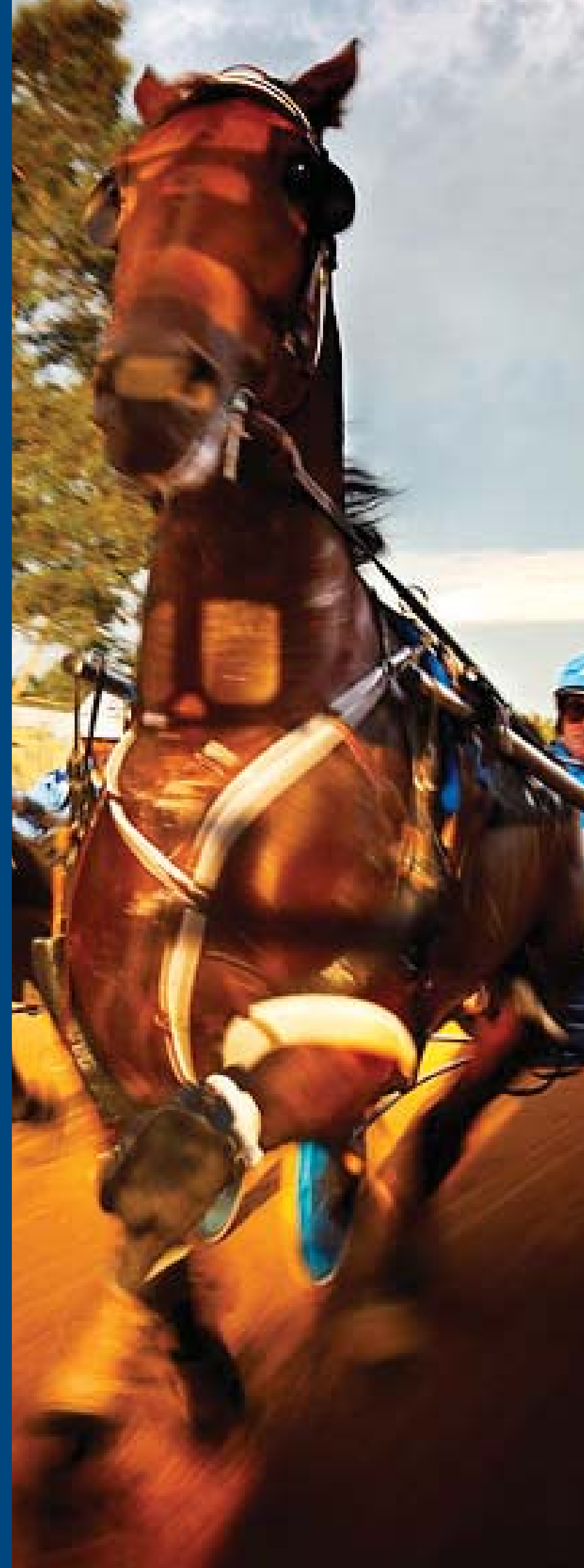


06

 HRNSW  
annual report



 HRNSW  
Harness Racing NSW

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From the back of the mobile, you can appreciate the sheer speed and adrenaline rush.



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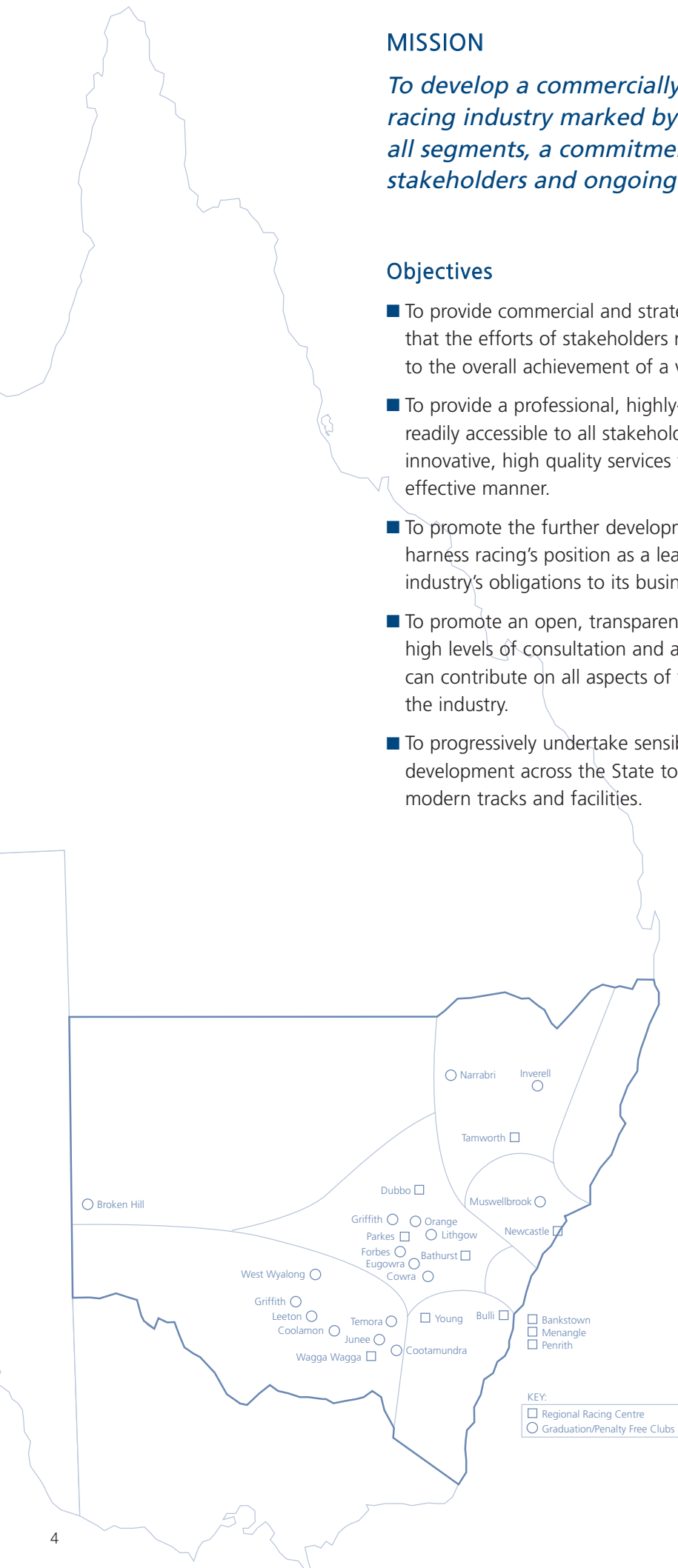
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## MISSION

*To develop a commercially sustainable and vigorous harness racing industry marked by high participation rates across all segments, a commitment to maximise returns to stakeholders and ongoing growth in wagering turnover.*

## Objectives

- To provide commercial and strategic leadership to the industry to ensure that the efforts of stakeholders realise maximum benefits that contribute to the overall achievement of a vibrant and sustainable industry.
- To provide a professional, highly-motivated and responsive administration readily accessible to all stakeholders which is focused on delivering innovative, high quality services to the industry in an efficient and cost-effective manner.
- To promote the further development of racing product that maintains harness racing's position as a leading racing code as well as meeting the industry's obligations to its business partners.
- To promote an open, transparent industry environment marked by high levels of consultation and accessibility in which all stakeholders can contribute on all aspects of the governance and development of the industry.
- To progressively undertake sensible, commercially-justifiable infrastructure development across the State to ensure that stakeholders have access to modern tracks and facilities.



*'I lead, I win'  
famous quote of  
many drivers*



## Chairman's Message

**As at 30 June 2006, the new Board of HRNSW has been in place for six months. I am pleased to report that during this brief time HRNSW has achieved a number of important objectives and has set the stage for further dynamic growth in the forthcoming year.**

In addition to myself there are three new members on the Board, and our initial focus was on establishing a financial framework that would enable the industry to regain ground lost as a result of the TVN dispute, as well as facilitate the introduction of initiatives to reinvigorate the industry.

The Operating Budget delivered in early 2006 combined a conservative approach to club funding based on an assumption of a gradual recovery in the TAB Distribution with aggressive internal cost savings.

In conjunction with the establishment of minimum prizemoney levels, the budget provided an opportunity for increased returns to participants as well as the introduction of the Carnival of Cups concept which aimed to inject additional funding to country racing.

Further to this, the Board embarked on a comprehensive review of breeding schemes based on the understanding that a fresh approach was needed to provide the basis for the long-term sustainability and growth of the breeding industry in NSW.

Following consultation with the industry, the Board has put in place revised terms and conditions for the Sires Stakes and Statebred Breeders Bonus Schemes and introduced the Breeders Challenge Scheme. The Board recognises that the changes to the breeding schemes have not met with universal support and consequently in proceeding with implementation the Board built-in a review process to commence in February-March 2007 that will enable fine-tuning to occur depending on levels of industry acceptance.

The Board is also in the process of establishing various sub-committees with participants to be

drawn from all segments of the industry to examine all aspects of harness racing with the aim of ensuring that our policies and procedures reflect the modern environment and provide participants with greater and fairer opportunities to engage in our sport.

It is also fair to state that lingering disputes and disquiet have been addressed by the new Board and that HRNSW's relationship with all of its stakeholders has improved significantly and is progressing on a more fruitful and mutually beneficial basis.

The Board's determination to ensure that it engages in broad consultation with stakeholders as part of its decision-making process and increased visibility has been instrumental in the improvement in the relationship between HRNSW and participants, and will be continued going forwards.

The operational arm of the organisation – that is, HRNSW's management and staff – has been provided greater flexibility and freedom to pursue objectives within broad strategic parameters established by the Board.

In this respect there are several operational initiatives and innovations currently underway aimed at improving the quality of services provided to the industry as well as delivering further savings with the overall objective of maintaining HRNSW's position as the most cost-effective administrative body of its size nationally.

After six months in place, the Board is acutely aware that a great deal can and needs to be done to instil greater confidence in the industry both for now and its future.

The Board intends to work closely with the Minister for Gaming and Racing to seek greater benefits for harness racing and the racing industry in general through legislation that protects and promotes our interests.

HRNSW also intends, in association with our key business partners such as Tabcorp and Sky Channel, to work cooperatively to increase turnover, improve the quality and broadcast of our product, and more aggressively promote harness racing to the broader community.

The new members on the Board have brought fresh perspective and ideas to HRNSW, that during the remainder of the Board's term of office will manifest themselves in initiatives aimed at providing the best possible returns to participants while building the basis for a sustainable future.

As we move forwards towards these and our other objectives as contained in our mission statement, we look to the industry for its support and involvement in revitalising harness racing in NSW.

For assistance during the year just ended, on behalf of the Board I would like to thank the Minister for Gaming and Racing, the Hon Grant McBride MP, and the officers of his department for the considerable assistance and cooperation provided to HRNSW.

I would also like to extend our thanks to the former Director-General of the Department of Gaming and Racing, Mr Ken Brown AM, who retired from the NSW Public Service earlier this year. Mr Brown's significant contributions to the racing industry in general, and harness racing in particular, are much appreciated.

Recognition and thanks are also due to HRNSW's Chief Executive, Max Pool, and his staff for their consistently professional efforts, achievements and focus on effectiveness throughout the year.

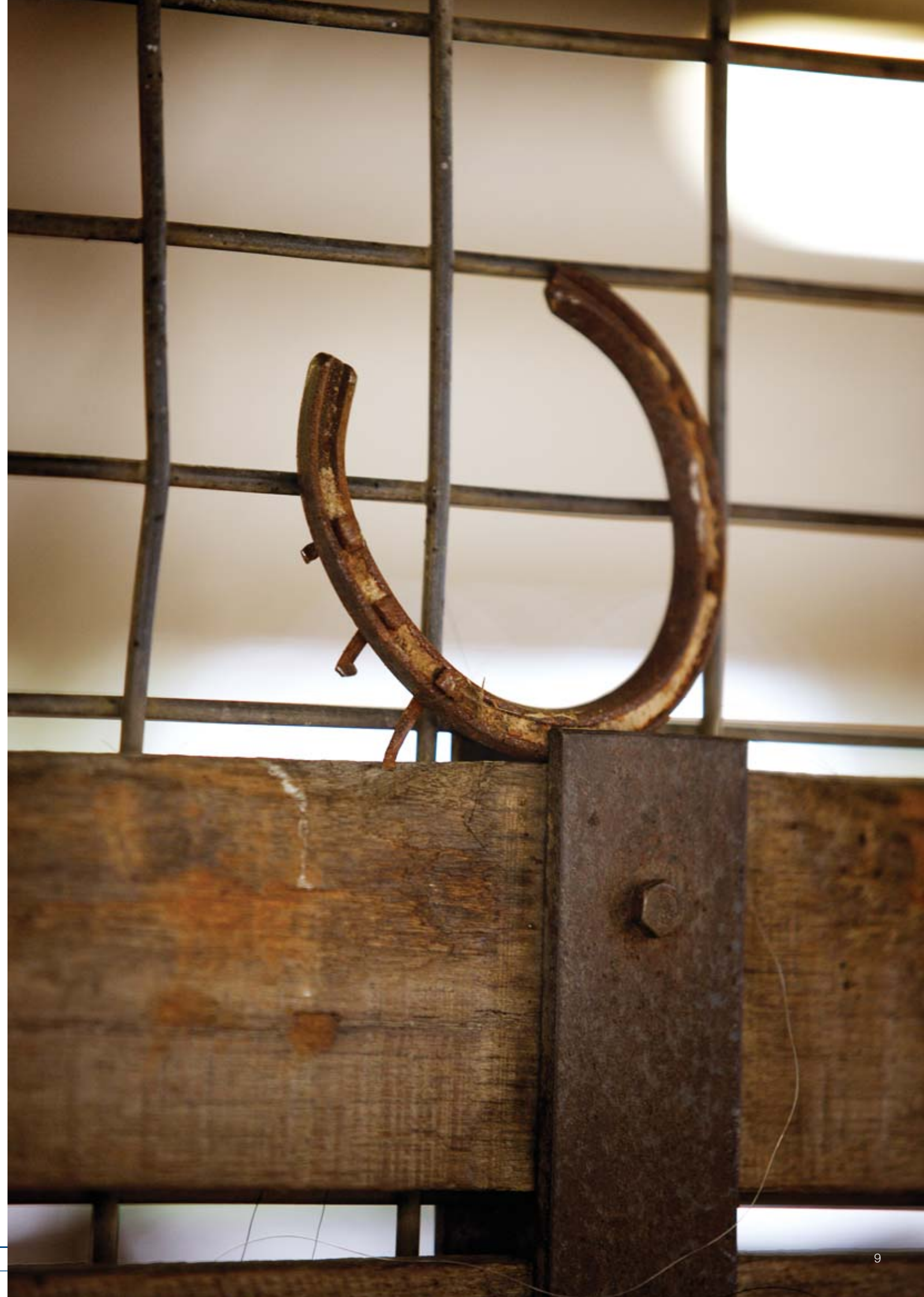
The Board and I acknowledge the efforts of the foundation Board of HRNSW, which during its three years in office oversaw the establishment of HRNSW as an entity, the separation of commercial and regulatory functions, and put in place the various agreements under which the industry is currently governed.

Finally, I extend my thanks to Allan Briggs, Robert Corrie, Rex Horne and Rob Nalder who individually and collectively have contributed many hours in a welcome spirit of common endeavour and cooperation towards providing the industry with strategic and commercial leadership in keeping with the Board's brief.



Graeme Campbell – Chairman

**[We look to the industry for its support and involvement in revitalizing harness racing in NSW]**





## Chief Executive's Report

**FY2005/06 was another year of challenge and change for HRNSW and the harness racing industry.**

### Overview

The benefits arising from the implementation of the Strategic Plan, benefits which had resulted in some stabilisation of long term declines in participation rates, were compromised by reduced funding arising from the TVN dispute and the impact of the worsening drought.

As a consequence, the industry continued to contract and while HRNSW provided emergency supplementary funding to clubs from reserves to maintain original published prizemoney levels, the focus clearly switched from anticipated growth to minimisation of negative impacts and development of initiatives that would fuel a recovery to a pre-TVN position.

In this respect, HRNSW's overall thrust in 2006 was to lead a recovery of the industry's prospects for a commercially viable and sustainable future. This general principle will continue through to subsequent years.

A major change occurred in February 2006 when the Foundation Board ended its term of office and was duly replaced by a new Board selected by the industry, and an independent Chairman selected through an open recruitment exercise.

While the focus of the Foundation Board was on restructuring the industry through the Strategic Plan, a task that was successfully completed with the implementation of the Regional Racing Centre structure and negotiation of a new Intracode Agreement, in its first six months in office the new Board established an initial reform agenda primarily targeted at racing and breeding activities.

In essence, the Board's general strategic and commercial direction is to lead a recovery through improvement in product and the way in which it is perceived and delivered while ensuring that industry cost structures, in particular those associated with administration, are further reduced.

Accordingly, HRNSW devised and implemented the well-received Carnival of Cups Series, which was funded primarily through internal cost savings, as a means of injecting substantial prizemoney into primarily country racing.

Further to this, HRNSW undertook a major revision of the breeding schemes currently in place with an aim to revitalising this aspect of the industry which has not received any great attention from administrators in the recent past.

Given the short time in which the new Board has been in office, a range of other initiatives and strategies concerning handicapping, race field selection and other aspects directly related to racing and racing product remain in their initial stages with implementation set to occur after July 2006.

Therefore while 2006 was a mixed year for HRNSW during which the changeover of the Board and continuation of the TVN issue driven downturn were the highlights, the drive and innovation of the new Board and resolution of the TVN issue provide reason to be optimistic for a better outlook for 2007.

### Industry Funding

The NSW Racing Industry (thoroughbreds, harness and greyhounds) received \$215m in fees from Tabcorp in FY2006 – a decrease of \$7m on the previous year.

Turnover on harness racing for FY2006 was \$220.5m, a decrease of \$17.2m compared to FY2005.

Offcourse turnover for the year decreased by 7.6% to \$204.4m with oncourse turnover, which amounted to \$17M in FY2005, decreasing by 5.3% to \$16.1m.

The total amount provided to the harness racing industry under the terms of the Intercode Deed, which governs the allocation of funds from Tabcorp to the three racing codes, decreased by \$1m to \$31.3m.

In accordance with the Harness Racing Act 2002 and Intracode Agreement, \$2.5m was deducted from the total amount received by harness racing as funding for the Racecourse Development Fund (\$622,578) and Industry Funds (\$1.889m).

A further \$2.035m was deducted to fund the operating costs of the Greyhound and Harness Racing Regulatory Authority (GHRRA) as determined by the Minister for Gaming and Racing on approval of the GHRRA annual budget.

The HRNSW operating budget for FY2006 was \$765,495 funded from the TAB Distribution.

HRNSW's performance to budget was positive and HRNSW ended the year with a surplus of \$323,870 compared to a surplus of \$88,414 in FY2005.

Total funds distributed to harness racing clubs in FY2006 after the above deductions was \$26m.

Gross prizemoney paid decreased by 2.8% to \$21.2m through a continuation of the policy introduced in the Strategic Plan, which set benchmarks for prizemoney paid and club overhead as proportions of industry funding received by clubs.

As a result of anticipated shortfalls in revenue arising from the TVN dispute, HRNSW provided supplementary funding to clubs of \$1.02m from the Racecourse Development Fund in order to maintain published prizemoney levels.

The supplementary funding is to be recovered to the RDF in future years, depending on the rate at which industry funding returns to normal levels.

The success of the conservative approach to industry budgeting adopted by HRNSW is to be continued with contingency set aside during the budget preparation process to accommodate unforeseen developments. In keeping with the Intracode Agreement contingency amounts that have not been used are released to clubs at the end of the financial year.

### Racecourse Development Fund

The revised policy and procedures introduced in FY2005 for the consideration of applications for funding from the RDF have delivered on their objective of improving the transparency and fairness of the process.

Under the revised policy and procedures all applications from clubs are forwarded to the Harness Racing Clubs Committee, comprised of club representatives, for review and recommendation prior to consideration for final approval by the HRNSW Board.

The number and value of applications for financial assistance from the RDF that were approved during FY2006 increased following the changeover of the Board which has adopted a more aggressive approach to use of the RDF.

The majority of grants approved continued to be for replacement plant and equipment though in this respect, given a substantial increase of applications for this type of expenditure, HRNSW is in the process of determining a prioritised list for future action encompassing all clubs.

HRNSW is planning to embark on a series of major tracks and facilities renovations and construction to commence in 2007 following the Board's decision to set a minimum track size of 1,000m as the standard for primary tracks in NSW.

Studies as to the appropriate size of enlarged tracks and key design features for primary centres were commenced in 2006 as a precursor to HRNSW's development of a capital expenditure plan which will allocate RDF funding to assist clubs improve their racing facilities.

In recognition of the need for more modern equipment in country NSW, HRNSW acquired a mobile semaphore board to be based in the country which will be shared by all country clubs.

The success of this acquisition has led to requests for the purchase of a second mobile semaphore to minimise pressures arising on its use as a result of the large distances between country clubs.

No provision has been made to increase the percentage of the TAB Distribution (2%) set aside to fund the RDF, however, HRNSW may seek to temporarily adjust this following consultation with clubs and consideration of future years' Distribution to better accommodate planned track upgrades.

### Industry Funds

A total of \$2.4m 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 Sires Stakes Series.

As has occurred in previous years, other significant payments made were for the operation of the Centralised Stakes Payment System, and link and bearer costs for broadcast of country racing.

Following close examination by the Board of activities funded from the Industry Fund, approximately \$250,000 in savings was identified which was subsequently redirected towards the funding of the Carnival of Cups Series.

No provision has been made to increase the percentage of the TAB Distribution (6%) set aside to fund the Industry Funds especially in light of HRNSW operational plans to generate further savings through cost efficiencies applied to Industry Fund supported activities.

### 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.

One application was received in FY2006 for assistance from the Benevolent Fund which is yet to be decided on.

### NSW Racing (Racingcorp)

HRNSW is a founding member of NSW Racing Pty Ltd (Racingcorp) along with RacingNSW (thoroughbreds) and GRNSW (greyhounds).

Racingcorp is a company formed by the three racing

codes to act as an agent in dealings with Government and Tabcorp on matters pertaining to the Racing Distribution Agreement (RDA) and Intercode Deed.

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 twelve Directors of whom six are nominated by the thoroughbred code, two are nominated by harness racing and two by greyhound racing.

HRNSW Directors on the Racingcorp Board are Graeme Campbell, Chairman of HRNSW (replacing Brian Paddock after February 2006), Ray Sharman, Director of the NSWHRRC (replacing Tony McGrath who stepped down during 2006) and Max Pool, Chief Executive of HRNSW.

The Chief Executives of the three codes, who originally attended meetings as observers, were made Directors by unanimous resolution of the Racingcorp Board when the Board's size was increased from eight to twelve during 2006.

During the year the Racingcorp Board was heavily involved in promoting the benefits of the introduction of merged pools following the takeover of TAB Limited by Tabcorp, providing advice and support to the NSW Government in relation to legislation aimed at protecting race field information and negotiation of new agreements with the print media for coverage of racing.

### 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 Racing Distribution Agreement for the purpose of enabling regular, formalised consultation between the racing industry and Tabcorp.

Graeme Campbell, 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, provides advice and direction in setting the NSW Racing Programme to the Racing Product Committee.

**[The new board primarily targets racing and breeding activities]**



HRNSW is entitled to appoint two representatives to the Racing Product Supply Advisory Committee which is expected to resume scheduled meetings during the course of 2007.

### 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, are to discuss issues of concern or interest in relation to the supply of racing programme, racing information, TAB coverage and operational activities contemplated by the RDA.

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

### Australian Harness Racing Council

HRNSW and the GHARRA have joint membership of the Australian Harness Racing Council (AHRC) with the GHARRA having carriage of regulatory matters and HRNSW all other matters connected to racing.

HRNSW representatives attended meetings of the AHRC in Hobart and Brisbane during 2006 at which the primary issues addressed by HRNSW included cancellation of bets policy and proposed changes to handicapping policy.

### Interdominion Harness Racing Council

HRNSW and the GHARRA have joint membership of the Interdominion Harness Racing Council (IDHRC) with the GHARRA having carriage of regulatory matters and HRNSW all other matters connected to racing.

HRNSW representatives attended meetings of the IDHRC in Hobart and Brisbane during 2006 at which the primary issue under consideration was proposed changes to the format and structure of future Interdominion Series.

### Racing Training NSW

Industry training issues are a GHARRA responsibility however HRNSW provides representation on Racing Training NSW established by the three codes to oversee the management of industry training and provision of TAFE courses.

Considerable attention was devoted to a reorganisation of Racing Training NSW during 2006 and revision of the organisation's constitution in response to proposed changes requested by RacingNSW (thoroughbreds).

HRNSW intends to pursue industry training matters more vigorously through Racing Training NSW subject to consultation with interested industry parties and observers who have approached HRNSW seeking re-examination of key industry training activities.

### Betting Exchanges

Prohibition of betting exchanges remains a stumbling block despite the application of influence and pressure at the national and local levels.

The passage of Race Fields legislation by the NSW Government provides a welcome level of protection to the industry, however, in itself it does not prohibit the operation of betting exchanges.

HRNSW's position in the past, which has been to ban the operation of betting exchanges, is under review following a change in Tabcorp's view of the situation and the possibility of obtaining information from betting exchanges that will enable the GHARRA to more closely monitor their operation.

For the moment HRNSW is reconsidering its approach to the betting exchange issue on purely commercial grounds while maintaining dialogue and providing support to the GHARRA in its endeavours to come to terms with Betfair on access to betting information.

### Cancellation of Bets

The cancellation of bets issue has finally been resolved with the AHRC to provide a recommendation to Tabcorp that the policy previously in place (ie. betting closes on the green light) to be reapplied.

The matter has been the subject of considerable investigation and debate at the AHRC with the aim, as sponsored by HRNSW, of developing a national solution to the problem.

As a result of the investigation, all members AHRC with the exception of the GHARRA, supported a return to the policy that was in place prior to FY2005 as the evidence collected confirmed relatively few instances where bets were being cancelled inappropriately.

### Insurance

HRNSW continued its efforts to seek reductions in insurance premiums for clubs and participants as well as exploration of alternatives to streamline administrative processing.

With the assistance of the AHRC, a further reduction in public liability insurance premiums of around 25% has been obtained which will flow through all clubs in NSW.

HRNSW is also engaged in discussions with clubs and industry groups, such as the United Harness Racing Association and Harness Racing Industry Participants Advisory Committee (HRIPAC), to re-evaluate options for Workers Compensation Insurance.

In 2006 HRNSW joined the national personal accident insurance scheme which provided participants with minor savings in premium and major benefits in the level of coverage compared to the previous scheme.

HRNSW intends to re-examine the real and potential benefits offered by the national personal accident insurance scheme compared to renewed interest from NSW insurers for provision of a local solution with the aim being to obtain the best possible cover at the lowest possible cost.

### 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.

During 2006 the Minister for Gaming and Racing supported HRNSW's argument that RISE was a commercial enterprise that therefore fell under the jurisdiction and hence ownership of HRNSW.

Having had this issue clarified by the Minister, HRNSW engaged in commercial negotiations with HRV to sell the NSW interest in RISE to HRV.

HRNSW's intentions in regard the sale of RISE are to realise a financial benefit to the NSW industry while obtaining necessary long-term protections in relation to the supply and use of HaRVEY by NSW controlling bodies.

It is anticipated that the negotiations will be successfully concluded by early 2007.

### NSW Harness Racing Gazette

With the commencement of the new Board Gazette, a comprehensive review of the role and format of the Gazette was undertaken.

Advertising policy was previously restricted to harness racing businesses has been revised to enable a broader range of advertisers to be approached as part of a far-reaching revision that is aimed at turning the Gazette into a revenue-generating publication.

As a result of the review, HRNSW will be relaunching a new look and new format Gazette early in 2007 that will continue to meet the needs of participants for racing information while offering a greater range of articles to inform, educate and entertain subscribers.

The forthcoming changes to the Gazette will also lower production costs by around 25% which in turn will return savings of \$30,000 per annum to the

industry for redirection to racing activities.

### Industry Participants Advisory Committee

The long-delayed establishment of the Harness Racing Industry Participants Advisory Committee (HRIPAC) occurred during 2006.

HRNSW has had one meeting with HRIPAC to establish the basis for a sound relationship between the two bodies on the consultation and advisory process going forwards.

### Accredited Industry Bodies

During 2006 further attention was devoted to the establishment of accredited industry bodies capable of providing HRNSW with a channel to the industry and vice versa.

In this respect HRNSW accredited the United Harness Racing Association as an official industry body and has established a strong and amicable working relationship that has already paid dividends in terms of providing access to participant concerns and feedback.

HRNSW's intentions are to promote the establishment of additional industry bodies on either an occupational or regional basis to further develop channels of communication between the Controlling Body and participants in NSW.

### Handicapping and Programming Policy

No major changes were made to handicapping and programming policy during 2006, however, in recognition of a need for both handicapping and programming to be reviewed, HRNSW is in the process of establishing sub-committees to undertake this important task.

In keeping with HRNSW policy for broad based consultation, the composition of these committees will reflect the structure of the industry and will include representatives from the GHRRA, clubs and participant bodies.

### Breeding Industry

The breeding industry was the subject of major considerations by HRNSW during 2006 aimed at providing increased opportunity and wider participation.

Initial research by HRNSW resulted in draft terms

and conditions affecting the Sires Stakes and Statebred Breeders Bonus Scheme as well as the introduction of the mares-based Breeders Challenge Series.

HRNSW sought submissions from the industry on the draft terms and conditions as well as engaging in face-to-face consultation which resulted in several amendments to the proposed terms and conditions.

While marking a major departure from the status quo, it is HRNSW's belief, supported by a large part of the industry, that the revised breeding schemes will set the groundwork for a revitalisation of the breeding industry in NSW while bringing fees and charges into closer line with those charged in other States.

HRNSW has given an undertaking to continuously review the implementation and take-up rates associated with the revised breeding schemes, and may make further adjustments during 2007 according to results achieved.

### Outlook

2006 was in many ways a watershed year for HRNSW.

The resolution of the TVN dispute was warmly welcomed and provided a basis for optimism that funding would in future years recover and demonstrate growth.

The change to the HRNSW Board midway through the year and the injection of new ideas and approaches has also provided impetus for a more positive outlook given the issues to be addressed by the industry.

HRNSW's view going forwards is that while there are many external factors beyond our control that have the potential to adversely affect the industry, we must collectively focus on improving the things that we do have control over to drive a product-led recovery of harness racing.

Innovation, the appropriate introduction of new technology, a reduction in administrative costs and the adoption of a 'can-do' mentality will be the keys to building turnover, attendances and faith in the future of the sport.

At HRNSW our commitment in this respect is to protect and develop our racing product and supporting infrastructure while continuing HRNSW's longstanding focus on aggressively attacking administrative cost structures and more efficiently managing our revenue to improve results.

In consultation with the clubs we will look to increase

our promotions and marketing investment to bring harness racing to a larger audience with the increases to be offset against further savings due from the amalgamation of the greyhound and harness racing regulatory bodies.

We are also going to apply innovative technology to our core business to differentiate ourselves, offer improved services to our customers and obtain cost efficiencies in the process.

We know that we cannot cost-cut our way to a product-led recovery so we intend to address our concerns with the industry's cost structure in ways that protect our key racing programs.

At every level across all HRNSW operations we will review and re-evaluate our aims and operational practices to ensure relevance, efficiency and cost-effectiveness, while at the strategic level we will focus on providing the ideas and leadership to bring about a recovery and transition to sustained growth.

When we look back over the past decade it becomes clear that as an industry we have learned to survive difficult circumstances. We now need to take the lessons learned and apply them to bouncing back by keeping a focus on looking forward and moving forward.



signature

Max Pool – Chief Executive

**[We must collectively focus on improving the things we do have control over]**

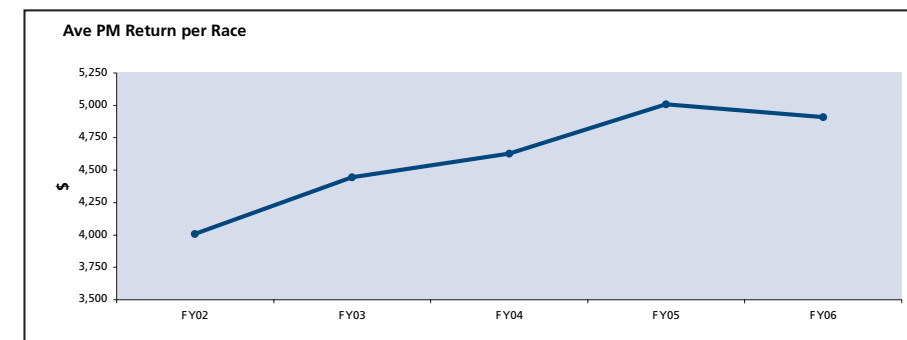
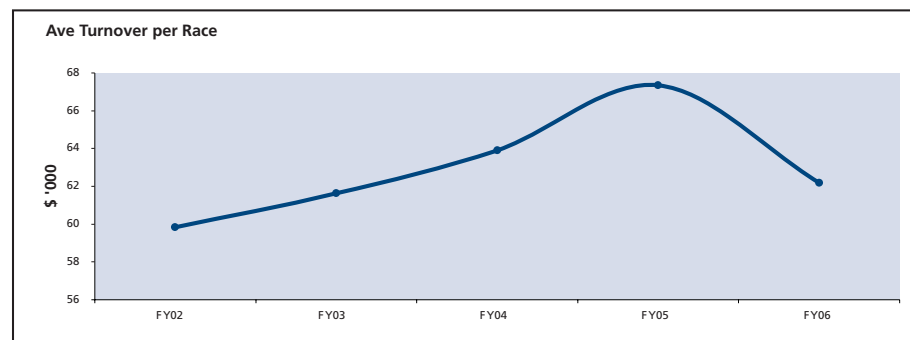
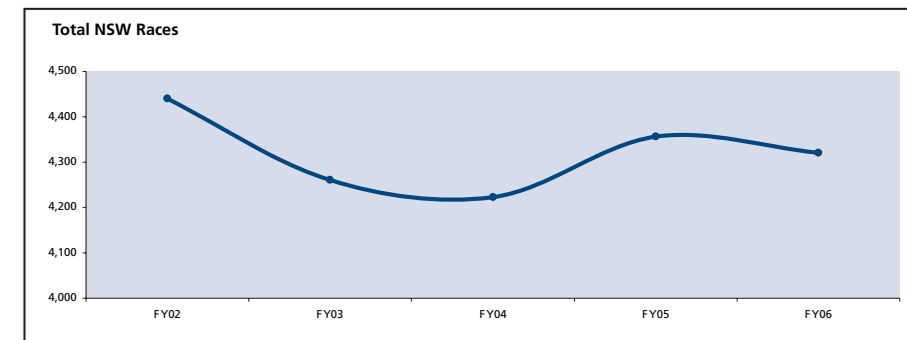
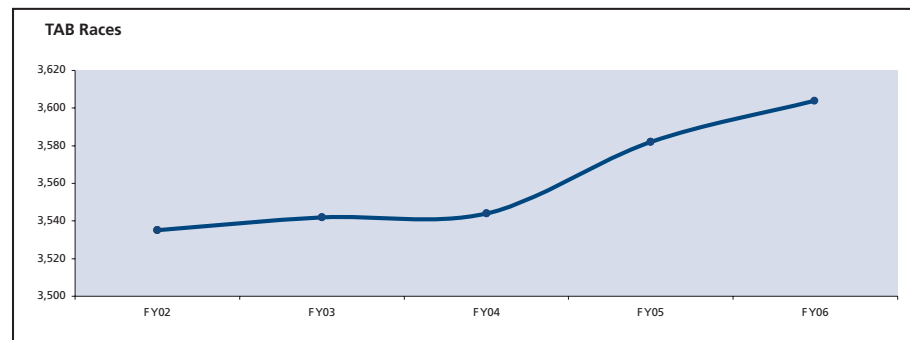
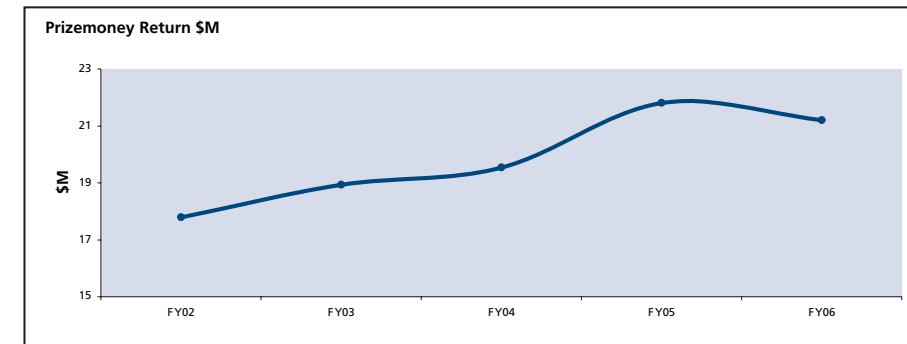
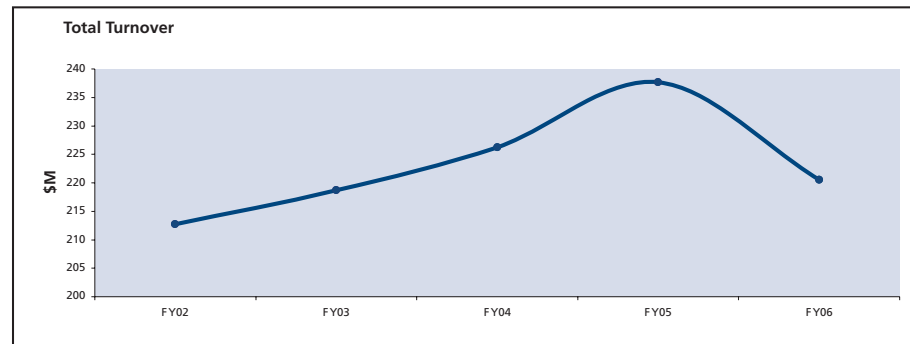
# HRNSW Graphs

Turnover			
	Total	Races*	Ave
FY02	212,749,313	3,535	60,184
FY03	218,709,674	3,542	61,748
FY04	226,249,625	3,544	63,840
FY05	237,705,072	3,582	66,361
FY06	220,501,017	3,604	61,182

\*Processed races with the TAB

Prizemoney			
	P/M	Races*	Ave
FY02	17,792,414	4,440	4,007
FY03	18,938,807	4,261	4,445
FY04	19,541,420	4,223	4,627
FY05	21,806,050	4,356	5,006
FY06	21,205,451	4,321	4,908

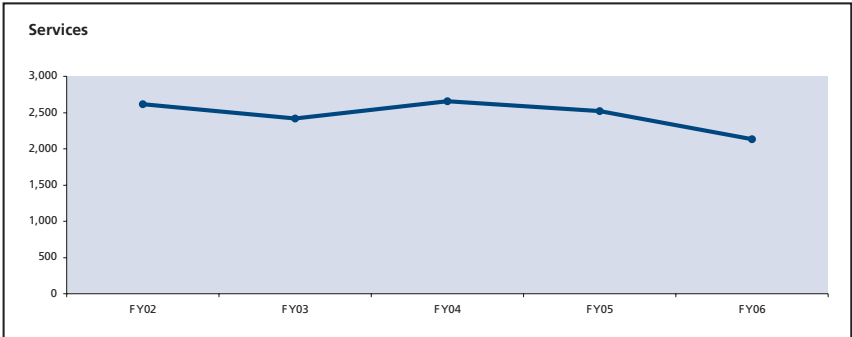
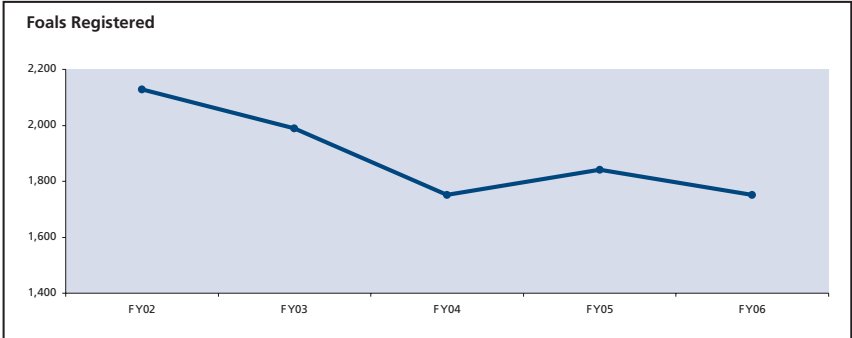
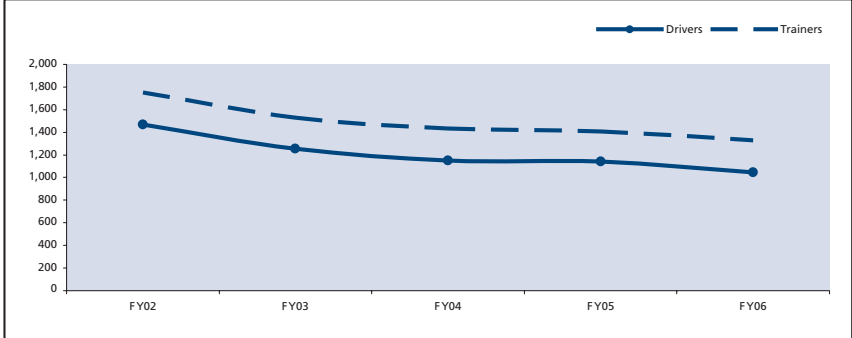
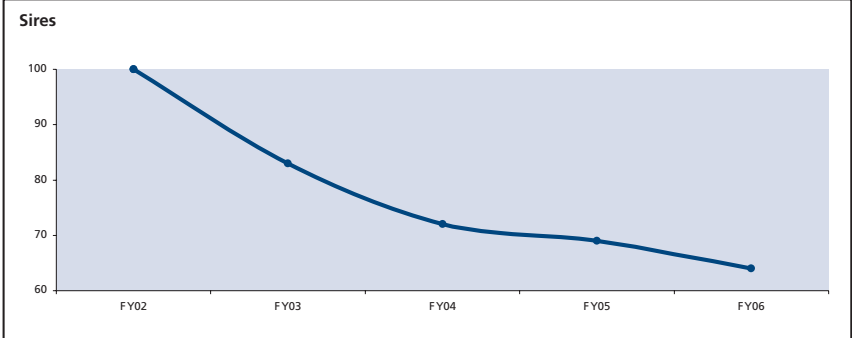
\* Total TAB and NON-TAB



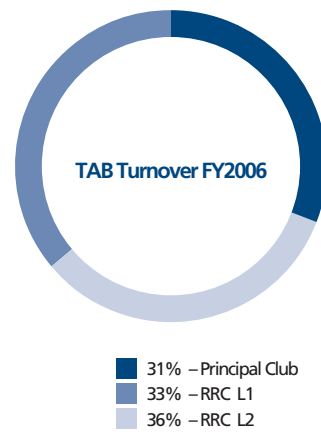
# HRNSW Graphs

Horse Stats			
	Sires	Foals	Service
FY02	100	2,127	2,610
FY03	83	1,988	2,418
FY04	72	1,750	2,653
FY05	69	1,841	2,518
<b>FY06</b>	<b>64</b>	<b>1,750</b>	<b>2,132</b>

Participants		
	Drivers	Trainers
FY02	1,468	1,751
FY03	1,253	1,530
FY04	1,149	1,434
FY05	1,140	1,406
FY06	1,047	1,331



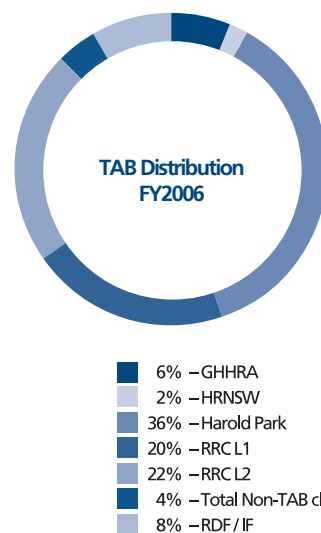
[While we are in decline, quality is the key]



TAB Turnover FY2006		
Principal Club	68,658,992	31%
RRC L1	72,823,337	33%
RRC L2	79,018,688	36%
<b>Total</b>	<b>220,501,017</b>	<b>100%</b>



TAB Turnover by Source FY2006		
Offcourse	204,388,301	93%
Oncourse	16,112,716	7%
<b>Total</b>	<b>220,501,017</b>	<b>100%</b>



TAB Distribution FY2006		
GHHRA	2,035,000	6%
HRNSW	765,464	2%
Harold Park	11,369,595	36%
RRC L1	6,418,167	20%
RRC L2	7,077,847	23%
Total Non-TAB Clubs	1,143,135	4%
RDF / IF	2,511,483	8%
<b>Total</b>	<b>31,320,691</b>	<b>100%</b>

# NSW Sires Stakes

The Sires Stakes series was substantially changed in the 2005/06 season.

A point score system was introduced. Horses received points based on their placing in each heat. Their total points were then divided by the number of heats they contested. Winners of heats automatically qualified for the Semi-Finals whilst the highest nominated horses based on points won throughout the heats also gains starts.

The format of the finals series was also changed, whereby the Semi-Finals for 2YOs were conducted two weeks prior to the Final, and the Semi-Finals for 3YOs were conducted the week prior to the Final.

All four \$100,000 Finals were conducted on the one night, which proved to be a tremendous success. This was the first time in the history of harness racing in NSW where four \$100,000 Group 1 events were conducted on the same card.

The 2005/06 series comprised of 56 races made up of 44 heats, 8 Semi-Finals and 4 Finals which were contested by 211 individual horses for total prize money of \$1,000,000.

## Two Year Old Colts and Geldings

\$220,000 in prizemoney was distributed among 47 individual horses which competed in 11 races (8 heats, 2 Semi-Finals and the Final.)

The Final, held at Harold Park on 30 June 2006 was won by Bold And Regal which defeated Fourmoore and Kenmor Atya over 2,160m in a time of 2.43.5 and a mile rate of 2.01.8. The margins were 7m x 2m.

Bold And Regal was bred and is still owned by Bill and Sharon Trotter, was trained by Les Brown and was driven by Ben Sarina.

There were 9 individual winners throughout the series:

Horse	Sire	Broodmare	Grand Sire	Wins
Bold And Regal	Stature USA	Karamea Sunbird	Sun Lamp USA	Harold Park (Final)
Drumfire	Aces N Sevens USA	Kit Star NZ	Road Machine USA	Newcastle 27/05/06 Harold Park (Semi)
Hold The Aces	Aces N Sevens USA	Miss Chevious	Troublemaker USA	Menangle/HP 06/06/06 Harold Park (Semi)
Wilbert	Bad Bert USA	Kotare Shine NZ	Holmes Hanover USA	Tamworth 07/04/06
Speed Cruiser	Aces N Sevens USA	Nicky Flyer	Nickalong Shadow	Bathurst 12/04/06
Moveitmoveit	Brioso Hanover USA	Like An Atom NZ	Sokys Atom USA	Penrith 04/05/06
Kenmor Atya	Stature USA	Royale Albertina	Albert Albert USA	Young 05/05/06
Jollygood Gent	Die Laughing USA	Pragmatic Miss	Armbro Aussie USA	Wagga 19/05/06
Oliver Royal	Armbro Oliver USA	Alkoomi	My Glengower	Dubbo 08/06/06

## Two Year Old Fillies

\$220,000 in prizemoney was distributed among 37 individual horses which competed in 11 races (8 heats, 2 semi-finals and the final.)

The final, held at Harold Park on 30 June 2006 was

won by Shuffle who defeated Kel Averil and Miss Adriana over 2,160m in a time of 2.46.2 and a mile rate of 2.03.8. The margins were Nk x 3m.

Shuffle was bred and is still owned by Wings Glass Pty Ltd, trained by Paul Fitzpatrick and driven by Gavin Fitzpatrick.

There were 6 individual winners throughout the series:

Horse	Sire	Broodmare	Grand Sire	Wins
Shuffle	Aces N Sevens USA	Luscious Lady	Black Tie USA	Penrith 04/05/06
Harold Park (Final)	Peace Of Power	Peace Of Art CA	Astoria	Seahawk Hanover USA Parkes 13/04/06 Young 05/05/06 Wagga 19/05/06 Harold Park (Semi)
Kel Averil	Aces N Sevens USA	Canny Averil	Panorama USA	Harold Park (Semi)
Cameo Gem	Lucky Cam USA	Lady Gem	Praised Dignity USA	Newcastle 27/05/06 Menangle/HP 06/06/06
Lead An Ace	Aces N Sevens USA	Lead Player NZ	Ok Bye USA	Bathurst 10/05/06
Two Thumbs Up	Aces N Sevens USA	Silky Hanover	Fortitude Hanover USA	Bankstown 22/05/06

## Three Year Old Colts and Geldings

\$280,000 in prizemoney was distributed among 58 individual horses which competed in 17 races (14 heats, 2 Semi-Finals and the Final.)

The final, held at Harold Park on 30 June 2006 was won by Strong Ambition who defeated Mystical

Torado and Four Trumps over 2,160m in a time of 2.40.3 and a mile rate of 1.59.4. The margins were NK x 0.1m.

Strong Ambition was bred by Kylie Fisher, owned by Christine Brodie, trained by Paul Fitzpatrick & driven by Blake Fitzpatrick.

There were 9 individual winners throughout the series:

Horse	Sire	Broodmare	Grand Sire	Wins
Strong Ambition	Strong Life USA	Bellestraat	Powerhouse Lobell USA	Harold Park (Final)
Four Trumps	Trump Casino USA	Kiwi Blues	Caesar Blue Chip USA	Bathurst 22/02/06 Bathurst 10/05/06 Bathurst 17/05/06 Harold Park (Semi)
Jogalong Joel	Our Sir Vancelot NZ	Miss Jogalong	Fortitude Hanover USA	Tamworth 10/02/06 Newcastle 04/03/06 Wagga 12/05/06 Harold Park (Semi)
Mystical Torado	Mystical Prince USA	Only Torado	Torado Hanover USA	Penrith 02/02/06 Bulli 13/02/06
Zaguar	Jaguar Cam USA	Zora Patee	Torado Hanover USA	Wagga 03/03/06
River Wild	River Khan	Kotare Ann	Kotare Knight	Young 06/04/06
Gold Claim	Stature USA	Golden Glide	My Glengower	Parkes 13/04/06
Vita Nik	Nikalong Shadow	Tricky Countess	Undertrick	Newcastle 15/04/06
Jack And Simon	Ok Bye USA	Jasmin Edition	Jeremy Lobell USA	Menangle/HP 13/06/06

## Three Year Old Fillies

69 individual horses competed in 17 races (14 heats, 2 semi-finals and the final). \$280,000 in total prizemoney was distributed.

The final, held at Harold Park on 30 June 2006 was won by Vixen Hanover who defeated Goulburn Gal and Tulhurst Kiss over 2,160m in a time of 2.43.3 and a mile rate of 2.01.7. The margins were 8m x 0.1m

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 8 individual winners throughout the series:

Horse	Sire	Broodmare	Grand Sire	Wins
Vixen Hanover	Trump Casino USA	Vivacious Hanover	Armbro Aussie USA	Newcastle 04/03/06 Menangle/HP 13/06/06 Harold Park (Semi) Harold Park (Final)
Trumbyies Life	Strong Life USA	Madames Last	Shipps Fella USA	Bathurst 22/02/06 Young 06/04/06 Bathurst 17/05/06 Harold Park (Semi)
Pass The Parcel	Stoneridge Scooter USA	Shes My Girl	Whats Next USA	Bulli 06/02/06 Newcastle 15/04/06
Sunnyside Lass	Strong Life USA	Teramby Force	Insubordination USA	Wagga 03/03/06 Dubbo 08/06/06
Goulburn Gal	Ball And Chain USA	Run Like The Wind	Kotare Knight	Wagga 28/04/06 Wagga 12/05/06
Belle Of Brooklee	Strong Life USA	Nani Wahini	Explorador USA	Tamworth 10/02/06
Just Sonia	Cognac Hanover USA	Just Courtney	Laser Hanover USA	Newcastle 13/05/06
Speedy Ambition	Speed King	Ties Image	Allwood's Trick USA	Bankstown 22/05/06

## Stallion Performance

Total number of wins in the overall NSW

Sires Stakes series:

<b>Aces N Sevens USA</b>	10 winners
<b>Trump Casino USA</b>	9 winners
<b>Strong Life USA</b>	8 winners
<b>Our Sir Vancelot NZ</b>	4 winners
<b>Peace of Art CA</b>	4 winners
<b>Stature USA</b>	3 winners
<b>Stoneridge Scooter USA</b>	2 winners
<b>Ball And Chain USA</b>	2 winners
<b>Mystical Prince USA</b>	2 winners

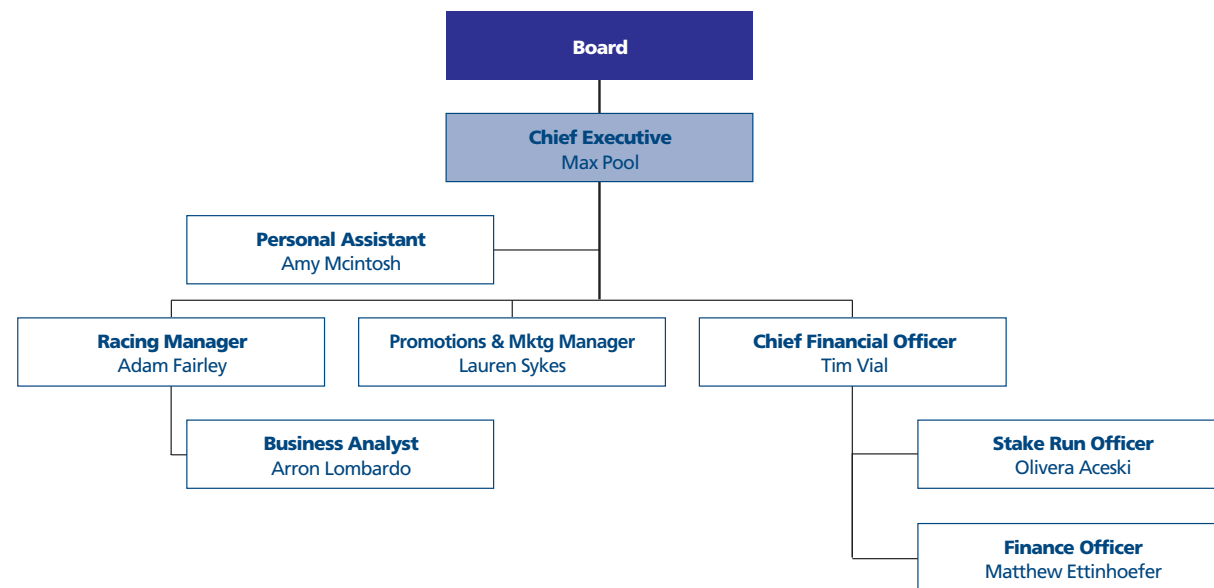
The most successful dam sire was Torado Hanover USA (3 individual winners) followed by Armbro Aussie USA, My Glengower, Fortitude Hanover USA and Kotare Knight, all with two.

Sub 2.00.0 Performances:

Horse Name	Mile Rate	Distance	Track & Date
Vita Nik	1.58.0	2030m	Newcastle 15 April 2006
Four Trumps	1.59.1	2160m	Harold Park 23 June 2006
Strong Ambition	1.59.4	2160m	Harold Park 30 June 2006
Jogalong Joel	1.59.6	2030m	Newcastle 4 March 2006
Jogalong Joel	1.59.7	2160m	Harold Park 23 June 2006
Sunnyside Lass	2.00.0	2165m	Wagga 3 March 2006

# HRNSW STRUCTURE

## HRNSW Organisational Chart



HRNSW has a total of 8 full-time permanent employees, an increase of 1 (Business Analyst) on the previous year.

The new position was created in FY2006 to address needs for statistical and operational analysis, and was supported unanimously by the Harness Racing Clubs Committee.

No major changes were made to HRNSW's infrastructure and systems during the period under review, nor did HRNSW undertake any major hardware or software acquisitions during this time.

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

A Register of Pecuniary Interests is maintained by 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.

# 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.

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 Chairman.

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.

In special circumstances 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

### Board Meeting Attendance – FY2006 (to December 2005)

Board Member	Normal Meetings	Special Meetings	Total Attended
B Paddock	5	1	6
J Baker	5	1	6
R Corrie	4	1	5
C Murray	4	1	5
J Porter	4		4

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.

During the course of 2006, the three year term of office of the Foundation Board of HRNSW expired and in accordance with the Harness Racing Act, nominations were sought for all positions including that of the independent Chairman.

As a result of the nominations and selection process, a new Board was formed in January-February 2006 as follows:

- Mr Graeme Campbell selected by the new HRNSW Board as Independent Chairman replacing Mr Brian Paddock,
- Mr Rex Horne nominated by the New South Wales Harness Racing Club replacing Mr John Baker,
- Mr Allan Briggs nominated by the TAB Clubs replacing Mr Col Murray,
- Mr Robert Corrie nominated by the country clubs. Mr Corrie was also on the Foundation Board and continues a second term as a Board Member,
- Mr Rob Nalder selected through a recruitment process to represent industry participants replacing Mr John Porter.

### Board Meeting Attendance – FY2006 (to June 2006)

Board Member	Normal Meetings	Special Meetings	Total Attended
G Campbell	12	1	13
A Briggs	12	2	14
R Corrie	13	1	14
R Horne	14	2	16
R Nalder	14	2	16





# 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 2006

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:  
**Graeme Campbell – Chairman**  
**Robert Nalder**  
**Rex Horne**  
**Robert Corrie**  
**Allan Briggs**
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,
  - Development and review of policy in relation to the breeding and handicapping of harness racing horses, and
  - During the year HRNSW acquired a half share interest in the RISE joint venture which owns and develops harness racing administration software and a related website.
4. The surplus for the year amounted to \$323,870 (2005 \$88,414).
5. There have been no significant changes in the state of affairs of the entity during the year apart from the acquisition of a half share in RISE referred to in 3 above.
6. The entity employed six employees as at 30 June 2006. As at the date of this report the entity had eight 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 accountability, 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 24 October 2006.

Graeme Campbell – Chairman

Robert Nalder – Member

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# Members' Declaration

The Members of Harness Racing New South Wales (HRNSW) present their declaration for the financial year ended 30 June 2006

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 2006,
- b) the accompanying balance sheet is drawn up so as to give a true and fair view of the state of affairs of the entity as at 30 June 2006,
- c) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due, and
- 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 24 October 2006.



Graeme Campbell – Chairman



Robert Nalder – Member

# Auditor's Report

The Auditor of Harness Racing New South Wales (HRNSW) presents his report for the financial year ended 30 June 2006

## 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 2006 as set out on pages 36 to 50. The Board Members are responsible for the preparation and presentation of the financial report and the information it contains. 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 so 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 2006 and results of its operations and its cash flows for the year then ended.



Signature of Auditor  
24 October 2006

Bruce A McLennan  
Chartered Accountant  
GPO Box 1228  
SYDNEY NSW 2001

# Income Statement

for the financial year ended 30 June 2006

	Note	2006 \$	2005 \$
<b>REVENUE from continuing operations</b>			
Product Fee	3a	25,169,094	25,438,138
Wagering Incentive Fee	3a	6,151,597	6,866,466
Interest Earned		41,779	51,116
Grants Received – Racecourse Development Fund	3b	1,384,915	-
Grants Received – Industry Funds	3c	249,500	249,500
NSW Harness Racing Gazette	3d	217,452	259,831
RISE Asset Contribution	3e	391,559	-
Other Income		213,457	74,706
<b>Total Revenue</b>		<b>33,819,353</b>	<b>32,939,757</b>
<b>EXPENSES from continuing operations</b>			
HRNSW Distribution			
to Clubs	4a	27,018,011	26,964,809
to Industry Funds	4b	1,888,905	1,938,276
to Racecourse Development Fund	4c	622,578	646,092
Greyhound & Harness Racing Regulatory Authority	4d	2,338,724	2,019,150
AHRC Membership Levy	4e	72,844	59,003
Employee Salaries and Related Expenses	4f	427,705	323,937
Members Fees	4g	92,445	106,010
NSW Harness Racing Gazette		206,110	205,725
Postage, Printing & Stationery		67,390	50,683
Travel	4h	69,390	89,644
Consultancy & Contractors		171,502	181,778
Building Costs		69,390	54,358
Equipment & Communication Costs		87,866	74,741
Writedown Investment in RISE Joint Venture	8	23,097	-
Other Expenses	4i	339,526	137,137
<b>Total Expenses</b>		<b>33,495,483</b>	<b>32,851,343</b>
<b>OPERATING SURPLUS from continuing operations</b>		<b>323,870</b>	<b>88,414</b>

The accompanying notes form part of these statements

# Balance Sheet

for the financial year ended 30 June 2006

	Note	2006 \$	2005 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	5	155,873	281,423
Receivables	6	8,992,604	8,721,392
Other		20,077	1,440
<b>Total Current Assets</b>		<b>9,168,554</b>	<b>9,004,25</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	7	112,409	80,901
RISE Investment	8	368,462	-
Other Financial Assets		766	766
<b>Non-Current Assets</b>		<b>481,637</b>	<b>81,667</b>
<b>TOTAL ASSETS</b>		<b>9,650,191</b>	<b>9,085,922</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	9	9,035,958	8,815,433
Income Received in Advance	10	28,344	19,976
Provision for Employee Benefits		27,659	16,153
<b>Total Current Liabilities</b>		<b>9,091,961</b>	<b>8,851,562</b>
<b>TOTAL LIABILITIES</b>		<b>9,091,961</b>	<b>8,851,562</b>
<b>NET ASSETS</b>		<b>558,230</b>	<b>234,360</b>
<b>EQUITY</b>			
Accumulated Surplus		558,230	234,360
<b>TOTAL EQUITY</b>		<b>558,230</b>	<b>234,360</b>

The accompanying notes form part of these statements

# Cash Flow Statement

for the financial year ended 30 June 2006

	Note	2006 \$	2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts – Product Fee & Wagering Incentive Fee		31,635,965	32,305,758
Receipts from Other Operating Income		90,717	304,056
Interest Received		41,779	51,807
Grants Received		1,634,415	249,500
Receipts from Clubs for Prizemoney Distribution		21,104,824	19,129,981
HRNSW Distribution to Clubs		(27,529,372)	(26,123,033)
HRNSW Distribution to Industry Funds		(1,680,725)	(2,005,238)
HRNSW Distribution to Racecourse Development Fund		(565,955)	(690,958)
GHRRA		(2,338,724)	(2,244,592)
Payment of Prizemoney to Participants		(21,104,824)	(19,129,981)
Payments to Suppliers & Employees		(974,855)	(1,958,933)
<b>Net Cash inflows from (outflows to)</b>			
<b>Operating Activities</b>	13	313,245	(111,633)
<b>Cash flows from Financing Activities</b>			
Loans made from Benevolent Fund		-	-
<b>Net Cash inflows from (outflows to) Financing Activities</b>		-	-
<b>Cash flows from Investing Activities</b>			
Payments for Property, Plant & Equipment		(438,795)	(91,419)
<b>Net Cash inflows from (outflows to) Investing Activities</b>		(438,795)	(91,419)
<b>Net Increase (Decrease) in Cash Held</b>		(125,550)	(203,052)
Cash at the Beginning of the Year		281,423	484,475
<b>Cash at the End of the Year</b>	5	155,873	281,423

The accompanying notes form part of these statements

# Statement of Changes in Equity

for the year ended 30 June 2006

	2006 \$	2005 \$
<b>Total Equity at the Beginning of Financial Year</b>	234,360	145,946
Surplus for the Year	323,870	88,414
<b>Total Recognised Income and Expense for the Year</b>	323,870	88,414
<b>Total Equity at the End of the Financial Year</b>	558,230	234,360

The accompanying notes form part of these statements

# Notes to the Financial Statements

for the financial year ended 30 June 2006

## 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

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied by the entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

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.

### a) Australian Accounting Standards

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRSs ensures that the financial statements and notes of HRNSW comply with International Financial Reporting Standards (IFRS). These financial statements are the first financial statements to be prepared in accordance with AIFRS. AASB1 – First time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements. The financial statements have been prepared under the historical cost convention, and, except where stated, do not take account of the charging money value or current valuations of non-current assets.

### b) Income Tax

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

### c) Receivables

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

### d) 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 and computers	25 - 33%

### e) 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. None-the-less, as stated above, non-current assets are not carried at an amount exceeding the recoverable amount.

The carrying amount of non-current assets is reviewed annually by the Members to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amount. AASB 136 allows a not-for-profit entity to determine value in use of an asset using the depreciated replacement cost of the asset if the future economic benefits of the asset are not primarily dependent on net cash inflows and the asset would be replaced if the entity were deprived of it.

### f) Loans and Borrowings

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

### g) 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.

**h) 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, if any, 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.

**i) 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.

**j) Comparative Figures**

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

**k) Revision of Accounting Estimates**

Revisions of accounting estimates are recognised prospectively in current and future periods only.

**l) Events Subsequent to Reporting Date**

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

**3. REVENUE**

**a) Product Fee & Wagering Incentive Fee**

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).

	Note	2006 \$	2005 \$
Funding of Capital Expenditure		43,025	-
Funding of TAB Distribution Shortfall	i	1,038,166	-
Funding of GHRRA Overspend FY2005		303,724	-
		<b>1,384,915</b>	<b>-</b>

- i. During the year ended 30 June 2006 the RDF advanced to Harness Racing NSW \$1.038million in consultation with and agreement of the Harness Racing Clubs Committee to top up the distribution for that year. It is the intention of the Board of Harness Racing NSW to repay this advance from future TAB distributions without adversely affecting existing prizemoney levels. This has been treated as a income as the repayment of the advance is dependent upon sufficient improvement of the TAB distribution.

Note	2006 \$	2005 \$
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**c) Grants Received – Industry Funds**

Centralised Stakes Payment System	155,000	155,000
Sires Stakes Management Fee	94,500	94,500
	<b>249,500</b>	<b>249,500</b>

**d) Harness Racing Gazette Income**

Subscriptions	87,256	95,060
Advertising	52,111	78,858
Regulatory Notices	15,000	30,000
Sponsorships & Donations	63,085	55,913
	<b>217,452</b>	<b>259,831</b>

**e) RISE Asset Contribution**

During the year HRNSW acquired, by non-reciprocal transfer, a half share in a joint venture which owns harness racing administration software and operates a national harness racing website.

	8	391,559	-
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**4. OPERATING EXPENSES**

**a) HRNSW Distribution to Clubs**

NSWHRC – Menangle Park	957,422	955,70
NSWHRC – Harold Park	11,907,031	11,495,302
Bankstown	1,061,854	1,059,955
Bathurst	1,809,084	1,805,849
Bulli	1,061,854	1,059,955
Dubb	388,631	383,399
Maitland	-	88,740
Newcastle	3,320,336	3,314,399
Parkes	388,631	383,399
Penrith	2,441,422	2,437,057
Tamworth	733,350	732,039
Wagga Wagga	1,455,133	1,452,530
Young	511,263	510,348
Non-TAB Clubs	1,182,000	1,039,765
Funding related to races not conducted	-	246,363
	<b>27,018,011</b>	<b>26,964,809</b>



	Note	2006 \$	2005 \$
<b>4. OPERATING EXPENSES (continued)</b>			
<b>b) HRNSW Distribution to Industry funds</b>			
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 of NSW.			
		1,888,905	1,938,276
The amount distributed to Industry Funds is equal to 6% (2005 6%) of the HRNSW share of the TAB Distribution			
<b>c) HRNSW Distribution to Racecourse Development Fund</b>			
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			
		622,578	646,092
<b>d) Greyhound &amp; Harness Racing Regulatory Authority</b>			
The amount paid to the Greyhound & Harness Racing Regulatory Authority (GHRRA) for provision of regulatory functions and services is determined annually by the Minister for Gaming and Racing			
		2,035,000	2,019,150
The amount paid to the GHRRA determined by the Minister for Gaming and Racing in relation to a budget overspend in 2004-05			
		303,724	-
		<b>2,338,724</b>	<b>2,019,150</b>
<b>e) AHRC Membership Levy</b>			
NSW membership of the Australian Harness Racing Council (AHRC) is shared equally between HRNSW and GHRRA			
		72,844	59,003
<b>f) Employee Salaries and Related Expenses</b>			
Salaries		384,734	294,194
Superannuation		34,056	27,633
Workers Compensation Insurance and FBT		8,915	2,110
		<b>427,705</b>	<b>323,937</b>

	Note	2006 \$	2005 \$
<b>g) Member Fees</b>			
The Members in office during the financial year were:			
Graeme Campbell – Chairman		16,731	-
B Paddock (Chairman 2005/06)		28,074	48,053
B Paddock – Acting Chief Executive Officer		-	10,000
J Baker		7,018	12,012
R Corrie		11,910	12,012
C Murray		7,018	12,012
J Porter		7,018	11,921
Robert Nalder		4,892	-
Rex Horne		4,892	-
Allan Briggs		4,892	-
		<b>92,445</b>	<b>106,010</b>
No Member of HRNSW is a full-time employee and no Member has received a salary.			
During 2005 the then 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		24,649	38,163
Members		44,741	51,481
		<b>69,390</b>	<b>89,644</b>
<b>i) Other Expenses</b>			
Advertising		10,332	8,792
Audit Fees		20,000	15,000
Bad and Doubtful Debts		29,137	5,000
Bank Charges		14,806	18,877
Computer Software Licence Fees & Processing Charges		76,684	27,356
Depreciation		15,728	20,356
Legal Fees		31,366	1,500
Media & Communications		17,894	6,737
Office Amenities		6,412	-
Other Fees Paid or Payable to Auditors		7,500	11,422
Professional Indemnity Insurance		12,585	11,037
Rugs & Trophies		30,310	-
Subscriptions		1,586	5,387
Training		31	3,860
Sundry Expenses		65,155	1,813
		<b>339,526</b>	<b>137,137</b>

	Note	2006 \$	2005 \$
<b>5. CASH</b>			
Cash at Bank		155,673	281,223
Cash on Hand		200	200
		<b>155,873</b>	<b>281,423</b>

The entity has an overdraft limit of \$250,000 at the bank (2005 Nil) – unused at year end.

#### 6. RECEIVABLES

Trade Debtors		1,546,807	815,056
Less: Provision for Doubtful Debts		(40,000)	(10,888)
NSW Racing Pty Limited (TAB Distribution)		7,365,793	7,682,221
Australian Taxation Office		-	148,367
Benevolent Fund	11	39,058	39,058
Other Debtors		80,946	47,578
		<b>8,992,604</b>	<b>8,721,392</b>

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.

#### 7. PROPERTY, PLANT & EQUIPMENT

##### Plant & Equipment – At Cost

Balance at the Beginning of the Year		105,409	13,990
Additions		47,236	91,419
Disposals		-	-
<b>Balance at the End of the Year</b>		<b>152,645</b>	<b>105,409</b>

##### Accumulated Depreciation

Balance at the Beginning of the Year		24,508	4,152
Depreciation Expense		15,728	20,356
<b>Balance at the End of the Year</b>		<b>40,236</b>	<b>24,508</b>

<b>Written Down Value at the End of the Year</b>		<b>112,409</b>	<b>80,901</b>
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#### 8. RISE INVESTMENT

During the year HRNSW acquired control over the NSW half share in a joint venture between NSW and Victoria to own and manage the harness racing administration software known as HaRVEY and the national harness racing website www.harness.org.au at no significant reciprocal cost to HRNSW. Under present arrangements each partner is entitled to acquire the HaRVEY software in its own right at the termination of the joint venture arrangement in 2008. The software contributes to the administration of the harness racing industry. The original cost of the software is being amortised over the period of the joint venture agreement and reflected in the write down of the carrying value.

	Note	2006 \$	2005 \$
Acquired during the year	3(e)	391,559	-
Less: Write down of carrying value since acquisition		(23,097)	-
		<b>368,462</b>	<b>-</b>

As a not-for-profit entity, the Members, in accordance with the accounting policy 2(e), assess the carrying value each year against the amortised replacement value and write down the carrying value if necessary.

#### 9. PAYABLES

Employee Related		-	1,898
Australian Taxation Office		209,534	-
Prizemoney Payments		849,308	690,550
HRNSW Distribution		7,054,924	7,586,782
Other Creditors		922,192	536,203
		<b>9,035,958</b>	<b>8,815,433</b>

#### 10. INCOME RECEIVED IN ADVANCE

NSW Harness Racing Gazette Subscriptions		28,344	19,976
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#### 11. BENEVOLENT FUND

Interest Earned		5,599	7,836
Less Administration Expenses		(6,000)	(6,000)
<b>Operating (Deficiency) Surplus</b>		<b>(401)</b>	<b>1,836</b>
Accumulated Surplus – brought forward		191,948	190,112
<b>Accumulated Surplus – carried forward</b>		<b>191,547</b>	<b>191,948</b>

Represented by:

Cash		309	309
Other Financial Assets:			
Investments		158,214	152,615
Loans Receivables (Current)		38,488	38,488
Loans Receivables (Non-Current)		766	766
Transferable Funeral Certificates		1,440	1,440
Other Debtors		570	570
Liabilities – Current Liabilities – Payables		(8,240)	(2,240)
<b>Net Assets</b>		<b>191,547</b>	<b>191,948</b>

An Independent valuation of the six transferable Funeral Service Certificates issued by Pine Grove Memorial Park Limited, based on a fair market value was \$24,780 (net of GST) as at 30 June 2006.

#### 12. FINANCIAL INSTRUMENTS

##### a) Credit Risk Exposure

The credit risk of the financial assets included in the Balance Sheet of HRNSW 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) \$7,365,793 (2005 \$7,682,221).

#### 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 30.6.2006						
<b>Financial Assets</b>						
Cash	5.51	155,673			200	155,873
Other Financial Assets						
Trade Debtors					1,506,807	1,506,807
Loans Receivable					39,254	39,254
Other Receivables					7,446,543	7,446,543
		155,673	-	-	8,992,804	9,148,477
<b>Financial Liabilities</b>						
Creditors					2,016,103	2,016,103
Accrued Expenses					7,089,855	7,089,855
		-	-	-	9,105,958	9,105,958
<b>Net Financial Assets / (Liabilities)</b>		155,673	-	-	(113,154)	42,519
As at 30.6.2005						
<b>Financial Assets</b>						
Cash	5.28	169,039			112,384	281,423
Other Financial Assets						
Trade Debtors					815,056	815,056
Loans Receivable					39,254	39,254
Other Receivables					7,877,970	7,877,970
		169,039	-	-	8,844,664	9,013,703
<b>Financial Liabilities</b>						
Creditors					1,170,175	1,170,175
Accrued Expenses					7,645,258	7,645,258
		-	-	-	8,815,433	8,815,433
<b>Net Financial Assets / (Liabilities)</b>		169,039	-	-	29,231	198,270

#### c) Net Fair Value of Financial Assets and Liabilities

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

2006 \$ 2005 \$

#### 13. CASH FLOW STATEMENT

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

Operating Surplus / (Deficit)	323,870	88,414
Depreciation and Amortisation	38,825	20,356
Change in Assets and Liabilities	-	-
Decrease (Increase) in Receivables	(271,212)	(670,073)
Decrease (Increase) in Prepayments and Other Assets	(18,637)	-
(Decrease) Increase in Creditors	220,525	435,685
(Decrease) Increase in Income Received in Advance	8,368	(2,168)
(Decrease) Increase in Employee Benefits	11,506	16,153
<b>Net Cash Provided By (Used in) Operating Activities</b>	<b>313,245</b>	<b>(111,633)</b>

#### 14. EXPLANATION OF TRANSITION TO AUSTRALAIN EQUIVALENT TO IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

	Previous AGAAP	Effect of transition to AIFRS	AIFRS
<b>ASSETS</b>			
<b>Current Assets</b>	\$	\$	\$
Cash	484,475	-	484,475
Receivables	8,051,319	-	8,051,319
Other	1,440	-	1,440
<b>Total current assets</b>	<b>8,537,234</b>	<b>-</b>	<b>8,537,234</b>
<b>Non-Current Assets</b>			
Property & Plant	9,838	-	9,838
Other	766	-	766
<b>Total Non-current Assets</b>	<b>10,604</b>	<b>-</b>	<b>10,604</b>
<b>Total Assets</b>	<b>8,547,838</b>	<b>-</b>	<b>8,547,838</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Income received in advance	22,144	-	22,214
Payables	8,379,748	-	8,379,748
<b>Total Current Liabilities</b>	<b>8,401,892</b>	<b>-</b>	<b>8,401,892</b>
<b>Total Liabilities</b>	<b>8,401,892</b>	<b>-</b>	<b>8,401,892</b>
<b>Net assets</b>	<b>145,946</b>	<b>-</b>	<b>145,946</b>
<b>Equity</b>			
Retained Surplus	145,946	-	145,946
<b>Total Equity</b>	<b>145,946</b>	<b>-</b>	<b>145,946</b>

b) End of the cost reporting period under previous AGAAP  
30 June 2005.

	Previous AGAAP	Effect of transition to AIFRS	AIFRS
	\$	\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	281,423	-	281,423
Receivables	8,721,392	-	8,721,392
Other	1,440	-	1,440
<b>Total current assets</b>	<b>9,004,255</b>	<b>-</b>	<b>9,004,255</b>
<b>Non-Current Assets</b>			
Property & Plant	80,901	-	80,901
Other	766	-	766
<b>Total Non-current Assets</b>	<b>81,667</b>	<b>-</b>	<b>81,667</b>
<b>Total Assets</b>	<b>9,085,922</b>	<b>-</b>	<b>9,085,922</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Income received in advance	19,976	-	19,976
Payables	8,815,433	-	8,815,433
Provision for Employee Benefits	16,153	-	16,153
<b>Total Current Liabilities</b>	<b>8,851,562</b>	<b>-</b>	<b>8,851,562</b>
<b>Total Liabilities</b>	<b>8,851,562</b>	<b>-</b>	<b>8,851,562</b>
<b>Net assets</b>	<b>234,360</b>	<b>-</b>	<b>234,360</b>
<b>Equity</b>			
Retained Surplus	234,360	-	234,360
<b>Total Equity</b>	<b>234,360</b>	<b>-</b>	<b>234,360</b>

(2) Reconciliation of surplus for the year ended 30 June 2005

	Previous AGAAP	Effect of transition to AIFRS	AIFRS
	\$	\$	\$
Total Revenue	32,939,757	-	32,939,757
Total Expenses	32,851,343	-	32,851,343
<b>Surplus from continuing operations</b>	<b>88,414</b>	<b>-</b>	<b>88,414</b>

(3) Reconciliation of Cash Flow Statement for the year ended 30 June 2006

The adoption of AIFRSs has not resulted in any material adjustments to the Cash Flow Statement.

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 2006

In the opinion of the Members of the entity:

- 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 2006,
- 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 2006,
- there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due, and
- 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 24 October 2006.



Graeme Campbell – Chairman



Robert Nalder – 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 2006

## SCOPE

I have audited the financial report of Harness Racing Industry Funds for the year ended 30 June 2006. 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 Harness Racing Industry Funds as at 30 June 2006 and results of its operations and its cash flows for the year then ended.



Signature of Auditor  
24 October 2006

Bruce A McLennan  
Chartered Accountant  
GPO Box 1228  
SYDNEY NSW 2001

# Income Statement

for the financial year ending 30 June 2006

	Note	2006 \$	2005 \$
<b>REVENUE from continuing operations</b>			
HRNSW Distribution	2	1,888,245	1,938,276
Foal and Sire Registration Fee		199,760	221,244
Interest Earned		66,21	64,389
Other income		-	-
		<b>2,154,222</b>	<b>2,223,909</b>
<b>EXPENSES from continuing operations</b>			
Prizemoney Subsidies	3a	735,424	696,881
Breeders' Bonus Incentive Certificates	1f	932,096	839,895
Grants and Other Subsidies	3b	667,098	338,696
Management Fee	3c	97,873	112,646
		<b>2,432,491</b>	<b>1,988,118</b>
<b>Surplus / (Deficiency) from continuing operations</b>		<b>(278,269)</b>	<b>235,791</b>

The accompanying notes form part of these statements

# Balance Sheet

for the financial year ended 30 June 2006

	Note	2006 \$	2005 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		312,517	646,791
Receivables	4	932,569	830,653
<b>Total Current Assets</b>		<b>1,245,086</b>	<b>1,477,444</b>
<b>TOTAL ASSETS</b>		<b>1,245,086</b>	<b>1,477,444</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Income received in advance	5	98,282	107,200
Payables		178,039	119,905
Provision for unredeemed Breeders Bonus Incentive Certificates	6	689,543	687,125
<b>Total Current Liabilities</b>		<b>965,864</b>	<b>914,230</b>
<b>Non-Current Liabilities</b>			
Income received in advance	5	158,255	163,978
<b>Total Non-Current Liabilities</b>		<b>158,255</b>	<b>163,978</b>
<b>TOTAL LIABILITIES</b>		<b>1,124,119</b>	<b>1,078,208</b>
<b>NET ASSETS</b>		<b>120,967</b>	<b>399,236</b>
<b>EQUITY</b>			
Accumulated Surplus		120,967	399,236
<b>TOTAL EQUITY</b>		<b>120,967</b>	<b>399,236</b>

The accompanying notes form part of these statements

# Cash Flow Statement

for the financial year ended 30 June 2006

	Note	2006 \$	2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
HRNSW Distribution		1,652,142	1,934,275
Foal and Sire Registration Fees and Other Income		185,110	-
Interest on Investments and Bank Account		66,217	65,259
<b>Payments</b>			
Breeders' Bonus Incentive Certificates Redeemed		(929,678)	(813,695)
Grants Made and Prizemoney Subsidies		(1,210,192)	(1,044,507)
Other		(97,873)	(112,646)
<b>Net Cash Inflows From Operating Activities</b>	<b>7(b)</b>	<b>(334,274)</b>	<b>28,686</b>
<b>Net Increase (Decrease) in Cash Held</b>		<b>(334,274)</b>	<b>28,686</b>
Cash at the Beginning of the Year		646,791	618,105
<b>Cash at the End of the Year</b>	<b>7(a)</b>	<b>312,517</b>	<b>646,791</b>

The accompanying notes form part of these statements

# Statement of Changes in Equity

for the year ended 30 June 2006

	2006 \$	2005 \$
Total Equity at the Beginning of Financial Year	399,236	163,445
Surplus / (Deficiency) for the Year	(278,269)	235,791
Total Recognised Income and Expense for the Year	(278,269)	235,791
Total Equity at the End of the Financial Year	120,967	399,236

The accompanying notes form part of these statements

# Notes to the Financial Statements

for the financial year ended 30 June 2006

## 1. STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied by the entity, and, except where there is a change in accounting policy, are consistent with those of the previous year.

### a) Reporting Identity

Harness Racing Industry Funds (HRIF) derives 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) Australian Accounting Standards

Australian Accounting Standards include Australian equivalent to International Financial Reporting Standards (AIFRS). Compliance with AIFRSs ensures that the financial statements and notes of the Harness Racing Industry Funds comply with International Financial Reporting Standards (IFRS). These financial statements are the first financial statements to be prepared in accordance with AIFRS. AASB1 – First time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements. The financial statements have been prepared under the historical cost convention, and, except where stated, do not take account of the changing money value or current valuations of non-current assets.

### d) Revision of Accounting Estimates

Revisions of accounting estimates are recognised prospectively in current and future periods only.

### e) Cash and Cash Equivalents

Cash and cash equivalents on hand deposits held at calls, other short-term highly liquid investments with maturities of two months or less which are readily convertible to cash and which are subject to an insignificant risk of change in value, and bank overdrafts.

**f) Breeders' Bonus Incentive Certificates**

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

**g) 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 Sire Stakes Series when those foals reach Sire Stakes competition age. The fees received are treated as Income received in advance (Note 5) and transferred to income in the years of competition.

**h) Income Tax**

Industry Funds has been recognised by the Australian Taxation Office as a not-for-profit entity not subject to income tax.

**i) Revenue Recognition**

Revenue is measured at fair value of the consideration received or receivable, net of goods and services tax (GST) payable to the taxation authority and net of any allowances. Revenue is recognised in the period to which the revenue relates.

**j) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included where possible.

The net amount of GST recoverable for, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the cash flow statement as a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**2. REVENUE**

Funds totalling 6% (2005 6%) of the HRNSW share of the TAB Distribution were provided by HRNSW.

Note	2006	2005
	\$	\$

**3. EXPENSES****a) Prizemoney Subsidies**

Bathurst Gold Grown	40,000	40,000
Trotters Foundation Series	40,000	38,000
Nursery Stakes	3,500	-
Sire Stakes Series (excluding rugs and trophies)	638,288	605,245
Leeton Breeders Plate	13,636	13,636
	<b>735,424</b>	<b>696,881</b>

Note	2006	2005
	\$	\$

**b) Grants & Other Subsidies**

Centralised Stakes Payment System	155,000	155,000
Harness Racing Awards	23,959	5,000
Wagga Wagga HRC Video Fees	38,000	40,000
Marketing & Media	49,446	-
Foal & Sire Registration Subsidies	150,750	45,695
NSW Mini-Trotting Association	12,000	13,303
Club Financial Analysis	2,830	-
Country Cups Sponsorship	150,000	-
TV Broadcasting for Country Races (Link Costs)	-	4,945
Fairfield Training Facility	30,568	25,000
Maitland Training Facility	54,545	49,753
	<b>667,098</b>	<b>338,696</b>

**c) Management Fee**

A management fee is paid to HRNSW for the provision of services. Services provided include the administration of the Sires Stakes Series and State Bred Bonus Scheme. Other expenses incurred were bank charges \$111 (\$96), ATO penalty \$1,535 (\$0) and audit fees \$2,000 (\$1,750).

**4. RECEIVABLES**

HRNSW Distribution	789,959	553,856
Other	142,240	276,797
	<b>932,199</b>	<b>830,653</b>

**5. INCOME RECEIVED IN ADVANCE**

Retained from foal and sire registration fees received in advance.

Current Liabilities	98,282	107,200
Non-Current Liabilities	158,255	163,978
	<b>256,537</b>	<b>271,178</b>

**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. NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of cash	2006	2005
Cash asset	312,517	646,791
b) Reconciliation of Net Cash Provided By (Used In) Operating Activities to Surplus from Continuing Activities		
Surplus (Deficiency)	(278,269)	235,791
Net Cash Provided by Operating Activities Before Charge in Assets and Liabilities	(278,269)	235,791
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Receivables	(101,916)	(188,746)
Increase (Decrease) in Payables	58,134	(59,465)
Increase (Decrease) in Unredeemed Bonus Incentive Certificates	2,418	60,208
Increase (Decrease) in Income Received in Advance	(14,641)	(19,102)
Net Cash Provided by (Used in) Operating Activities	(334,274)	28,686

## 8. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENT TO IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

## a) At the date of transition to AIFRS: 1 July 2004

	Previous AGAAP	Effect of transition to AIFRS	AIFRS
<b>ASSETS</b>			
<b>Current Assets</b>	\$	\$	\$
Cash	618,105	-	618,105
Receivables	641,907	-	641,907
<b>Total Current Assets</b>	<b>1,260,012</b>		<b>1,260,012</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Income Received in Advance	120,173	-	120,173
Payables	179,370	-	179,370
Provision for unredeemed Breeders Bonus Certificates	626,917	-	626,917
<b>Total Current Liabilities</b>	<b>926,460</b>		<b>926,460</b>
<b>Non-Current Liabilities</b>			
Income Received in Advance	170,107	-	170,107
<b>Total Non-Current Liabilities</b>	<b>170,107</b>		<b>170,107</b>
<b>TOTAL LIABILITIES</b>	<b>1,096,567</b>		<b>1,096,567</b>
<b>Net Assets</b>	<b>163,445</b>		<b>163,445</b>
<b>EQUITY</b>			
Accumulated Surplus	163,445	-	163,445
<b>Total Equity</b>	<b>163,445</b>		<b>163,445</b>

## b) End of the cost reporting period under previous AGAAP 30 June 2005

	Previous AGAAP	Effect of transition to AIFRS	AIFRS
<b>ASSETS</b>			
<b>Current Assets</b>	\$	\$	\$
Cash	646,791	-	646,791
Receivables	830,653	-	830,653
<b>Total Current Assets</b>	<b>1,477,444</b>		<b>1,477,444</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Income Received in Advance	107,200	-	107,200
Payables	119,905	-	119,905
Provision for Unredeemed Breeders Bonus Certificates	687,125	-	687,125
<b>Total Current Liabilities</b>	<b>914,230</b>		<b>914,230</b>
<b>Non-Current Liabilities</b>			
Income Received in Advance	163,978	-	163,978
<b>Total Non-Current Liabilities</b>	<b>163,978</b>		<b>163,978</b>
<b>TOTAL LIABILITIES</b>	<b>1,078,208</b>		<b>1,078,208</b>
<b>Net Assets</b>	<b>399,236</b>		<b>399,236</b>
<b>EQUITY</b>			
Accumulated Surplus	399,236	-	399,236
<b>Total Equity</b>	<b>399,236</b>		<b>399,236</b>

## (2) Reconciliation of surplus for the year ended 30 June 2005

	Previous AGAAP	Effect of transition to AIFRS	AIFRS
	\$	\$	\$
Revenue	2,111,087	-	2,111,087
Prizemoney Subsidies	(825,639)	-	(825,639)
Breeders' Bonus Incentive Certificates	(792,577)	-	(792,577)
Grants and Other Subsidies	(241,302)	-	(241,302)
Management Fee	(92,746)	-	(92,746)
<b>Surplus From Continuing Operations</b>	<b>158,823</b>		<b>158,823</b>

## (3) Reconciliation of cash flow statement for the year ended 30 June 2006

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

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 2006

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 2006,
- b) the accompanying balance sheet is drawn up so as to give a true and fair view of the state of affairs of the entity as at 30 June 2006,
- c) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due, and
- 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 24 October 2006.



Graeme Campbell – Chairman



Robert Nalder – 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 2006

### SCOPE

I have audited the financial report of Harness Racing Racecourse Development Fund for the year ended 30 June 2006. 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 Harness Racing Development Fund as at 30 June 2006 and results of its operations and its cash flows for the year then ended.



Bruce A McLennan  
Chartered Accountant  
GPO Box 1228  
SYDNEY NSW 2001

# Income Statement

for the financial year ended 30 June 2006

	Note	2006 \$	2005 \$
<b>REVENUE from continuing operations</b>			
HRNSW Distribution	2	620,080	646,092
Interest Earned		111,784	150,696
Other Income		-	6,818
		<b>731,864</b>	<b>803,606</b>
<b>EXPENSES from continuing operations</b>			
Administration Expenses		6,280	1,831
Grants Made	3	2,018,061	383,698
		<b>2,024,341</b>	<b>385,529</b>
<b>Surplus / (Deficiency) From Continuing Operations</b>		<b>(1,292,477)</b>	<b>418,077</b>

The accompanying notes form part of these statements

# Balance Sheet

for the financial year ended 30 June 2006

	Note	2006 \$	2005 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		741,019	1,324,324
Deposits		1,049,975	1,750,000
Loans Receivables	4	230,554	230,554
Other Receivables	5	531,424	277,738
<b>Total Current Assets</b>		<b>2,552,972</b>	<b>3,582,616</b>
<b>Non-Current Assets</b>			
Loan Receivable	4	221,415	244,759
<b>Total Non-Current Assets</b>		<b>221,415</b>	<b>244,759</b>
<b>TOTAL ASSETS</b>		<b>2,774,387</b>	<b>3,827,375</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables		274,115	34,626
<b>Total Current Liabilities</b>		<b>274,115</b>	<b>34,626</b>
<b>NET ASSETS</b>		<b>2,500,272</b>	<b>3,792,749</b>
<b>EQUITY</b>			
Accumulated Surplus		2,500,272	3,792,749
<b>TOTAL EQUITY</b>		<b>2,500,272</b>	<b>3,792,749</b>

The accompanying notes form part of these statements

# Cash Flow Statement

for the financial year ended 30 June 2006

	Note	2006 \$	2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
HRNSW Distribution		561,257	677,626
Interest on Investments and Bank Account		150,350	154,603
<b>Payments</b>			
Administration Expenses		(6,280)	(1,831)
Grants Made		(2,018,061)	(449,694)
Other		6,060	(16,221)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>8</b>	<b>(1,306,674)</b>	<b>364,483</b>
<b>CASH FLOWS FROM LENDING ACTIVITIES</b>			
Loans Repaid – Receipts		11,773	54,620
Loans Converted to Grants		11,571	-
Loans Made (Payments)		-	(11,572)
<b>Net Cash Provided By (Used In) Lending Activities</b>		<b>23,344</b>	<b>43,048</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Deposits		700,025	(740,000)
<b>Net Cash Provided By (Used In) Investing Activities</b>		<b>700,025</b>	<b>(740,000)</b>
Net Increase (Decrease) in Cash Held		(583,305)	(332,469)
Cash at the Beginning of the Year		1,324,324	1,656,793
<b>Cash at the End of the Year</b>		<b>741,019</b>	<b>1,324,324</b>

The accompanying notes form part of these statements

# Statement of Changes in Equity

for the year ended 30 June 2006

	2006 \$	2005 \$
<b>Total Equity at the Beginning of Financial Year</b>	<b>3,792,749</b>	<b>3,374,672</b>
Surplus / (Deficiency) for the Year	(1,292,477)	418,077
Total Recognised Income and Expense for the Year	(1,292,477)	418,077
<b>Total Equity at the End of the Financial Year</b>	<b>2,500,272</b>	<b>3,792,749</b>

The accompanying notes form part of these statements

# Notes to the Financial Statements

for the financial year ended 30 June 2006

## 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) Australian Accounting Standards

Australian Accounting Standards include Australian equivalent to International Financial Reporting Standards (AIFRS). Compliance with AIFRSs ensures that the financial statements and notes of the Harness Racing Industry Funds comply with International Financial Reporting Standards (IFRS). These financial statements are the first financial statements to be prepared in accordance with AIFRS. AASB1 – "First Time Adoption of Australian Equivalents to International Financial Reporting Standards" has been applied in preparing these financial statements. The financial statements has been prepared under the historical cost convention, and, except where stated, does not take account of the charging money value or current valuations of non-current assets.

### d) Revision of Accounting Estimates

Revisions of accounting estimates are recognised prospectively in current and future periods only.

### e) Grants

The RDF provided 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:

- (1) The club/association carries out its activities in such a manner as to jeopardise its financial position, or;
- (2) The club/association disposes of freehold property on which the improvements (the subject of the financial assistance) are located.

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

### f) 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. None-the-less, as stated above, non-current assets are not carried at an amount exceeding the recoverable amount.

The carrying amount of non-current assets, including long term loans, is reviewed annually by the Members to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amount. AASB 136 allows a not-for-profit entity to determine value in use of an asset using the depreciated replacement cost of the asset if the future economic benefits of the asset are not primarily dependent on net cash inflows and the asset would be replaced if the entity were deprived of it.

## 2. OPERATING INCOME

Funds totalling 2% (2005 2%) of the TAB Distribution were provided by HRNSW.

Note	2006	2005
	\$	\$

## 3. EXPENSES

### (a) Grants Made

Grants	7	914,552	383,698
Distribution Top Up to HRNSW (Contingent Asset)	7	1,038,166	-
Interest Free Interminable Loans	7	65,343	-
		<b>2,018,061</b>	<b>383,698</b>

	Note	2006 \$	2005 \$
<b>4. LOANS RECEIVABLE</b>			
Balance at the Beginning of the Year		475,313	518,361
Loans Made During the Year		-	11,572
Loans Converted to Grants		(11,571)	-
Loans Repaid During the Year		(11,773)	(54,620)
<b>Balance at the End of the Year</b>		<b>451,969</b>	<b>475,313</b>
Of which:			
Balance Owing Due Within One Year		230,554	230,554
Balance Owing Due Longer than One Year		221,415	244,759
		<b>451,969</b>	<b>475,313</b>

**5. OTHER RECEIVABLES**

HRNSW Distribution		253,863	195,040
Interest Accrued on Bank and Investments		188	38,754
Other		277,373	43,944
		<b>531,424</b>	<b>277,738</b>

**6. CONTINGENT LIABILITIES & COMMITMENTS FOR EXPENDITURE**

Grants, Interest Free Interminable Loans and Repayable Loans approved but not disbursed.

		15,369	165,762
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In 2005 the RDF was aware of a claim by the GHRRA for additional funding in respect of 2004/05. This amount has since been determined by the Minister and paid. The RDF is not aware of any such claim for 2005/06. There are no other contingent liabilities.

**7. CONTINGENT ASSETS**

Interest Free Interminable Loans

The RDF and its predecessor have made Interest Free Interminable Loans (IFIL). These loans are not repayable except in the exceptional circumstances which are described in Note 1(e). The loans subject to this condition as at 30 June 2006 amount to:

Carried Forward from Previous Year		49,799,824	49,799,824
IFIL Made Between 1 July 2005 and 30 June 2006	3	65,343	-
		<b>49,865,167</b>	<b>49,799,824</b>

The balance carried forward included 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.

During the year ended 30 June 2006 the RDF advanced to Harness Racing NSW \$1.038million in consultation with and agreement of the Harness Racing Clubs Committee to top up the distribution for that year. It is the intention of the Board of Harness Racing NSW to repay this advance from future TAB distributions without adversely affecting existing prizemoney levels. This has been treated as a contingent asset as the repayment of the advance is dependent upon sufficient improvement of the TAB distribution.

	Note	2006 \$	2005 \$
<b>8. CASH FLOW STATEMENT</b>			
Reconciliation of New Cash Provided By (Used In) Operating Activities to Operating Surplus (Deficit)			
Operating Surplus / (Deficiency)		(254,311)	418,077
Changes in Assets and Liabilities			
(Increase) Decrease in Receivables		(253,686)	(878)
Increase (Decrease) in Payables		239,489	(52,716)
<b>Net Cash Provided By (Used In) Operating Activities</b>		<b>(268,508)</b>	<b>364,483</b>

**9. FINANCIAL ASSISTANCE PAYMENTS & COMMITMENTS OUTSTANDING**

Club	Project	Commitment B/ Forward from 30/6/2005 \$	Funding approved 2005/06 \$	Payments Made 2005/06 \$	Commitment Remaining 30/6/2006 \$
Bulli	Water tanker		4,891	4,891	-
Dubbo	Semaphore board		14,091	14,091	-
NSWHRC	Menangle feasibility study	15,369	-	-	15,369
NSWHRC	Replacement mobile barrier	56,982	-	56,982	-
NSWHRC	Legal fees – Intracode dispute		52,992	52,992	-
Parkes	Track rectification		7,379	7,379	-
Penrith	Replacement mobile barrier		56,982	56,982	-
Penrith	Replacement water tanker		74,329	74,329	-
Penrith	Hawkesbury track resurfacing	13,636	-	13,636	-
Riverstone	Perimeter fencing		15,000	15,000	-
Tamworth	Replacement mobile barrier		18,163	18,163	-
Tamworth	Legal fees re lease dispute		2,582	2,582	-
Young	Construction of judges' tower	36,429	28,913	65,342	-
Young	Bore, storage tank and pump		26,569	26,569	-
		<b>165,762</b>	<b>258,545</b>	<b>408,938</b>	<b>15,369</b>

		Commitment B/ Forward from 30/6/2005 \$	Funding approved 2005/06 \$	Payments Made 2005/06 \$	Commitment Remaining 30/6/2006 \$
<b>Assistance for projects \$50,000 and over</b>					
Projects	Interest free Interminable	36,429	28,913	65,342	-
	Loans				
	Grants	113,964	127,321	241,285	-
<b>Assistance for projects under \$50,000</b>					
Projects	Interest free Interminable				
	Loans				
	Grants	15,369	102,311	102,311	15,369
<b>Assistance all projects</b>		<b>165,762</b>	<b>258,545</b>	<b>408,938</b>	<b>15,369</b>

END OF AUDITED FINANCIAL STATEMENTS