Pty Limited (TAB Distribution)		7,682,221	7,681,067
Australian Taxation Office		148,367	—
Benevolent Fund	9	570	2,830
Other Debtors		86,066	29,743
		<u>8,721,392</u>	<u>8,051,319</u>

Trade debtors are non-interest bearing and generally are on thirty day terms. All other current receivables are non-interest bearing and are receivable between seven and ninety days.

	2005	2004
	\$	\$
<b>6. PROPERTY, PLANT &amp; EQUIPMENT</b>		
<b>Plant &amp; Equipment - At Cost</b>		
Balance at the Beginning of the Year	13,990	11,490
Additions	91,419	2,500
Disposals	—	—
Balance at the End of the Year	<u>105,409</u>	<u>13,990</u>
<b>Accumulated Depreciation</b>		
Balance at the Beginning of the Year	4,152	980
Depreciation Expense	20,356	3,172
Balance at the End of the Year	<u>24,508</u>	<u>4,152</u>
Written Down Value at the End of the Year	<u>80,901</u>	<u>9,838</u>
<b>7. PAYABLES</b>		
Debtors Funds collected on behalf of the GHRRRA	—	91,093
Employee Related	1,898	6,825
Group Insurance	—	29,912
Industry Funds - Foals and Sires Fees	—	420
Prizemoney Payments	690,550	111,561
HRNSW Distribution	7,586,782	7,822,129
Other Creditors	536,203	317,808
	<u>8,815,433</u>	<u>8,379,748</u>
<b>8. INCOME RECEIVED IN ADVANCE</b>		
NSW Harness Racing Gazette Subscriptions	19,976	22,144

	2005	2004
	\$	\$
<b>9. BENEVOLENT FUND</b>		
Interest Earned	7,836	7,439
Less Administration Expenses	(6,000)	(6,000)
Operating Surplus	<u>1,836</u>	<u>1,439</u>
Accumulated Surplus - brought forward	190,112	188,673
Accumulated Surplus - carried forward	<u>191,948</u>	<u>190,112</u>
Represented by:		
Cash	309	3,973
Other Financial Assets		
Investments	152,615	144,779
Loans Receivable (Current)	38,488	38,488
Loans Receivable (Non-Current)	766	766
Transferable Funeral Certificates	1,440	1,440
Other Debtors	570	2,830
Liabilities - Current Liabilities - Payables	<u>(2,240)</u>	<u>(2,164)</u>
Net Assets	<u>191,948</u>	<u>190,112</u>

An independent valuation of the six transferable Funeral Service Certificates issued by Pine Grove Memorial Park Limited, based on a fair market value was \$15,000 as at 30 June 2000.

## 10. EQUITY

Accumulated Surplus		
Accumulated Surplus brought forward	145,946	117,494
Surplus for the Year	88,414	28,452
Accumulated Surplus - carried forward	<u>234,360</u>	<u>145,946</u>

## 11. FINANCIAL INSTRUMENTS

### (a) Credit Risk Exposure

The credit risk of the financial assets of HRNSW included in the Statement of Financial Position is the carrying amount (net of any provision for loss) based on the historic cost. The maximum exposure to a single debtor is NSW Racing Pty Limited (TAB Distribution) \$7,681,067 (\$6,766,163).



## 11. FINANCIAL INSTRUMENTS (continued)

## (b) Interest Rate Risk Exposures

Exposures arise from assets bearing variable interest rates. HRNSW's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

	Variable Interest Rate		Fixed Interest Rate		Non Interest Bearing	Total
	Weighted Average Rate	1 Year or Less	1 Year or Less	Over 1 to 5 Years	Over 1 to 5 Years	
As at 30.6.2005	%	\$	\$	\$	\$	\$
<b>Financial Assets</b>						
Cash					85,320	85,320
Other Financial Assets	5.28	169,039				169,039
Trade Debtors					815,056	815,056
Loans Receivable					38,488	38,488
Other Receivables					237,937	237,937
		169,039	—	—	1,176,801	1,345,840
<b>Financial Liabilities</b>						
Creditors					313,787	313,787
Accrued Expenses					58,476	58,476
		—	—	—	372,263	372,263
<b>Net Financial Assets (Liabilities)</b>		169,039	—	—	804,538	973,577

	Variable Interest Rate		Fixed Interest Rate		Non Interest Bearing	Total
	Weighted Average Rate	1 Year or Less	1 Year or Less	Over 1 to 5 Years	Over 1 to 5 Years	
As at 30.6.2004	%	\$	\$	\$	\$	\$
<b>Financial Assets</b>						
Cash	3.75	786,774				786,774
Other Financial Assets	4.70	147,340				147,340
Trade Debtors					22,549	22,549
Loans Receivable					35,102	35,102
Other Receivables					150,733	150,733
		934,114	—	—	208,384	1,142,498
<b>Financial Liabilities</b>						
Creditors					883,915	883,915
Accrued Expenses					124,961	124,961
		—	—	—	1,008,876	1,008,876
<b>Net Financial Assets (Liabilities)</b>		934,114	—	—	(800,492)	133,622

	2005	2004
	\$	\$

## 11. FINANCIAL INSTRUMENTS (continued)

**(c) Net Fair Value of Financial Assets and Liabilities**

The carrying costs of all financial assets and liabilities are net fair value unless stated otherwise.

## 12. STATEMENT OF CASH FLOWS

**Reconciliation of Net Cash Provided By (Used In) Operating Activities to Operating Surplus (Deficit)**

Operating Profit (Deficit)	88,414	28,452
Depreciation	20,356	3,172
Change in Assets and Liabilities		
Decrease (Increase) in Receivables	(670,073)	(7,869,568)
Decrease (Increase) in Prepayments and Other Assets	—	(8,468)
(Decrease) Increase in Creditors	435,685	7,370,872
(Decrease) Increase in Income Received in Advance	(2,168)	(1,823)
(Decrease) Increase in Employee Benefits	16,153	(4,111)
Net Cash Provided By (Used In) Operating Activities	(111,633)	(481,474)

END OF AUDITED FINANCIAL STATEMENTS

# Members' Declaration

The Members of Harness Racing New South Wales (HRNSW) present their declaration for the Harness Racing Industry Funds for the financial year ended 30 June 2005

In the opinion of the Members of the entity –

- (a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial performance of the entity for the financial year ended 30 June 2005,
- (b) the accompanying statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the entity as at 30 June 2005, and
- (c) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due.
- (d) The financial statements have been prepared in accordance with Accounting Standards in Australia.

Signed in accordance with a resolution of the Members at Bankstown, this 30 September 2005.



Brian Paddock - **Chairman**



Col Murray - **Member**



# Auditor's Report

The auditor of Harness Racing New South Wales (HRNSW) presents his report on the Harness Racing Industry Funds for the financial year ended 30 June 2005

## SCOPE

I have audited the financial report of Harness Racing Industry Funds for the year ended 30 June, 2005. Harness Racing New South Wales is responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to Harness Racing New South Wales.

My audit has been conducted in accordance with the Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant estimates.

The audit opinion expressed in this report has been formed on the above basis.

## AUDIT OPINION

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia the financial position of the Harness Racing Industry Funds as at 30 June 2005 and results of its operations and its cash flows for the year then ended.

Signature of Auditor:

  
.....  
30 September 2005

Name of Auditor : Bruce A McLennan  
Chartered Accountant

Address : GPO Box 1228  
SYDNEY NSW 2001

# Statement of Financial Performance

for the financial year ended 30 June 2005

	Note	2005	2004
		\$	\$
<b>OPERATING INCOME from ordinary activities</b>			
HRNSW Distribution	2	1,938,276	1,806,741
Foal and Sire Registration Fees		221,244	219,996
Interest Earned		64,389	54,350
Other Income		—	25,000
<b>Total Operating Income from ordinary activities</b>		<b>2,223,909</b>	<b>2,106,087</b>
<b>OPERATING EXPENSES from ordinary activities</b>			
Prizemoney Subsidies	3a	696,881	825,639
Breeders' Bonus Incentive Certificates	1c	839,895	792,577
Grants and Other Subsidies	3b	338,696	241,302
Management Fee	3c	112,646	92,746
<b>Total Operating Expenses from ordinary activities</b>		<b>1,988,118</b>	<b>1,952,264</b>
<b>OPERATING SURPLUS from ordinary activities</b>		<b>235,791</b>	<b>158,823</b>

The accompanying notes form part of these statements.

HARNESS RACING INDUSTRY FUNDS

# Statement of Financial Position

for the financial year ended 30 June 2005

	Note	2005 \$	2004 \$
<b>CURRENT ASSETS</b>			
Cash		646,791	618,105
Receivables	4	830,653	641,907
<b>Total Current Assets</b>		<b>1,477,444</b>	<b>1,260,012</b>
<b>TOTAL ASSETS</b>			
		<b>1,477,444</b>	<b>1,260,012</b>
<b>CURRENT LIABILITIES</b>			
Income Received in Advance	5	107,200	120,173
Payables		119,905	179,370
Provision for Unredeemed Breeders' Bonus Incentive Certificates	6	687,125	626,917
<b>Total Current Liabilities</b>		<b>914,230</b>	<b>926,460</b>
<b>NON-CURRENT LIABILITIES</b>			
Income Received in Advance	5	163,978	170,107
<b>Total Non-Current Liabilities</b>		<b>163,978</b>	<b>170,107</b>
<b>TOTAL LIABILITIES</b>			
		<b>1,078,208</b>	<b>1,096,567</b>
<b>NET ASSETS</b>			
		<b>399,236</b>	<b>163,445</b>
<b>EQUITY</b>			
Accumulated Surplus	7	399,236	163,445
<b>TOTAL EQUITY</b>		<b>399,236</b>	<b>163,445</b>

The accompanying notes form part of these statements.

# Statement of Cash Flows

for the financial year ended 30 June 2005

	Note	2005 \$	2004 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts			
HRNSW Distribution		1,934,275	1,693,832
Foal and Sire Registration Fees and Other Income		—	198,122
Interest on Investments and Bank Account		65,259	53,282
Payments			
Breeders' Bonus Incentive Certificates Redeemed		(813,695)	(785,168)
Grants Made and Prizemoney Subsidies		(1,044,507)	(1,093,919)
Other		(112,646)	(91,145)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>8</b>	<b>28,686</b>	<b>(24,996)</b>
<b>Net Increase (Decrease) in Cash Held</b>		<b>28,686</b>	<b>(24,996)</b>
<b>Cash at the Beginning of the Year</b>		<b>618,105</b>	<b>643,101</b>
<b>Cash at the End of the Year</b>		<b>646,791</b>	<b>618,105</b>

The accompanying notes form part of these statements.



# Notes to the Financial Statements

for the financial year ended 30 June 2005

## 1. STATEMENT OF ACCOUNTING POLICIES

### (a) Reporting Entity

Harness Racing Industry Funds (HRIF) derives its existence from arrangements put in place by Harness Racing New South Wales (HRNSW) and harness racing clubs for the management and distribution of funds available to the harness racing industry. The relevant Agreements are the NSW Harness Racing TAB Clubs Arrangements dated 26 February 1998 and as amended dated 27 May 1999 and 28 July 2000, and the Intracode Agreement dated July 2004.

The arrangements require separate funds to be maintained under the management of HRNSW in consultation with the NSW Harness Racing Clubs Committee. Consequently these funds do not form part of the HRNSW and therefore are not included in the HRNSW financial statements.

### (b) Basis of Accounting

The Funds' financial statements are a general purpose financial report which has been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards and other mandatory reporting requirements and industry practices to exhibit a true and fair view of the financial position and transactions of HRIF.

### (c) Breeders' Bonus Incentive Certificates

A provision is made for the estimated number of certificates to be redeemed, which appears in the statement of financial position as a current liability.

### (d) Sires' Stakes Registration

HRIF holds funds received from foal and sire registration fees of a particular year. Funds are retained to make available monies to fund the Sires Stakes Series when those foals reach Sires Stakes competition age. The fees received are treated as Income Received in Advance (Note 5) and transferred to income in the years of competition.

## 2. OPERATING INCOME

Funds totalling 6% (6%) of the HRNSW share of the TAB Distribution were provided by HRNSW.

## 3. OPERATING EXPENSES

(a) Prizemoney Subsidies	2005	2004
	\$	\$
Bathurst Gold Crown	40,000	40,000
Country Club Championship	—	44,352
Trotters Foundation Series	38,000	40,384
Mares Bonus Scheme	—	41,782
Nursery Stakes	—	1,500
Saturday Twilight Meetings	—	36,364
Sires Stakes Series (excluding rugs and trophies)	605,245	621,257
Breeders Plate	13,636	—
	696,881	825,639

HARNESS RACING INDUSTRY FUNDS  
Notes to the Financial Statements for the year ended 30 June 2005

	2005	2004
	\$	\$
<b>3. OPERATING EXPENSES (continued)</b>		
<b>(b) Grants &amp; Other Subsidies</b>		
Centralised Stakes Payment System	155,000	115,000
Harness Racing Awards	5,000	5,000
Wagga Wagga HRC Video Fees	40,000	—
Junior Driver Championships	—	1,827
Foal & Sire Registration Subsidies	45,695	—
NSW Mini-Trotting Association	13,303	5,472
Race Club Advisory Service	—	27,000
Racing Research Fund	—	9,826
TAFE Training Courses	—	520
TV Broadcasting for Country Races (Link Costs)	4,945	76,657
Fairfield Training Facility	25,000	—
Maitland Training Facility	49,753	—
	338,696	241,302
<b>(c) Management Fee</b>		
A management fee is paid to HRNSW for the provision of services. Services provided include the costs of rugs and trophies for Sires Stakes Series of \$19,924 (\$26,957). Other expenses incurred were bank charges \$96 (\$190) and audit fees \$1,750 (\$1,750).		
<b>4. RECEIVABLES</b>		
HRNSW Distribution	553,856	580,721
Other	276,797	61,186
	830,653	641,907
<b>5. INCOME RECEIVED IN ADVANCE</b>		
Retained from foal and sire registration fees received in advance		
	107,200	120,173
Current Liabilities	107,200	120,173
Non-Current Liabilities	163,978	170,107
	271,178	290,280

**6. PROVISION FOR UNREDEEMED BREEDERS' BONUS INCENTIVE CERTIFICATES**

A NSW State Bred Incentive Scheme awards certificates with a face value of \$2,000 each which prior to 2005 could be redeemed for cash discounted to the value of \$1,000 within three months of issue or within two years for \$2,000 when used in the purchase of a state-bred foal or payment of a NSW sire service. Each certificate is recognised as an expense of \$2,000 at the date of issue.

**7. ACCUMULATED SURPLUS**

	2005	2004
	\$	\$
Balance at the Beginning of the Year	163,445	9,62
Surplus for the Year	235,791	153,823
Balance at the End of the Year	<u>399,236</u>	<u>163,445</u>

**8. STATEMENT OF CASHFLOWS****Reconciliation of Net Cash Provided By (Used In) Operating Activities to Operating Surplus**

Operating Surplus	235,791	153,823
Changes in Assets and Liabilities		
(Increase) Decrease in Receivables	(188,746)	(136,416)
Increase (Decrease) in Payables	(59,465)	(25,378)
Increase (Decrease) in Unredeemed Bonus Incentive Certificates	60,208	7,410
Increase (Decrease) in Income Received in Advance	(19,102)	(26,485)
Net Cash Provided By (Used In) Operating Activities	<u>28,686</u>	<u>(24,996)</u>

END OF AUDITED FINANCIAL STATEMENTS

# Members' Declaration

The Members of Harness Racing New South Wales (HRNSW) present their declaration for the Harness Racing Racecourse Development Fund for the financial year ended 30 June 2005

In the opinion of the Members of the entity –

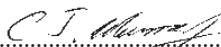
- (a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial performance of the entity for the financial year ended 30 June 2005,
- (b) the accompanying statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the entity as at 30 June 2005, and
- (c) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due.
- (d) The financial statements have been prepared in accordance with Accounting Standards in Australia.

Signed in accordance with a resolution of the Members at Bankstown, this 30 September 2005.



.....

Brian Paddock - **Chairman**



.....

Col Murray - **Member**



# Auditor's Report

The auditor of Harness Racing New South Wales (HRNSW) presents his report on the Harness Racing Racecourse Development Fund for the financial year ended 30 June 2005

## SCOPE

I have audited the financial report of Harness Racing Racecourse Development Fund for the year ended 30 June, 2005. Harness Racing New South Wales is responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to Harness Racing New South Wales.

My audit has been conducted in accordance with the Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant estimates.

The audit opinion expressed in this report has been formed on the above basis.

## AUDIT OPINION

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia the financial position of the Harness Racing Racecourse Development Fund as at 30 June 2005 and results of its operations and its cash flows for the year then ended.

Signature of Auditor:



.....  
30 September 2005

Name of Auditor : Bruce A McLennan  
Chartered Accountant

Address : GPO Box 1228  
SYDNEY NSW 2001

# Statement of Financial Performance

for the financial year ended 30 June 2005

	Note	2005 \$	2004 \$
<b>OPERATING INCOME from ordinary activities</b>			
HRNSW Distribution	2	646,092	602,247
Interest Earned		150,696	151,027
Other Income		6,818	—
<b>Total Operating Income from ordinary activities</b>		<b>803,606</b>	<b>753,274</b>
<b>OPERATING EXPENSES from ordinary activities</b>			
Administration Expenses		1,831	1,815
Grants Made	3	383,698	755,090
<b>Total Operating Expenses from ordinary activities</b>		<b>385,529</b>	<b>756,905</b>
<b>OPERATING SURPLUS (DEFICIT) from ordinary activities</b>		<b>418,077</b>	<b>(3,631)</b>

The accompanying notes form part of these statements

HARNESS RACING RACECOURSE DEVELOPMENT FUND

# Statement of Financial Position

for the financial year ended 30 June 2005

	Note	2005 \$	2004 \$
<b>CURRENT ASSETS</b>			
Cash		1,324,324	1,656,793
Deposits		1,750,000	1,010,000
Loans Receivables	4	230,554	262,629
Other Receivable	5	277,738	276,860
<b>Total Current Assets</b>		<b>3,582,616</b>	<b>3,206,282</b>
<b>NON-CURRENT ASSETS</b>			
Loans Receivable	4	244,759	255,732
<b>Total Non-Current Assets</b>		<b>244,759</b>	<b>255,732</b>
<b>TOTAL ASSETS</b>		<b>3,827,375</b>	<b>3,462,014</b>
<b>CURRENT LIABILITIES</b>			
Payables		34,626	87,342
<b>Total Current Liabilities</b>		<b>34,626</b>	<b>87,342</b>
<b>NET ASSETS</b>		<b>3,792,749</b>	<b>3,374,672</b>
<b>EQUITY</b>			
Accumulated Surplus	8	3,792,749	3,374,672
<b>TOTAL EQUITY</b>		<b>3,792,749</b>	<b>3,374,672</b>

The accompanying notes form part of these statements

HARNESS RACING RACECOURSE DEVELOPMENT FUND

# Statement of Cash Flows

for the financial year ended 30 June 2005

	Note	2005	2004
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts			
HRNSW Distribution		677,626	564,610
Interest on Investments and Bank Account		154,603	145,169
Payments			
Administration Expenses		(1,831)	(1,821)
Grants Made		(449,694)	(677,140)
Other		(16,221)	4,938
<b>Net Cash Provided By (Used In) Operating Activities</b>	9	<b>364,483</b>	<b>35,756</b>
<b>CASH FLOWS FROM LENDING ACTIVITIES</b>			
Loans Repayed - Receipts		54,620	107,595
Loans Converted to Grants		—	109,563
Loans Made (Payments)		(11,572)	—
<b>Net Cash Provided By (Used In) Lending Activities</b>		<b>43,048</b>	<b>217,158</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Deposits		(740,000)	—
<b>Net Cash Provided By (Used In) Investing Activities</b>		<b>(740,000)</b>	<b>—</b>
<b>Net Increase (Decrease) in Cash Held</b>		<b>407,531</b>	<b>252,914</b>
<b>Cash at the Beginning of the Year</b>		<b>2,666,793</b>	<b>2,413,879</b>
<b>Cash at the End of the Year</b>		<b>3,074,324</b>	<b>2,666,793</b>



# Notes to the Financial Statements

for the financial year ended 30 June 2005

## 1. STATEMENT OF ACCOUNTING POLICIES

### (a) Reporting Entity

On 1 July 1998 the NSW Government wound up the predecessor of this fund, the Racecourse Development Committee (RDC) and transferred the assets, agreements and rights of the Committee to the relevant controlling body of the three codes within the racing industry. The Harness Racing Racecourse Development Fund (RDF) was established to take over responsibility for determining and managing the harness racing industry capital development.

Arrangements were put into place by Harness Racing New South Wales (the previous HRNSW) and harness racing clubs for the management and funding of the RDF. The relevant agreements are the NSW Harness Racing TAB Clubs Arrangements dated 26 February 1998 and as amended dated 27 May 1999 and 28 July 2000, and the Intracode Agreement dated July 2004.

The arrangements require separate funds to be maintained under the management of HRNSW in consultation with the NSW Harness Racing Clubs Committee. Consequently, these funds do not form part of HRNSW and therefore are not included in the HRNSW financial statements.

### (b) Basis of Accounting

The Fund's financial statements are a general purpose financial report which has been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards and other mandatory reporting requirements and industry practices to exhibit a true and fair view of the financial position and transactions of the RDF.

### (c) Grants

The RDF provides financial assistance by means of 'Interest Free Interminable Loans'. These advances are, in effect, a conditional grant. The loans are interest free and interminable and will not be subject to repayment unless:

(a) The club/association carries out its activities in such a manner as to jeopardise its financial position, or;

(b) The club/association disposes of freehold property on which the improvements (the subject of the financial assistance) are located.

The RDF also provides financial assistance by means of repayable loans (see Note 4) and grants.

## 2. OPERATING INCOME

Funds totalling 2% (2%) of the TAB distribution were provided by HRNSW.

## 3. OPERATING EXPENSES

	2005	2004
	\$	\$
<b>Grants Made</b>		
Grants	383,698	411,351
Interest Free Interminable Loans	—	343,739
	383,698	755,090

HARNESS RACING RACECOURSE DEVELOPMENT FUND  
Notes to the Financial Statements for the year ended 30 June 2005

	2005	2004
	\$	\$
<b>4. LOANS RECEIVABLE</b>		
Balance at the Beginning of the Year	518,361	735,519
Loans Made During the Year	11,572	—
Loans Converted to Grants	—	(109,563)
Loans Repaid During the Year	(54,620)	(107,595)
Balance at the End of the Year	<u>475,313</u>	<u>518,361</u>
Balance Owing Due Within One Year	230,554	262,629
Balance Owing Due Longer than One Year	244,759	255,732
	<u>475,313</u>	<u>518,361</u>
<b>5. OTHER RECEIVABLES</b>		
HRNSW Distribution	195,040	193,574
Interest Accrued on Bank and Investments	38,754	52,153
Other	43,944	31,133
	<u>277,738</u>	<u>276,860</u>
<b>6. CONTINGENT LIABILITIES &amp; COMMITMENTS FOR EXPENDITURE</b>		
Grants, Interest Free Interminable Loans and Repayable Loans approved but not disbursed	165,762	638,724
The RDF is aware of a claim by the GHRRA for additional funding in respect of 2004/05 however the amount of this funding has not yet been determined by the Minister.		
There are no other contingent liabilities.		
<b>7. CONTINGENT ASSETS</b>		
Carried Forward from Previous Year	49,799,824	49,456,085
IFIL made between 1 July 2004 and 30 June 2005	—	343,739
	<u>49,799,824</u>	<u>49,799,824</u>
The RDF and its predecessor have made Interest Free Interminable Loans (IFIL). These loans are not repayable except in the exceptional circumstances as described in Note 1(c). The loans subject to this condition as at 30 June 2005 amount to \$49,799,824		
The balance carried forward includes contingent assets of \$39,512,799 transferred from the TAB Racecourse Development Fund in respect to IFIL made 1 November 1971 to 30 June 1998.		
<b>8. ACCUMULATED SURPLUS</b>		
Balance at the Beginning of the Year	3,374,672	3,378,303
Surplus (Deficit) for the Year	418,077	(3,631)
Balance at the End of the Year	<u>3,792,749</u>	<u>3,374,672</u>

HARNESS RACING RACECOURSE DEVELOPMENT FUND  
Notes to the Financial Statements for the year ended 30 June 2005

9.	STATEMENT OF CASH FLOWS	2005	2004
		\$	\$

**Reconciliation of Net Cash Provided By (Used In) Operating Activities to Operating Surplus (Deficit)**

Operating Surplus (Deficit)	418,077	(3,631)
Changes in Assets and Liabilities		
(Increase) Decrease in Receivables	(878)	(38,556)
Increase (Decrease) in Payables	(52,716)	77,943
Net Cash Provided By (Used In) Operating Activities	364,483	35,756

10. FINANCIAL ASSISTANCE PAYMENTS & COMMITMENTS OUTSTANDING

Club	Project	Commitment B/Forward from 30/6/2004 \$	Funding Approved 2004/05 \$	Payments Made 2004/05 \$	Commitment Remaining 30/6/2005 \$
Bulli	Air-conditioning and electrical repairs	48,000	—	11,571	30,429
Fairfield	Mobile barrier registration	—	2,649	2,649	—
Newcastle	Equipment shed and water tank	—	19,340	19,340	—
NSWHRC	Menangle Feasibility Study	25,000	—	9,631	15,369
NSWHRC	Replacement mobile barrier	—	124,018	67,036	56,982
Penrith	Replacement mobile barrier	—	124,018	67,036	56,982
Penrith	Contribution towards air-conditioning system	—	54,546	54,546	—
Wagga	Office fit-out, printer, photo-copier and fax	—	9,100	9,100	—
Young	Construction of judge's tower	48,000	—	11,571	36,429
		80,206	333,671	248,115	165,762

**Assistance for projects \$50,000 and over**

3 Projects	Interest Free Interminable Loans	—	—	—	—
	Grants	—	302,582	188,618	113,964

**Assistance for projects under \$50,000**

6 Projects	Interest Free Interminable Loans	48,000	—	11,571	36,429
	Grants	32,206	31,089	47,926	15,369

<b>Assistance all projects</b>		80,206	333,671	248,115	165,762
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END OF AUDITED FINANCIAL STATEMENTS

# Notes



# Notes

